

Speaker Vos, Speaker Pro Tem Kramer, President Ellis, Majority Leader Fitzgerald, Minority Leader Larson, Minority Leader Barca, members of the Wisconsin Supreme Court, Constitutional Officers, tribal leaders, members of the Cabinet, distinguished guests, members of the Legislature, most importantly, fellow citizens of the great state of Wisconsin, it is an honor to appear before you tonight.

Before we get started, I would like to introduce the First Lady of Wisconsin, my wife, Tonette. Also in the gallery are our sons, Matt and Alex, and my family.

Next to my wife is Major General Don Dunbar, our Adjutant General. I want to thank him and the more than 10,000 members of the Wisconsin National Guard.

Ladies and gentlemen, we are moving Wisconsin forward with bold vision and bright hope for the future.

Two years ago, when I first stood here as your new governor, Wisconsin was facing a \$3.6 billion budget deficit, property taxes had gone up 27 percent over the previous decade, increasing every year, and the unemployment rate was 7.8 percent.

Today, Wisconsin has a \$342 million budget surplus, property taxes on a median valued home went down in each of the last two years, and the unemployment rate - well - it's down to 6.7 percent.

We're turning things around. We're heading in the right direction. We're moving Wisconsin forward.

And unlike other states, we avoided significant tax increases, massive layoffs and cuts in programs, like Medicaid. Instead, we put in place long-term structural reforms that helped us balance state and local government budgets for years to come. What we did was think more about the next generation than we did about the next election—and it worked.

For the first time in our state's history, we set money aside in two consecutive years for the rainy day fund. Our bond rating is solid and our pension system is the only one in the country that is fully funded.

We made tough, but prudent, decisions to get our fiscal house in order. Today, unlike the federal government and many of our neighboring states, we have a surplus, which will allow us to invest in our priorities.

With the introduction of my proposed budget next month, I will lay out a clear plan for reducing the burden on hard-working families by lowering income taxes on the middle class. We want to continue to put more money in the hands of the hard-working taxpayers and small business owners in our state.

Unlike the message coming out of Washington, I believe that putting more money in the hands of the people—instead of the government—is good for the economy.

Helping the people of Wisconsin create more jobs is my number one priority.

During the three years before I took office, our state lost nearly 150,000 jobs. At the low point, unemployment topped 9 percent. Soon after taking office, I called the legislature into a special session on jobs and we enacted some of the most aggressive plans in the country.

Today, the unemployment rate has dropped to 6.7 percent. New business ventures are up nearly 11 percent. And we changed the opinion of our employers—for the better. In 2010, a mere 10 percent of the employers surveyed said that our state was headed in the right direction. In 2012, 93 percent said Wisconsin was heading in the right direction.

Over the past two years, Wisconsin moved up 21 spots on Chief Executive Magazine's ranking of the best and worst states for business. CNBC moved us up to number 17 and Site Selection Magazine ranked our state as high as 13.

Employers feel good about our state. During the past year, Kohl's Department Stores worked with us and announced the creation of 3,000 new jobs. Plexus in Neenah is adding 350 jobs and Alliance Laundry Systems in Ripon is adding another 270 jobs.

While big announcements like that are great, we are just as excited about companies like Nueske's Meat Products in Wittenberg adding 21 jobs, Poclair Hydraulics in Sturtevant adding 50 jobs, and Premium Waters in Chippewa Falls adding 21 jobs. Small business owners, in particular, want certainty and we have dramatically improved the business climate in our state.

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Still, there is much more work to be done in the coming year. Our top priority is helping the people of our state create more jobs. As you know, we have an ambitious goal: 250,000 jobs by 2015.

After all that we've gone through in Wisconsin over the past few years, some have suggested that this goal is too difficult to reach. With the protests and recalls combined with the slow recovery at the national level, the fiscal cliff, and ongoing worries about health care mandates coming out of Washington, they say there are plenty of reasons why it has been hard to create jobs.

But in Wisconsin, we don't make excuses... We get results.

With this in mind, we are going to double down and be even more aggressive with our efforts to improve the jobs climate in this state. That's what I heard during my listening sessions held around Wisconsin. People want us focused on things that will improve the economy and our way of life.

That's why I laid out five very clear priorities for the next two years: create jobs, develop the workforce, transform education, reform government, and invest in our infrastructure. And it's also why I've asked the members of the legislature to stay focused on these same priorities—and not get distracted on other issues.

One of the best ways we can show the people of Wisconsin that their state government is focused on jobs is to pass a bill that streamlines the process for safe and environmentally sound mining. Start with the legislation that was approved in the Joint Finance Committee last session, include some reasonable modifications, and send me a bill to sign into law early this year.

A mine would be a lifeline to people in northwestern Wisconsin, where the unemployment rate in Iron County is the 2nd highest in the state at nearly 12 percent. But the benefits will be felt all across Wisconsin.

We have the potential for a billion and a half dollar investment here in our state that could lead to as many as 3,000 construction-related jobs and 2,800 long-term jobs. It's no wonder that I've heard from people in places like Clinton and Wausau, Green Bay and Prairie du Chien, Superior and Chippewa Falls, all who want us to pass this bill.

We need to get started on this project as soon as possible. Tonight, please join me in welcoming a number of people who really want to get to work.

Joining me are Josh Dennis, Larry Youngs, Cindy Lafortune, Karl Krall, Richard Galarno, Curt Lusua, Adam Kaseno, Steve Anderson, Harold Wickman, and Ryan Haffenbredl. These operating engineers are members of Local 139, who are looking for work.

Also joining us tonight are carpenters and millwrights from northern Wisconsin locals of the United Brotherhood of Carpenters, welcome Dana Tonnelli, Bob Polencheck, Charlie Steed, Al Ida, Dan Gillespie, Pete Langreck, David Grottke, and Jim Berrens.

Together, these folks are holding up the flag of the great State of Wisconsin. On the right side of the seal is the image of a miner. In the upper right corner are the tools of a miner. And on the top of the seal is a badger, which comes from the nickname given to early settlers who were miners. If any state can move forward with a way to streamline the process for safe and environmentally sound mining, shouldn't it be the Badger State?

From the mining bill to mining for jobs... earlier this year, I spoke with Kerry Frank, CEO of Comply365. Her business was located in Illinois, but she was looking for a new headquarters, where they could expand and grow. Kerry told me she liked how we are running things here in Wisconsin and it was one of the big factors in her choice to move her company to Beloit. Even more exciting, since moving here in September, Kerry has hired seven more employees. Kerry, thanks for being here tonight, and thank you for being a partner in job creation.

Now, while recruiting employers from Illinois is almost as exciting as beating the Bears, most new jobs are going to come from new businesses created here or from small businesses growing in our state. We need to help them tap into the capital they need to make investments that will lead to more jobs.

During the coming year, I look forward to working with lawmakers in both parties on ways to improve the amount of investment capital available to help start-ups and other small businesses grow new jobs in our state.

In addition to access to capital, we want to help small businesses grow by lowering the cost of doing business in our state. In particular, we want to streamline the process, so what we do enforce is about common sense and not about bureaucratic red tape.

You may remember, last year, I called for state agencies to work with the reformed Small Business Regulatory Review Board to identify unnecessary, obsolete, and burdensome regulations.

In a survey, we asked employers what we can do to help them create jobs in the upcoming year and the most common answer was decrease the amount of state regulations. And they gave us plenty of feedback on rules to review.

Tonight, I am pleased to release this report, which identifies over 300 rule modifications in 218 administrative code chapters. Making these changes will make it easier to do business in the state, while maintaining the safety and health of our citizens.

Speaker Vos has also made this a priority and my administration looks forward to working with him and other members of the legislature to improve our state's regulatory climate.

While our number one priority is helping people create jobs, our next priority is filling those jobs with qualified workers. One of the strengths of doing business in Wisconsin is the work ethic of our people.

Moving forward, we need enough skilled workers ready to fill jobs open today—as well as those that will be open tomorrow and in the days to come.

Survey after survey shows a tremendous need for skilled workers in key clusters, like manufacturing, health care, information technology—even in accounting and finance. My frequent visits to employers across the state affirm these reports.

Our state needs a way to accurately measure employment on a real-time basis. We need a better way to quickly measure trends and identify workforce needs by region, so we are working with members of the Legislature to enact a system to help us connect workers to jobs in areas of great need from current and future employers.

During the past year, we partnered with the Wisconsin Covenant Foundation to provide grants to technical colleges and employers in various regions to improve workforce development. The next step will come in the state budget, as we align new resources with our critical needs in the workplace.

Just a few days ago, we graduated the first class under the Wisconsin Workforce Partnership Program. Diane Stepp joined the program because she was unemployed, after being laid off, and was looking for a new career. Diane has already been hired by Amerequip Corporation in New Holstein as a CNC operator, and she started work yesterday. Diane is here with us tonight.

We also worked with the University of Wisconsin System on a new flexible degree program called UW FlexOption to help adult learners earn degrees in targeted fields. Nearly a quarter of all adults in this state have some college credit without a degree. For many, time and money are the barriers to finishing that degree.

I can relate. During my senior year at Marquette University, I was offered a full-time job at the American Red Cross. I thought I would squeeze in a course here or there and finish things off in a year or two, but then Tonette and I got married. Then we had Matt. And then came Alex.

Next thing you know, you're putting all your extra time and money into your kids. The UW FlexOption will provide a less time-consuming, less costly way to finish off a degree. It will help prepare more people to fill the critical needs we have in the workforce.

I want to thank UW System President Kevin Reilly and UW-Colleges and UW-Extension Chancellor Ray Cross for leading the charge on this exciting idea.

Part of the long-term strategy to develop our workforce is to continue to transform education in our state. The reforms we enacted over the past two years saved school districts hundreds of millions of dollars and allowed each district to hire based on merit and pay based on performance.

We can put the best and the brightest in our classrooms—and we can pay them to stay there. We finally have a way to recognize our exceptional teachers and reward them for the good work they do with our children.

Going forward, our educational efforts must be focused on performance. During the past year, State Superintendent Evers and I put together a diverse group of stakeholders from around Wisconsin—teachers, parents, school board members, taxpayers, business leaders, and others—to

talk about school and school district accountability. After a lengthy process, the first report card evaluating each school in the state was released at the start of the school year.

As many of you know, Tonette and I still have a son at Wauwatosa East High School. Like many parents, we looked at the score for Alex's school. In fact, our district actually put the scores for all of their schools right on the front of their recent newsletter. That tells me we were able to develop a transparent and objective system for measuring performance in education.

In our budget, we will lay out plans to provide a financial incentive for high-performing and rapidly improving schools. We want to reward and replicate success—all across the state.

At the same time, we will outline a plan to help failing schools fundamentally change their structure and dramatically improve their results. Our goal is to help each school excel, so every child in the state has access to a great education.

As a parent, it really is a moral imperative. As the governor, it is also an economic imperative. If we want to help employers grow here in Wisconsin, we must show them there is a steady supply of graduates with the skills needed to fill the jobs—not only of today—but of tomorrow.

We worked hard over the past year to improve education, particularly in reading. Funds in my last budget provided reading screeners to assess kids as they come into kindergarten.

This is tremendously important as research shows kids learn to read through third grade and then read to learn for the rest of their lives. We also put in place a series of other important reforms to improve our early childhood and elementary school reading skills.

One other great way to help improve reading skills is by increasing the number of people who read to our kids. Last year, I challenged all of us to mentor a child as a reading buddy.

I know we all cherish those times when we could read to our young children. With those days in my past, I partnered with a school in Milwaukee to read with a third grader. Stacy and her family are with us here tonight. Stacy continues to do a super job. At the start of this school year, I paired up with another third grader. Angelo and his mother are also here tonight.

Again this year, I challenge each of you to join with me and find some time to mentor a student in reading.

Every child should have access to a great education. We continue to expand the number of choices for families in Wisconsin—be it a traditional, a charter, a voucher, a virtual, or a home school environment. Moving forward, we want to continue to dramatically improve existing schools and give parents the opportunity to choose legitimate alternatives to failing schools.

In addition to transforming education, we must continue to reform government. Take the Waste, Fraud, and Abuse Commission, for example. So far, they have identified nearly \$456 million worth of savings. Our reforms allow state government to focus on efficiency, so taxpayers get great service without needless spending and waste.

Our reforms also gave schools and local governments flexibility to make management choices to improve their communities, while saving money. For example, our technical schools are saving millions of dollars by making simple, common sense changes to instructor schedules and overtime policies. In Racine County, they are saving money with a program that allows non-violent jail inmates to do maintenance work, like mowing grass and shoveling snow.

And much of the work being done to save taxpayers money is about finding creative solutions to problems faced by the state.

Several years ago, the previous governor closed welcome centers. As a candidate, I highlighted the importance of the tourism industry and pledged to reopen these centers.

Tonight, I'm happy to report that there are now eight Travel Wisconsin Welcome Centers staffed with people that direct visitors to the many exciting attractions all across our great state. The Department of Tourism worked with the Department of Transportation and local chambers and visitors bureaus to form a tremendous partnership that protects state taxpayers in this effort.

With me tonight are a number of our dynamic Travel Wisconsin greeters, who provide a warm welcome to all of our visitors.

It's no wonder tourism has grown to a \$16 billion industry, supporting one in thirteen jobs in our state.

Tourism is one of the many industries that benefit from a strong infrastructure system. We need to continue to invest in it to keep people working in Wisconsin.

With this in mind, I am committed to a healthy transportation system that includes roads, bridges, freight rail, ports, and airports. Whether it is traveling to a tourism destination or taking product to and from market, so many of our key industries—manufacturing, dairy products, timber and paper products, cranberries, vegetables, grain, sand—and soon, iron ore mining; so many of these industries depend on our strong transportation backbone.

They need it to keep their competitive edge. The MillerCoors Brewery in Milwaukee is a good example. The plant manager told us that MillerCoors is in a hyper-competitive industry. Every day, they are looking to find any competitive advantage to see who can get a cold beer on a bar in Madison, Green Bay, or even Chicago the fastest. If beer trucks are tied up in the Zoo Interchange, the MillerCoors Brewery here in Wisconsin is at a disadvantage.

In a similar way, a dairy farmer from Independence or a lumber company from Antigo or a crop farmer from Dodgeville or a dock worker from Superior all have a competitive advantage, if we have a good transportation system. That's why I am committed to improving our infrastructure.

In addition to investments in our transportation system, we need to ensure access to cost-effective and reliable sources of power, preserve our clean water advantage, improve availability of high-speed Internet connections and support our quality health care in Wisconsin.

Tonight, I invite all of you here, and all of you watching at home, to join us as we continue to move our great state forward.

Next month, I will lay out a clear plan for how to achieve these priorities when I present our biennial budget to the State Legislature. Unlike the deficit we faced two years ago, we start out in a much better position today because of the tough, but important, decisions we made over the past two years.

In many ways, our position in Wisconsin is a stark contrast to the chaos in Washington, DC. While many of our nation's leaders fail to make tough decisions, we decided to avoid failure by embracing true reform.

Still, there is much work to be done.

As I travel the state, it is clear to me why our focus on helping create 250,000 jobs by 2015 is about much more than just fulfilling a campaign promise.

Simply put, it is about helping improve the lives of 250,000 more families in Wisconsin.

You see, adding a new job is about more than just a number. Every time another job is created, and a new employee is hired, it means that another family has someone working in their household. For many, that means fewer worries about putting bread on the table or clothes on the backs of their kids—or even making the mortgage payment on the house.

I will work hard each and every day, so we can help people all across Wisconsin have the chance to have a job, and work hard to support themselves and their families for generations to come.

With bold vision and bright hope for the future, we are turning things around. We are heading in the right direction. We are moving Wisconsin forward.

Thank you, may God bless you, and may God bless the great State of Wisconsin.