Thank you. I am delighted to welcome you to Dallas for this meeting of the Governor’s Business Council.

Looking out into this audience, I see a number of individuals who have spent a better part of their lives devoted to better public policy.

We have worked together to improve our system of education, to make our communities and streets safer, to improve tort law, to keep taxes low, and to make wise investments with the revenue we do spend.

I want to say a special thank you to your chair, Charles McMahen, and your outgoing Vice-chair, Louis Beecherl, for their leadership on this council. I also want to thank Woody Hunt, Jodie Giles, Bill Wise and Michael Stevens for chairing the task forces on higher education, the math initiative, Texas-Mexico opportunities, and transportation.

The last time we met, we were in the middle of a pretty heated session. Some folks were advocating higher gas taxes, new nursing homes taxes, even passing a state income tax. Others said we should dip into the state’s Rainy Day Fund so we could spend more.

Someone once said that there are two certainties in life: death and taxes, but death doesn't get worse every time the legislature meets.

I’m proud to tell you that taxes didn’t this time either. In the end, fiscal discipline won the day. We invested in key priorities, issues you will discuss later today, such as a new math initiative that will help raise the confidence of our young students getting ready for college.

We tripled our investment in the TEXAS Grant Program, meaning within a short period of time, 100,000 Texans without the means to go to college will now be able to pursue that dream.

As members of the business community, you know that an investment in our children’s education is an investment in our future workforce.

We created a new two-year college program known as TEXAS Grant Two, so Texans of all ages can get marketable skills in fields like wafer production and web design, among other burgeoning fields.

We expanded our engineering and computer science programs so we send more graduates in those fields into the
tight technology labor market.

And we raised standards once again in our public schools, making the college-prep curriculum – the recommended program – the standard coursework in Texas high schools.

You cannot raise the sights of our children by lowering the bar. As long as I am governor, we will not back away from measuring student performance, and providing strict accountability.

Another important issue I have taken on has long been viewed as the conversation material of engineers and road contractors: better transportation infrastructure.

We saw a shift in the culture last session, because members began to understand that we cannot continue to endure only funding 36% of needed infrastructure projects.

Now, the big test is this November 6th, when voters will decide on numerous ballot propositions, including 2 and 15. I’m proud to say 2 and 15 is not the projected record for the Dallas Cowboys, they appear to be on their way to a few more wins than that- it is a winning combination for our future.

Proposition 15 will help build a better Texas by building on our current pay-as-you go system with innovative financing. It will mean projects funded by bonds, and more projects funded by tolls. And it will mean road dollars raised locally will stay there, with regional authorities making more decisions on transportation needs.

Proposition 2 raises the standard of living in colonias, providing $175 million in bond authority to improve roads in those sub-standard developments along the border. I have been to colonias and witnessed first-hand the conditions our fellow Texans live in.

After a heavy downpour, school buses, emergency vehicles and postal trucks cannot reach residents because the roads are so poor. This is a critical opportunity to address that important problem.

Better roads, bridges and highways are especially important along the border: the gateway to Mexico. We have seen an economic boom stimulated by NAFTA. I think it is in part why our economy is more stable than most other states.

There has never been a better time to expand ties with Mexico than now, with two forward-looking administrations led by George W. Bush and Vicente Fox. Cross-border commerce between Texas and Mexico now exceeds $100 billion each year.

Free trade lifts the tide for all the boats in the harbor. A stronger Mexico means a stronger Texas.

Let me finish by talking a little bit more about this economy. The consensus in some corners that tax cuts are to blame for tight fiscal times is wrong. Such an opinion comes from the belief that there is never enough revenue, when in fact too much spending is often the problem.

No family- no business- can operate the way some in government do, that is, when a family discovers it doesn't have enough income to do everything it wants to do, the answer is not to demand a raise, but to cut things out.

That's why you saw $555 million in line-item vetoes last session. And it's why I was a strong advocate for the record tax cuts of 1999, tax cuts that provided relief for property owners, consumers and small business owners, because surpluses should not be viewed as a license to spend, but an over-charge on the folks paying the bills.
Over the next couple of years, the differences on taxes and spending will sharpen. There will be those who say we should tax and spend our way to prosperity, and then there will be those who understand the importance of a vibrant private sector economy.

The issue before us is not the state of the current state budget, which has been certified as balanced, but the long-term health of this economy. And that’s where our focus must be.

In the coming months and years, realizing that the economy is uncertain, the focus of government should not be on finding new revenue sources, but on encouraging revenue generators like small and start-up businesses, and encouraging existing employers to expand and locate in Texas, creating jobs throughout our economy.

We should look at policies to stimulate growth and remove impediments to it. And when it comes to allocating revenue next session, we must work smarter by prioritizing and encouraging efficiencies.

Once we have done that, we need to look at the investments the state makes that contribute most to a stronger economy that allows all Texans to participate. In my view, the number one investment that meets this criteria is education. A close second is our infrastructure, especially transportation. Those were priorities last session, and as state investments, they are the bedrock of our future.

You are doing important work looking at our investments in education, transportation and trade with Mexico. I would ask that you also join me in thinking about how this state can provide greater incentive for economic growth, and in eliminating unnecessary spending.

We do not know what this economy will look like in a year, and therefore whether our revenue will match what we have budgeted to spend. We must begin preparing now for the worst-case scenario, and begin thinking about where we can reduce spending.

I will be issuing a charge to agency heads to scrub their budgets, and cut fat. I welcome your ideas, and your experience- experience emanating from the private sector, and your knowledge of state government.

Thank you for being here today. I think you will find our state demographer, Steve Murdock, provides a fascinating overview of where our state is heading, and what challenges lie ahead.

Keep up the good work- it is critical to a better Texas.