Thank you, David Fields, president and CEO of UniCare.

It is an honor to be here with the men and women who are driving the engines of prosperity in Texas, and who have helped create more than 330,000 new jobs in less than three years.

I want to thank my friend and former colleague Bill Hammond for the leadership he continues to provide the Texas Association of Business.

And I especially want to congratulate those businesses represented here who have earned the designation as one of the top places to work in Texas.

Make no mistake: this is not merely a statewide award.

If you are the cream of the crop in the Texas marketplace, you are one of the best in the world. So congratulations, and thank you.

This week marked the birthday of a president I admired greatly, despite the fact I was a Democrat during his tenure in office, President Ronald Reagan.

President Reagan stood for simple but undeniable truths.

I thought of one such truth as I travel to the Middle East and Asia two weeks ago: that the greatest ally to freedom in the world is a strong America.

A strong America is the key to a safer America.

Our Texas soldiers, sailors, airmen and Marines serving in Iraq, Kuwait, Pakistan and Afghanistan asked me to deliver a message back home.

They said, “Governor, tell the people not to believe what they hear in the national media, we’re changing these troubled regions and we’re winning this war!”

One story illustrates how we are changing hearts abroad.
Before the earthquake in Pakistan, American aircraft that flew over that region were likely to elicit gunfire from below.

After seeing wave upon wave of American aircraft bringing in relief supplies, do you know what is now the most popular gift item in that part of the world?

A small model of a Chinook helicopter.

Building a stronger and safer America means we must not only fight the War on Terror on foreign front, we must do everything possible to keep it off American soil.

That is why, while I am so proud of what our troops are accomplishing overseas, it mystifies me that we are leaving our front door open to those who seek us harm. It is time for Washington, once and for all, to take seriously the need to secure our international borders.

Every day narco-terrorists are running drugs, weapons and people across the border into Texas.

Some have been wearing Mexican Military uniforms.

We are currently investigating a recent episode in Hudspeth County where smugglers not only wore Mexican military garb, but carried military rifles and drove military Humvees.

I don't want to jump to conclusions, but the Mexican response doesn't inspire confidence.

Not only have they suggested drug smugglers may have been using Mexican military uniforms to discredit the military, but one official even suggested it may have been an American effort to smuggle drugs into Mexico.

Intelligence reports indicate the Texas border is viewed as a prime point of entry by terrorist organizations.

So what is the federal response?

If you are picked up for illegally entering somewhere near Del Rio, and you are an OTM, industry slang for “Other Than Mexican”, there remains a pretty good chance, because detention space is limited, that federal officials will place you on a bus and drop you off a hundred miles away in San Angelo.

Then you will be asked to show up for a court hearing a month later, but until then you are free to wander our streets.

They ought to play the Southwest Airlines “ding” sound when they walk off the bus because they are free to move about the country!

Enforcing our borders is a federal responsibility.

But we simply cannot wait on Washington to do its job.

That's why I put forward a border security plan that so far has provided $10 million to an operation run by border sheriffs, Operation Linebacker, which uses additional patrol hours and new technology to detect and track criminal activity along the border.
I have also authorized millions of additional dollars for rapid deployments teams of state troopers, and more criminal investigators.

And tomorrow, I will outline some new steps Texas is taking to deal with the threat posed by illegal activity across the border region.

While we must prevent the entry of those who seek to do us harm, we must never stop those who seek the opportunities of freedom.

And as long as I am governor, Texas will continue to welcome all who come here in accordance with our laws to provide a better life for their loved ones.

The reason so many people from around the world, nearly 2 million in the past five years alone, come to Texas is because this is a land of unlimited opportunity.

Our goal should be to make Texas even more inviting to all who want to seize the opportunities of tomorrow.

One of the best ways we can improve opportunity is to continue our efforts to reform education.

We can be proud of what we have accomplished on this front in recent years.

Since 1999 we have put $10 billion in new money into the classroom.

We are the first state in the nation to require a college-prep curriculum for students in high school today.

Texas was one of only three states to achieve significant improvement on the fourth grade math and reading tests, and the eighth grade math test.

And our schools are going to be even better because I ordered that 65 percent of all education dollars be spent on direct classroom instruction.

Reforms, higher standards and stronger accountability have helped our schools climb the mountain of success.

But funding the status quo won't get us further up the mountain.

That's why I support performance pay for teachers, and why I recently ordered one of the first statewide merit pay systems in America.

If you pay excellence the same as mediocrity you make mediocrity its own incentive.

Let's pay the best and brightest more so more will seek that status.

And let's not be defensive about this kind of idea.

After all, it has worked pretty well for more than 200 years in private industry.

That's because the American system of enterprise thrives off of competition.
Competition in the classroom is healthy.

Nothing we do will revolutionize the classroom more than performance pay for teachers.

Some may fight it, but our children will benefit from it.

Whether education reform can be accomplished in the same 30-day special where legislators must take up tax reform remains to be seen.

I will ask legislators to start on the challenge the Supreme Court has deemed unconstitutional: and that is our property tax system.

This is a rare opportunity to reform our tax structure to make it more modern, broader and fairer.

And it is a chance to give Texans a property tax cut that stands the test of time.

If Texas is to continue to be a national leader in job creation, any new tax system we adopt must reward jobs and investments, not penalize them.

Today only one in 16 businesses pays the franchise tax.

It has become a voluntary tax that is an unstable source of revenue for our schools.

I think it makes more sense to have a broader tax that captures more of the economy at a low rate.

There are still some folks out there who doubt that the legislature can overcome past disputes and pass a tax reform bill in the upcoming special session.

Of course, some of the same folks never thought they would see John Sharp and me in the same room again.

But we put partisanship aside to work together on this challenge.

The commission is working diligently on tax reform, taking input all across the state.

I think they will produce a plan that is fair, that protects jobs, and that provides a long-term source of revenue for our schools.

Some want them to propose a tax hike to raise billions for schools.

But that argument ignores two things.

First, under the current system there is little capacity left to raise additional revenue for education because property taxes are near the cap in most districts, and the current franchise tax will produce less revenue over time if not reformed.

With comprehensive reform of the franchise tax, we will generate more money for education as the economy grows by simply capturing more of the economy, while also providing meaningful property tax relief.
In other words, if you do tax reform right, you generate more money for schools.

Second, we don't need to raise taxes one cent to generate more money for education, we just need the comptroller to collect the nearly $3 billion owed her office today by deadbeats and tax cheats.

To some tax reform is just a convenient phrase to push a big spending agenda.

To me, it must always be about ensuring opportunity for employers and families.

Folks in Austin think too often about how much money a tax will generate and not who generates it.

I will never forget you, the employers who create jobs and fund our schools, the individual citizens who do your fair share and expect government to live within its means like you and your family.

One way government can operate more like our families is by itemizing more expenditures in the checkbook.

We need greater transparency in the state budgeting process so that the executive branch can better exercise its authority to cut wasteful spending.

For instance, if a governor wants to veto wasteful spending in the higher education budget, he has to veto all the funding for an entire university.

That's one way to make sure the Aggies win the Big 12 championship. But too drastic.

Ask legislators to join me in the effort to open up the state budget so the public can see greater detail about expenditures.

Stop collapsing numerous spending items into one lump sum.

If an expenditure is justifiable, then it can stand on its own in the light of day.

There's a simple principle at work here: the taxpayers picking up the tab look ought to be able to look at every item on the receipt.

I am proud of what Texas has accomplished when it comes to creating an environment that welcomes jobs and rewards those who create them.

As we address the great challenges of reforming our tax system, improving education and securing our international borders, I ask each of you for your continued guidance and support, and I want you to know that my door is always open.

I appreciate what you do for our state and our people.

You give Texans something far greater than jobs and paychecks, and that is the opportunity to provide a better life for the next generation.

Thank you, and God bless you.