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2007 State of the State Address -- Tuesday, 01/09/2007  
California Governor Arnold Schwarzenegger

I want to thank the legislature, as I did in my Inaugural address, for putting the people above politics last year—an election year. The federal government was paralyzed by gridlock and games. But you here in this chamber acted on infrastructure, the minimum wage, prescription drug costs and the reduction of greenhouse gases in our atmosphere. What this said to the people is that we are not waiting for politics. We are not waiting for our problems to get worse. We are not waiting for the federal government. We are not waiting—period. Because, the future does not wait.

I believe that together not only can we lead California into the future...we can show the nation and the world how to get there. We can do this because we have the economic strength, we have the population and the technological force of a nation-state. We are the modern equivalent of the ancient city states of Athens and Sparta. California has the ideas of Athens and the power of Sparta.

As you know, California, if a nation, would be the sixth largest economy in the world. But it goes so much beyond that. According to The Economist magazine, California is home to three of the top six universities in the world. California has more Nobel Laureates, more scientists, more engineers more researchers, more high-Tech companies than any other state. We are responsible for one of every four U.S. patents. We account for one of every five U.S. technology jobs. We attract almost half of all U.S. venture capital, which funds the ideas and industries of the future. California leads the nation in biotechnology. We lead the nation in nanotechnology. We lead the nation in medical technology. We lead the nation in information technology. And we will soon be recognized as the leader in clean technology.

Worldwide, clean-tech investments are up by 50 percent in the first nine months alone last year. California is spurring clean technology by the environmental standards we are setting. Our innovation, our science, our knowledge, our creativity is un-equaled on the face of the earth. The 21st century can be the Golden Century for our Golden State.

So I have asked myself, what must we do in this chamber to help fulfill this future? It starts very simply. We can start by all of us working together.

Usually when a governor gives his State of the State Address, he talks about his vision. This year I want to talk about "our" vision, because I think we all want the same thing for Californians.

Let me tell you about some of the ideas of our legislative leaders. Speaker Nunez has made research into alternative energy and transportation fuels a top priority this year. Speaker Nunez, I will work with you on that.

A top priority for Senate Leader Perata is to create a world-class water transit system in the Bay area that could maintain vital transportation links after an earthquake or other disaster. Senator Perata, I will work with you on that.

Republican leaders in both the Senate and the Assembly have made debt reduction and building water storage their top priorities this year. Senator Ackerman, Assembly Leader Villines, I will work with you.

Let me explain some of the other areas where we can come together this year. In November, the people approved the first phase of infrastructure bonds necessary to rebuild our state.

During a speech at the Pat Brown Institute, I heard Senator Perata say that the people of California expect to see construction cranes right away. They want to see action. Well Senator Perata, I absolutely agree with you on that. We, the elected leaders, must authorize the cranes, the bulldozers, the cement trucks to begin their work without delay.

This is a test for those of us in this chamber in another way. Will the process turn into a porkfest as it did in Washington with all the earmarks and the backroom deals? Or, when we have allocated the spending, will the people say, "They spent our money wisely?" Yet this is more than just about the people's money. It is about the people's trust. Let us not disappoint them.

We must also be good stewards, because we must go back to the people for permission to build more and to finish the job. The building has just begun. One year ago I unveiled the 200 billion dollar plan that prepared California for the next ten years. We are a big state and we have big needs. And we have made a big down payment. But the job is not finished.

Some areas, such as prisons or water storage were not included. And we still have more roads to build, more schools to construct, and more universities to equip to keep up with the future. As I said last year, California's population is expected to increase by as much as 30 percent over the next 20 years. This is the equivalent of adding three new cities the size of Los Angeles'. We have to prepare for that growth.

So this year we must invest in five infrastructure areas in particular—public safety, water supply, transportation, education and disaster preparedness.

Now let me give you a couple of examples why we must act. Public safety is the first priority of government. Our prisons are in crisis. We have inherited a problem that was put off year after year after year. Last year I called a special session to address the crisis. That session was not successful, so I declared a state of emergency. It is still an emergency. Our prison system is a powder keg. It poses a danger to the prisoners, a danger to the officers... and a danger to the well-being of the public if—as the federal courts have threatened—we are forced to release prisoners because of overcrowding. We have thousands of prisoners housed in gymnasiums, TV rooms, dining rooms, hallways, anywhere there is space. You all know 172,000 prisoners in facilities designed to hold about 100,000. That is a danger and that is a disgrace.

Here are the court-ordered choices we face: We build more prisons or we release criminals. We build more prisons or the court takes the money from education and health care and builds the prisons itself. Now I am not in favor of releasing criminals. Nor am I in favor of taking money from classrooms and emergency rooms to build cells. Where do you stand? We must act. And we must act this year. Which is why on December 21st, I stood with Senator Gloria Romero and Senator George Runner and Assemblyman Greg Aghazarian to introduce comprehensive prison reform. We need a justice system that is fair, that is tough and that offers hope for those who can still turn their lives around.

Now let me give you another infrastructure example. The number of high technology companies that we have in California is related to how many brilliant scientists we have in our universities...which in turn relates to how many smart undergraduates we have... which is related to the number of high school students who graduate... and it goes down through the grades. That small child with the sticky hands starting the first day in kindergarten is the foundation of California's economic power and leadership.

We must invest in education. But it is not just how much money we spend but it is how we spend it. I have seen the need with my own eyes as I've toured schools across the state. I went to a school with bed sheets on the windows rather than blinds. I went to a school that was so overcrowded that they used the gyms locker-room for teaching space.

The education bond that passed in November builds 10,000 new classrooms and renovates 38,000 more, but that gets us only through the next two years. We need to build for the future.

This year I ask you to invest in 15,000 more classrooms and renovate 40,000 more. Yet we must build not only structures, but accountability and transparency into our education system. As a step towards the day when parents will have real choice in our public education system where to send their children, we should provide parents with relevant, accessible information, not bury it in bureaucracy. If you can get information about a car online, why can you not get information

about your local school online? What percentage of money goes into the classroom? Does the school offer after-school programs, music, art, physical education? What is the graduation rate? The drop-out rate? You cannot easily get this information today.

So how can a school or a school district be held accountable? So, I want to work with the legislature to make this information readily available and user-friendly for the parents so that they can make intelligent choices about their child's school.

We must also continue to reinvigorate career tech education, I love career tech, love it, and we must support quality charter schools and find innovative solutions to the teacher shortage. I will not discuss all of our infrastructure proposals this evening, but I want to say one final thing about this topic. Building California and rebuilding California is not a burden. It is not a chore. It is a privilege. It is a privilege to be able to help this state reach its full potential. It is a privilege to be able to help the future generations fulfill their promise. And when they look back, they will see you in this room, and they will be grateful for what you have done.

Now, in addition to addressing our infrastructure last year, the legislature joined with me in passing the historic global warming measure that caps greenhouse gas emissions.

We hear so much about climate change. One area where we definitely need the climate to change is the national government's attitude about global warming. It would not act so California did. California has taken the leadership in moving the entire country beyond debate and denial... to action. As California goes, so goes the rest of the nation.

So, I ask you to appropriate the funds to implement this global warming legislation, so that we can become part of the world market that is already trading credits for the reduction of greenhouse gases.

I also ask you to work with me on another environmental first. I propose that California be the first in the world to develop a low carbon fuel standard that leads us away from fossil fuels. And let us use the freedom and the flexibility of the market to accomplish it. Let us blaze the way, for the U.S. and for China and for the rest of the world. Our cars have been running on dirty fuel for too long. Our country has been dependent on foreign oil for too long.

So, I ask you to set to motion the means to free ourselves from oil and from OPEC.

I ask you to encourage the free market to overthrow the old order.

California has the muscle to bring about such change. I say use it.

Now lets talk about health care. When I first came here in 1968, one of the first things I did was to ask people where can I get health insurance because I knew that, as an athlete, injuries can happen, as I could find out very recently. Here is the ironic thing about health care today. California's medical care, its medical knowledge, its medical technology is as strong and vibrant as a bodybuilder. Yet our health care system itself is a sick old man.

You know the reasons – it's rising costs and lack of coverage—nearly 6.5 million Californians have no insurance at all. Recently I visited California Hospital Medical Center in downtown Los Angeles and they are doing a terrific job, fantastic. Last year, the uninsured people who came to the emergency room left behind 60 million dollars in unpaid bills. This is just in one hospital. Multiply that by the number of hospitals in California, and the amount runs into the billions of dollars. Guess who's paying for all this? You and me and all of us who are lucky enough to have coverage. That's who pays.

The people with insurance pay a hidden tax through higher deductibles, higher costs, higher premiums, higher copays.

This year we must take action on health care. Yesterday I announced my proposal. I know you also have your proposals and I love that. I have always said you can never have too many ideas. So I welcome all those ideas, regardless of origin, are still on the table. I do believe, however, that the ultimate answer will come from the principle of shared responsibility – shared responsibility by the government, by employers, by health plans, by doctors, by hospitals and by the individual.

In the past, health care reform was always dead on arrival. But this year I can feel something different in the air. I can feel the energy, the momentum, the desire for action. People really want to get this taken care of. You can feel that the time is right. As a matter of fact, both leaders have said to me, "We will get this done." My Republican friends have said "We will get this done." We will get this done. California is going to lead the nation in breaking new ground to meet the health care needs of its people.

Now, tomorrow, I will outline my budget, which is balanced and which fully funds education. Now, when I first became governor, we had an operating deficit of \$16.5 billion. Our state was almost in bankruptcy. I said that through discipline and through new revenues that flow from economic growth, we would reduce the deficit over time. Last year, we got it down to \$4 billion. Tomorrow, I will propose a budget that will dramatically reduce this deficit even further.

Now here is the great thing. We have made this great progress without raising taxes. We have reduced the deficit, not by burdening the people and our businesses, but by encouraging economic growth. This year California has the

highest revenues in its history, the highest revenues in its history and the lowest unemployment rate in 30 years. The state of our state is strong.

We still have very difficult choices to make on the budget and other things, and I am eager to work with you on these choices. I am not asking you not to be Republicans or not to be Democrats or to give up your principles. I am asking you to be Californians and to work out a solution that is the best possible answer to the challenges that we face. As long as we recognize some progress toward our individual visions—whether it's Republican or Democrat—this should allow us the freedom to reach a budget agreement and to move forward together.

And one last item. And I don't want to be a pest about this. I again this year raise the issue of political reform. California politics is a centrifuge that forces voters and policies and parties away from the center. The centrifuge is powered by the way our legislative and congressional districts are drawn. Now we all know what they're talking about here. They are drawn to eliminate party competition. They work against the mainstream, which is where most Californians are. Currently, ours is not a system of the people, by the people and for the people. It is a system of the parties, by the parties and for the parties.

In the past three election cycles, only 4 out of California's 459 congressional and legislative seats changed hands. There was more turnover in the Hapsburg monarchy than in the California legislature.

I ask you to work with me to create an independent commission to fix a political system that has become petrified by self-interest. California certainly is not alone in this. No state legislature in U.S. history has put a redistricting reform on the ballot. California though can be the first, we can be the leader.

You will not benefit politically from this. I will not benefit politically from this. But the people will benefit from this. I ask you to work with me to do the right thing for the people.

Let me close with this thought. We accomplished historic things last year. Let us make this year historic as well. I know that what I have proposed is an ambitious agenda. I heard that last year and I heard the year before that and the year before that. Yes, it's an ambitious agenda, but we must be ambitious to get California to the future. We are addressing needs that have been ignored for decades. This is important work. It is hard, it's heavy work. Yes, I know. What we are doing relates directly to the kind of state this will be in ten or twenty years. But is this not what government should be doing?

For too long California has just stared at this mountain of the future. We couldn't climb it because our current problems blocked the path. We couldn't climb it because it was politically too steep. We couldn't climb it because we couldn't agree on the route that would take us there. But last year, we made the decision,

we took a deep breath and we began our ascent. Working together we can scale that mountain. We can stand on top of it. And one day we will look down from it and say to ourselves, look how far we have come, look where we are, look what we have accomplished for the people. Let us continue the climb we began last year.