

Edmund G. Brown Jr
State of the State Address
January 18, 2012

(Remarks as prepared)

As required by the state constitution, I am reporting to you this morning on the condition of our state.

Putting it as simply as I can, California is on the mend. Last year, we were looking at a structural deficit of over \$20 billion. It was a real mess. But you rose to the occasion and together we shrunk state government, reduced our borrowing costs and transferred key functions to local government, closer to the people. The result is a problem one fourth as large as the one we confronted last year.

My goal then was to balance budget cuts with a temporary extension of existing taxes—if the voters approved. You made the reductions and some very difficult decisions but the four Republican votes needed to put the tax measure on the ballot were not there. So we are left with unfinished business: closing the remaining gap.

Again, I propose cuts and temporary taxes. Neither is popular but both must be done. In a world still reeling from the near collapse of the financial system, it makes no sense to spend more than we have. The financial downgrading of the United States, as well as of several governments in Europe, should be warning enough. It is said that the road to hell is paved with good intentions and digging ourselves into a deep financial hole—to do good—is a bad idea. In this time of uncertainty, prudence and paying down debt is the best policy.

For my part, I am determined to press ahead both with substantial budget cuts and my tax initiative. The cuts are not ones I like but the situation demands them. As for the initiative, it is fair. It is temporary. It is half of what people were paying in 2010. And it will protect our schools and guarantee—in the constitution—funding for the public safety programs we transferred to local government. With enough time, we can and should devise more permanent tax reform but for now we should finish the job of bringing spending into balance with revenues.

Putting our fiscal house in order is good stewardship and helps us regain the trust of the people. It also builds confidence in California as a place to invest and realize one's dreams. Contrary to those critics who fantasize that California is a failed state, I see unspent potential and incredible opportunity. Every decade since the 60's, dystopian journalists write stories on the impending decline of our economy, our culture and our politics. Yes, it is fair to say that California is turbulent, less predictable and, well, different. Yet, look at the facts.

After the mortgage bubble burst in 2007, California lost a million jobs, much of it driven by the overleveraged construction industry and its financial partners in the under-regulated mortgage industry. The result is a recovery far slower than after the previous six national recessions. But now we are coming back. In 2011, California personal income grew by almost \$100 billion and 230,000 jobs were created—a rate much higher than the nation as a whole.

Contrary to those declinists, who sing of Texas and bemoan our woes, California is still the land of dreams—as well as the Dream Act. It's the place where Apple, Intel, Hewlett-Packard, Oracle, QUALCOMM, Twitter, Facebook and countless other creative companies all began. It's home to more Nobel Laureates and venture capital investment than any other state. In 2010, California received 48% of U.S. venture capital investments. In the first three months of last year it rose even higher—to 52%. That is more than four times greater than the next recipient, Massachusetts. As for new patents, California inventors were awarded almost four times as many as inventors from the next state, New York.

California has problems but rumors of its demise are greatly exaggerated.

The year 2012 presents plenty of opportunity and, if we work together, we can:

Stimulate jobs
Build renewable energy
Reduce pollution and greenhouse gasses
Launch the nation's only high-speed rail system
Reach agreement on a plan to fix the Delta
Improve our schools
Reform our pensions, and,
Make sure that prison realignment is working—to protect public safety and reduce recidivism.

Last year, I appointed a top advisor with an impressive background in the private sector and charged him with finding out what doesn't work for business in this state and how to fix it. What he heard consistently was that business needed an effective champion to navigate the state's plethora of complex laws and regulations which can discourage investment and job creation. You enacted a law to restructure our office of business development and place it in the governor's office. Under the name GO-BIZ, we now have a point of contact at the highest level for businesses large and small. More than that, the GO-BIZ office is staffed with people who understand what it's like to be in business and stand ready to intervene and give real help to get businesses open and projects off the ground.

Already California is leading the nation in creating jobs in renewable energy and the design and construction of more efficient buildings and new technologies. Our state keeps demanding more efficient structures, cars, machines and electric devices. We do that because we understand that fossil fuels, particularly foreign oil, create ever rising costs to our economy and to our health. It is true that the renewable energy sector is small relative to the overall economy but it pays good wages and will only grow bigger as oil prices increase and the effects of climate change become more obvious and expensive.

I have set a goal of 20,000 megawatts of renewable energy by 2020. You have laid the foundation by adopting the requirement that one third of our electricity come from renewable sources by that date. This morning I can tell you we are on track to meet that goal and substantially exceed it. In the last two years alone, California has permitted over 16,000 megawatts of solar, wind and geothermal energy projects.

In the beginning of the computer industry, jobs were numbered in the thousands. Now they are in the millions. The same thing will happen with green jobs. And California is positioned perfectly to reap the economic benefits that will inevitably flow.

California also leads the nation in cleaning up the air, encouraging electric vehicles and reducing pollution and greenhouse gases. Our vehicle emissions standards—which have always set the pace—now have been adopted by the federal government for the rest of the country.

Under AB 32, California has stepped out and crafted a bold plan to deal with climate change and foreign oil dependency. The plan will require less carbon in our fuels, more efficient technologies across a broad swath of businesses and a carefully designed cap and trade system that uses market incentives instead of prescriptive mandates.

As a result, California is attracting billions of dollars in clean tech venture capital investments. In 2011, almost 40% of such investments were made in California, making our state not only the leader in the nation but in the world.

My commitment is to continue these innovative programs and build on them in the coming year in every way that I can.

Just as bold is our plan to build a high-speed rail system, connecting the Northern and Southern parts of our state. This is not a new idea. As governor the last time, I signed legislation to study the concept. Now thirty years later, we are within weeks of a revised business plan that will enable us to begin initial construction before the year is out.

President Obama strongly supports the project and has provided the majority of funds for this first phase. It is now your decision to evaluate the plan and decide what action to take. Without any hesitation, I urge your approval.

If you believe that California will continue to grow, as I do, and that millions more people will be living in our state, this is a wise investment. Building new runways and expanding our airports and highways is the only alternative. That is not cheaper and will face even more political opposition.

Those who believe that California is in decline will naturally shrink back from such a strenuous undertaking. I understand that feeling but I don't share it, because I know this state and the spirit of the people who choose to live here. California is still the Gold Mountain that Chinese immigrants in 1848 came across the Pacific to find. The wealth is different, derived as it is, not from mining the Sierras but from the creative imagination of those who invent and build and generate the ideas that drive our economy forward.

Critics of the high-speed rail project abound as they often do when something of this magnitude is proposed. During the 1930's, The Central Valley Water Project was called a "fantastic dream" that "will not work." The Master Plan for the Interstate Highway System in 1939 was derided as "new Deal jitterbug economics." In 1966, then Mayor Johnson of Berkeley called BART a "billion dollar potential fiasco." Similarly, the Panama Canal was for years thought to be impractical and Benjamin Disraeli himself said of the Suez Canal: "totally impossible to be carried out." The critics were wrong then and they're wrong now.

Another huge issue we must tackle is water. Last week, Secretary of the Interior, Ken Salazar - met here in Sacramento with those in my administration who are working to complete the Bay Delta Conservation Plan. Together we agreed that by this summer we should have the basic elements of the project we need to build. This is something my father worked on and then I worked on—decades ago. We know more now and are committed to the dual goals of restoring the Delta ecosystem and ensuring a reliable water supply.

This is an enormous project. It will ensure water for 25 million Californians and for millions of acres of farmland as well a hundred thousand acres of new habitat for spawning fish and other wildlife. To get it done will require time, political will and countless permits from state and federal agencies. I invite your collaboration and constructive engagement.

Next, I want to say something about our schools. They consume more tax dollars than any other government activity and rightly so as they have a profound effect on our future. Since everyone goes to school, everyone thinks they know something about education and in a sense they do. But that doesn't stop experts and academics and foundation consultants from offering their ideas — usually labeled reform and regularly changing at ten year intervals—on how to get kids learning more and better. It is salutary and even edifying that so much interest is shown in the next generation. Nevertheless, in a state with six million students, 300,000 teachers, deep economic divisions and a hundred different languages, some humility is called for.

In that spirit, I offer these thoughts. First, responsibility must be clearly delineated between the various levels of power that have a stake in our educational system. What most needs to be avoided is concentrating more and more decision-making at the federal or state level. For better or worse, we depend on elected school boards and the principals and the teachers they hire. To me that means, we should set broad goals and have a good accountability system, leaving the real work to those closest to the students. Yes, we should demand continuous improvement in meeting our state standards but we should not impose excessive or detailed mandates.

My budget proposes to replace categorical programs with a new weighted student formula that provides a basic level of funding with additional money for disadvantaged students and those struggling to learn English. This will give more authority to local school districts to fashion the kind of programs they see their students need. It will also create transparency, reduce bureaucracy and simplify complex funding streams.

Given the cutbacks to education in recent years, it is imperative that California devote more tax dollars to this most basic of public services. If we are successful in passing the temporary taxes I have proposed and the economy continues to expand, schools will be in a much stronger position.

No system, however, works without accountability. In California we have detailed state standards and lots of tests. Unfortunately, the resulting data is not provided until after the school year is over. Even today, the ranking of schools based on tests taken in April and May of 2011 is not available. I believe it is time to reduce the number of tests and get the results to teachers, principals and superintendents in weeks, not months. With timely data, principals and superintendents can better mentor and guide teachers as well as make sound evaluations of their performance. I also believe we need a qualitative system of assessments, such as a site visitation program where each classroom is visited, observed and evaluated. I will work with the State Board of Education to develop this proposal.

The house of education is divided by powerful forces and strong emotions. My role as governor is not to choose sides but to listen, to engage and to lead. I will do that. I embrace both reform and tradition—not complacency. My hunch is that principals and teachers know the most, but I'll take good ideas from wherever they come.

As for pensions, I have put forth my 12 point proposal. Examine it. Improve it. But please take up the issue and do something real. I am committed to pension reform because I believe there is a real problem. Three times as many people are retiring as are entering the workforce. That arithmetic doesn't add up. In addition, benefits, contributions and the age of retirement all have to balance. I don't believe they do today. So we have to take action. And we should do it this year.

As for prison realignment, we are just at the beginning. The cooperation of sheriffs, police chiefs, probation officers, district attorneys and local officials has been remarkable. But we have much to do—to protect public safety and reduce recidivism—and together, we'll get it done.

It is one thing to pass a law and quite another to implement it and make it work.

As I see it, that's my job as governor and chief executive: make the operations of government work—efficiently, honestly and in the peoples' interest. With your help, that's what we'll do in 2012 and prove the declinists wrong once again.

Thank you.