



## Transcript of governor's State of the State address

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Thank you very much Lieutenant Governor Bustamante. I think you have a new career as a comedian. Very nice.

Senate Pro Tem Perata, Speaker Nuñez, Minority Leader Ackerman and Assembly Minority Leader McCarthy, my fellow servants of the people, ladies and gentlemen, it's great to be back in this chamber.

Now what a difference a year makes - a year ago USC and I were #1- what happened?

People recently have said to me, "Arnold, I bet you wish you were back in the movie business?"

I say, "No, not for a minute."

This is still the best job I've ever had. It's an honor to serve the people of California and a joy to serve the people of California and to stand here with you at the start of this new year.

I've thought a lot about the last year and the mistakes I made and the lessons I've learned. What I feel good about is that I led from my heart.

Now it's true that I was in too much of a hurry. I didn't hear the majority of Californians when they were telling me they didn't like the special election. I barreled ahead anyway when I should have listened.

I have absorbed my defeat and I have learned my lesson. And the people, who always have the last word, sent a clear message -- cut the warfare, cool the rhetoric, find common ground and fix the problems together. So to my fellow Californians, I say -- message received.

And I hope the members of the Legislature also got the message that people want us to work together. I have always felt that the people are my partners.

So I haven't for a moment doubted our fundamental agenda -- to regain California's fiscal integrity, to return government to the people and to prepare our state for the extraordinary changes to come.

So, as we begin the new year, I stand before you here tonight happy, hopeful and wiser. And I'm confident that California has the innovative spirit to address the challenges we face here at home and as part of a dynamic global economy.

In fact, let me brag a little bit about what California has accomplished over the last two years.

Together, with the help of the Legislature and the people, we brought California back from the brink of bankruptcy. We balanced the budget without raising taxes, and record revenues are flowing into our treasury, and we are paying down our debt.

We reformed workers' comp and we now have more Californians working than ever in our history -- with over 450,000 new jobs created.

We made unequalled investments in education -- a record of 50 billion dollars this year.

And we made our schools healthier by becoming the only state in the union to ban sodas and junk food from our schools.

We set some of the most aggressive targets in the world in energy efficiency and reducing greenhouse gases.

And we enforced Prop 42 so that for the first time all the sales taxes on gasoline went for the roads, not for general spending.

All of which brings me to tonight.

Over the years, some remarkable governors and some remarkable men and women who have gathered in this chamber have addressed the needs of the people. Tonight my mind especially goes back to former governors Earl Warren, Goodwin Knight, Pat Brown, Ronald Reagan and to the legislators who have served those leaders.

In the face of massive change and huge challenges, they built the foundation of California's prosperity. They built the schools and the universities that became the envy of the world. They built the bridges and the aqueducts, the highways and the hospitals that made California the economic powerhouse it is today. And they did it, through wars and recession, year in and year out, for decade after decade.

The challenges that we face here today are similar but even more complex. They built California with steel, concrete, hard work and vision. We must do all of that and more.

We must not only expand the concrete highways that connect Los Angeles to San Francisco and Stockton - but the digital ones that connect Stockton to Shanghai, and to Sydney and to Seoul.

We must build a California eager to meet the challenges of the 21st Century without reluctance or fear.

Let me ask you, what California do you want in 20 or 30 years? What kind of highways will we drive on? What kind of schools will our children attend? What kind of jobs will we have? What kind of air will we breathe? And what kind of hospitals will care for our sick?

Now some would say, "How can we plan for 20 or 30 years when we can't even meet our needs today?" Well, the answer is that we will never catch up, unless we know where we're going.

A new California is coming whether you plan for it or not.

California's population is expected to increase by as much as 30 percent over the next 20 years. That is an the equivalent of adding three new cities the size of Los Angeles. Yes, it's astonishing.

Our systems are at the breaking point now. We need more roads, more hospitals, more schools, more nurses, more teachers, more police, more fire, more water, more energy, more ports... more, more, more.

But, we cannot be overwhelmed by this reality. We cannot freeze in the face of this future. We cannot bury our head in the sand and say -- if we don't build it, they won't come.

As my friend Senator McClintock likes to say, California stopped building three decades ago, and the people came anyway. And now the people sit in gridlock on our roads. They wait for hours in our emergency rooms. They drop their children off at overcrowded schools. But, again, I say to you, do not be overwhelmed.

Half a century ago, our predecessors faced exactly the same challenges, but they still planned for our future. And now, it is our turn. The need is urgent, but this is not just about keeping up; it is about growing with strength and confidence and moving ahead.

We are perched on the Pacific -- looking across to a continent where there is tremendous economic growth. California is better placed to be a leader in the global future than any other state in the union. We have the outlook, the innovation, the technology, the people. We have the location.

In fact, almost half of everything made in Asia and sold in the U.S. comes through California comes through our ports. We are already the golden gateway to and from the emerging economies of Asia. Our ports are jammed to capacity. The cargo ships are lined up -- waiting. Ports in Washington, Oregon, Texas and Mexico are vying for a chance to take business away from us. What will our reply be?

I was in China recently. Let me tell you, what a sight. Construction cranes fill the sky. Over a billion people work and save and study. Now, we all know that China has enormous problems -- environmental, social, political -- problems much larger than ours, but they are preparing for a global future. Do we not have the same ability to think as dynamically and optimistically about our people's future? Of course, we do.

California is already on the leading edge of global economy and it's changing and growing by leaps and bounds. And yet we will let this advantage slip from our fingers, if we don't make the long-term investment in our ports, our roads, our schools, our information systems and all the other infrastructure required to compete in a world that thrives on innovation.

Ladies and Gentlemen, California is innovation. For more than a century California's ideas have been the gold standard for innovation and progress. To maintain that edge we must strategically invest in our future and in our children's future.

Think of California as a mutual fund --in particular, a growth fund. Why do we invest in a growth fund? Because we believe in the economic future. So I ask each of you... do you believe in California's economic future? Well then we must invest in it. If we do not invest in ourselves, how can we expect others to invest in us?

So today I propose a Strategic Growth Plan for California's Future. We in this chamber can lay the foundation for the next generation, just as our predecessors did 50 years ago.

In recent decades, California has invested piecemeal, crisis by crisis, traffic jam by traffic jam. There is a better way, a smarter way, a more fiscally responsible way to invest in our future.

We cannot spend more than we have; but at the same time we cannot afford costly delay in investing in critical infrastructure. The reality is that we face more than 500 billion dollars in infrastructure needs over the next 20 years.

With this first phase of our Strategic Growth Plan, we will take a ten-year chunk out of that need. This plan will leverage 70 billion dollars in bonding capacity over the next ten years to achieve a total investment of more than 200 billion dollars. And we can do it without raising taxes.

We can use our bonding capacity more wisely by planning and leveraging our tax dollars to attract other resources -- like federal funding, more local funding and more private investment. For example, most of the dollars that we will invest in levee protection will be matched with 130 percent with federal dollars.

Yes, things will be tight, but funding our future is, is the fiscally responsible thing to do. Not to do so is to abandon the people. So I will propose that the Legislature adopt a debt ceiling that maintains our debt at a prudent level, regardless of the amount of our debt authorized.

Now let me give you an idea of where we would invest the money over the next ten years:

**Transportation.** Traffic does not have to keep getting worse. It can get better. If we add 1200 miles of new highway and HOV lanes into congested areas, and add 600 miles of mass transit, we can actually reduce traffic delays in the next ten years, even as our population grows and at the same time this investment in transportation will create 150,000 new jobs for our state. I say build it.

**Air Quality.** Congestion on our roads and in our ports pollutes our air. Pollution decreases our productivity and increases our health care costs. When one in six children in the Central Valley go to school with an inhaler, it is time to consider clean air as part of our critical infrastructure. We have the technology to clean our air. So I say build it.

**K-12 Education.** In the next ten years, a quarter of a million more students will be attending our schools. To meet this need, our plan over the next decade proposes construction of more than 2,000 small schools, 40,000 classrooms and modernizing another 140,000. I say build it.

**Higher Education.** California's system of colleges and universities is an enormous asset that fuels our innovation economy. In the next ten years, we must prepare for more than half a million new students. To meet the infrastructure needs of higher education, we need new classrooms, libraries and science labs in hundreds of new buildings on our campuses. I say build it.

**Water and Flood Control.** We have done little to expand our water supply in nearly 50 years. We must build more storage capacity, expand our delivery network and strengthen our levees. The Strategic Growth Plan increases our water supply to serve an additional 8.5 million people, supports our agricultural industry and doubles the amount of flood protection in the Sacramento area -- better shielding us from a Katrina-type disaster here at home. I say build it.

**Public Safety.** Local jails and state prisons are so overcrowded that criminals are being let out or left on the street because we have no room to lock them up. Our proposal provides for two new prisons, a new crime lab, emergency response facilities and space for 83,000 new prisoners over the next ten years. We must keep the people safe. I say build it.

**Courts.** Our courts are as congested as our roads and our prisons are, but something even more basic to our democracy is at stake -- justice. Justice delayed is justice denied. So our Strategic Plan includes 101 new courts, 56 renovations and 44 expansions, so that justice will not be denied at home. So I say build it.

Now, here's the catch. Our ability to pay for these investments is directly tied to the fiscal discipline of the past two years. This discipline must continue. The investments must go hand-in-hand with budget reform.

Although a strong economy has produced billions of dollars of unexpected revenues, we still face a structural deficit that will soon resurface. We cannot make the mistakes of the past. So this year must continue to be the year of reform. Because one thing I know: autopilot spending will fly us into the ground... not into the future.

Now, I realize that you did not like the proposal I place on the ballot to reduce spending when revenues are down. But the problem is still there, it didn't go away. Tell me how you would fix it. Bring me your innovative ideas. Work with me on a new proposal. Work with me on harnessing private sector investment. Work with me to invest in California's future growth and prosperity.

Now some may say that we can't plan for the long term, because the needs are simply too great and the amounts are too much. But, ladies and gentlemen, we have no other choice than to prepare for our future. I believe that we can improve our schools, our roads, our environment, our health care and our future. If I didn't believe this, I wouldn't have become governor. And you wouldn't have become legislators.

Now, while planning ahead, we must also, of course, focus on making people's lives better this year. I believe we can find common ground on issues that can improve the lives of millions and million of Californians.

For example, when I ran for governor, I said that we could not afford an increase in the minimum wage unless the economy bounced back. Well, the economy has bounced back, so it is now time for those who often work the hardest and earn the least to benefit from California's growth. So let us increase the minimum wage by one dollar an hour, with half starting this year. So and I ask you to pass this measure immediately so that I can sign it without delay.

In education, the budget I will introduce next week will propose immediate repayment of the entire 1.67 billion dollars in Proposition 98 money. Now this, in addition to an automatic budget increase of 2.3 billion dollars, will be the largest increase in funding in education's history. Now I propose that we use part of this money so that children once again can have art, music and physical education in our schools.

Also this year, California's Proposition 49 after-school initiative kicks in, which will provide an additional 428 million dollars for after-school programs. This will make our state the only one in the nation to offer comprehensive after-school programs. Every elementary and middle school can have a program so that working parents will know that their children will be in a safe environment -- getting help with their homework, doing arts and physical activities. This will be good for both the children and the parents.

In higher education, we need to reduce the burden on families who send children to our state universities. I propose we should eliminate the increase in tuition scheduled to take effect this fall.

Health care. I ask myself, what's the quickest way that we can help the greatest number of people with the spiraling health care costs? I believe in the free market. I believe in free trade. I mean we buy food from overseas. We buy cars from overseas. Why not prescription drugs? So I call upon the federal government to permit the safe importation of prescription drugs. I say, let the free market work.

And in terms of helping families right now, we must always put public safety first. California should pass Jessica's Law to track sex offenders. Every parent's nightmare is that their children are vulnerable to predators on the Internet and in their neighborhoods. There should be no loopholes, no leeway, no leniency for those who harm our children.

If we work together, there is literally no problem we cannot solve -- even the issues we have struggled with last year. Now I am already talking to the legislative leaders about how we can move forward with important budget reform, pension reform, redistricting reform and all kinds of other issues.

I want to close with a story about Senator Escutia.

One day I ran into her and she told me about her bill to get sodas and junk foods out of the schools. And I said, "I love that idea. It's great to fight obesity. Let's do it together." And we did. And we got it passed.

But the point is this. She told me she had been working on the bill for six years. It shouldn't have to take six years to address the health of our children. But the thing that really impressed me, was her perseverance, her stamina, her commitment, that is what was so unbelievable.

I ask you tonight to have that same perseverance, that same stamina, that same commitment, to help our children, to help our families, to help our communities and our state.

We must remember that this is the state that represents a dream. If you talk about the Illinois dream or the Delaware dream or the Kentucky dream, no one would know what you meant or what you're talking about. But our dream -- the California dream -- ah, that means something. People understand it.

It is the means to a better life, where anything is possible -- no matter where you came from, no matter who you are. This is what people understand. This is what draws them here. This is why I came here.

So ladies and gentlemen, the state of our state is sound because our dream is sound. Let us commit to building California so that the dream can remain alive for this generation, for the next generation and for generations to come.

Thank you very much and God bless all of you.

