

“Making California First Again”
Remarks to the Sacramento Press Club
August 16, 2011

Thank you, Rich. Thank you, members of the Press Club. Thank you to everyone who took time to be here today.

Your introduction said it all. These are indeed challenging times to be a mayor!

You could even say it's been humbling.

It brings to mind the old Mother Jones line on the essential role of journalism. “To comfort the afflicted and afflict the comfortable!”

I can testify firsthand!

I want to congratulate the Press Club on its fiftieth anniversary this year. It's a huge milestone, one I believe the whole state should observe.

It's no coincidence -- at least it's not lost on this Californian -- that this organization came into being as Jack Kennedy was daring us to reach for the moon and Pat Brown was charting a long-term course for California with a Master Plan for Higher Education.

It was an era of big thinking. And to my mind, the Press Club was founded on a similar stroke of optimism. Namely, a belief in the public service mission of journalism as a profession... and in the responsibility of every veteran reporter -- as a link in the chain -- to the next generation coming behind.

This mission is now more urgent than ever.

I certainly understand what you're up against as reporters and editors... if these are challenging times to be a mayor, it's an equally tough time in the journalism business. In many ways, local government and our cherished local media institutions have fallen victim to the same crimes.

In LA, while we were being forced to cut thousands of positions from City service, across the street we witnessed massive layoffs at our major daily newspapers. And, believe me, we are only beginning to realize the impact of these convulsions on our civic life. At the LA Times, we recently took another hit with the termination of Tim Rutten, a veteran local columnist with a deep understanding of our City's complex history and who possesses an even keener sensitivity for what I'd call LA's soul.

I have no doubt Tim will soon be reincarnated... as a **BLOGGER!**

And generally speaking, it must be said, our respective spheres have failed to grapple with the pace of change. In a new world where everything is instantaneous, it seems nobody gets judged by a body of work. It's all about the trading day, the news cycle, who's up, who's down, what headlines will attract the most eyeballs and generate the widest stampede of electronic footprints.

Suffice it to say, it's a challenging environment for journalists and politicians alike.

I know some love to talk about media bias. The big irony lies in this: If there's a single bias, it's the ever-increasing tilt favoring heat and light over actual news reporting.

And unfortunately, this hothouse ecology seems uniquely adapted to brewing Tea Party members!

Which brings me to my first point.

Progressives have to start thinking – and acting – big again.

We need to remind folks that the slogan was hope – and to stand up for the hopes and dreams of those Americans still struggling in this Great Recession.

We can not concede the truth that what we need is to INVEST – yes, somebody's got to say it. We need INVESTMENT in our economy.

If the Tea Party in Washington and their counterparts here in Sacramento are intent on pitching jobs overboard in the mindless pursuit of ideology over country, we have to be willing to stand and defend our people.

And I urge the reporters in the room, to follow the reauthorization of the federal Transportation Bill and to cover the major story of how its success or failure in the next 45 days will affect not just California but the whole nation.

If the Transportation Bill doesn't get done by the end of September, the federal gas tax will expire. And, you guessed it, the Tea Party is threatening to hold the gas tax hostage.

Now, here's what it means. The gas tax is not only one of the few rational pieces of our federal energy policy, it accounts for a third of our transportation budget and its elimination will result in the direct loss of 630,000 jobs – that's 630,000 jobs on the heels of the downgrade and the debt debacle. And all while we have a bi-partisan chorus including the United States Chamber of Commerce singing in unison, urging Congress to invest more – not less -- to meet the nation's pressing infrastructure needs.

That, my friends, is Tea Party economics at work.

And I will tell you, in this environment more than ever, we have to challenge its destructive premise.

We have to break the mindset that has dominated our budget debates in both Washington and here in Sacramento.

We have to be willing to press the case that the way you build wealth is by investing.

And, YES, that means making a case for new revenue to sustain long-term investment.

And here's where we need the voices of the news media – now more than ever -- to demand a greater degree of rationality in this discussion.

I come here today in that spirit.

I have great respect for Governor Jerry Brown and the challenge before him - and any governor facing these trying times.

But I will not mince words.

As a state and as a nation, we have to stop aiming low. We can't let this be an era of limited thinking.

Now I would be the first to say: The governor and the legislature deserve credit and thanks for getting a budget done. We may not have agreed on all the elements. But they repaired the roof in the center of the storm – a feat Republicans obstructed at every opportunity.

But let's face facts. This budget patched the leaks, and we hope those patches hold, the July revenue estimates were unsettling for all of us. But those patches blew huge holes in the budgets of families across our state in the form of increased fees.

Say you are a family of four, with the average California income of \$47,822, and you have a student in college. The cost of sending that child to college has increased \$6000 a year – that is a 12.5 percent tax increase on that family any way you look at it.

Let me also say, this budget patching was crisis management.

Now that the Legislature is back from its summer break, let's get to the big question.

We are at a point in time in California where we can no longer afford to go on patching the leaks and hoping they will hold for another season.

We can't go on pretending we can subsist on the investments our parents and grandparents made.

If we are going to keep the California Dream alive, we have to do more than fix the roof, we have to fortify our foundation.

And to do that, we have to confront the truth that our economic linchpins – our systems of primary, secondary and higher education -- are in peril.

According to the Public Policy Institute of California, if we continue to drift on our current course, we will be one million college graduates short of what we need simply to tread water economically by 2025.

THIS is the real DEFICIT of our times!

And yet with cuts to schools and colleges – and with the latest revenue projections threatening even deeper reductions at our universities -- we are running hard in the wrong direction.

Instead of meeting our generational challenge, we are in the process of defunding and dismantling the greatest public university system in the world!

And I will offer this warning. If we lose the University of California, we will never get it back.

Today, California lags on almost every dimension, beginning with pre-k. Yet we know from study after study that pre-kindergarten education is the best investment we can make to change the mathematics of opportunity – but we offer only 13 percent of low-income children this basic life chance.

We know that in a global competition for jobs, California's economic future depends on developing workers who can compete and win in a knowledge economy. Yet our eighth-graders place 46th in math.

American colleges are being flooded with applications from students across the globe. Half the applicants from China this year have perfect scores of 800 on the math portion of the SAT.

And, of course, we all know where we stand in per pupil spending.

Once again, this is the real deficit we need to be talking about.

And I'll tell you where we need to start. It starts by taking on the biggest urban legend out there. It starts with the myth that funding isn't the problem in California.

And I want to be absolutely clear where I stand. I've been on the front lines of the education reform debate in my city. I support tenure and seniority reform. I support multiple measure teacher evaluations. I support public charter schools. I support rebooting our education code and giving local school districts greater flexibility to innovate.

But I laugh out loud when I hear that our schools are adequately funded – especially when we see tuition at the top private schools ranging between three, four, even five times what we spend per public school student.

Believe me, affluent parents aren't engaging in "wasteful spending."

They want what's best for their kids, and they recognize what we all know to be true: resources matter.

The fact is, over the last generation, we've witnessed a Great Retreat – a roughly 40 percent decline in our societal investment in schools in California.

When Ronald Reagan was governor, we spent about 5.6 percent of personal income on our schools, and we were top in class, among the best in the nation. Today we spend just 3.5 percent, and we are battling Mississippi to the bottom.

I say, if you don't see the correlation, you're flunking the test.

I challenge anyone who claims that current funding levels are adequate to visit our schools in Los Angeles. Come see what it looks like on the ground when you begin cutting into bone.

In Los Angeles, the student-teacher ratio for K-3 has gone up from 20.1 in 2007 to 24.1 in 2011. The U.S. average is 15.1.

How can we expect our teachers to succeed with these conditions?

We've cut the extra curriculars. This year, about a third of California teenagers will lumber through the day without PE classes – meanwhile, there's probably a politician in the parking lot holding a press conference on the growing epidemic of childhood obesity!

On top of that, this year's budget slashed adult education, which means efforts to assimilate new immigrants by teaching them English will also get lost in translation. And let me say, with a full quarter of our population lacking basic English literacy skills, we should be proselytizing in our immigrant communities, preaching the gospel that the way to get a grasp on the economic ladder is to grasp the English language!

So, I have a simple proposal. Let's approach our future like any family would. Let's sit down. Let's get our calculator out. Let's identify how we will accomplish the goal of sending a million more of our kids to college.

We can't go into it with a defensive mindset. We will fail if we think small. Some recent reform efforts have stalled for precisely this reason. We can't "rope off" the real issues or go on ignoring the elephants in the room.

We have to have the courage – and the confidence -- to ask the really big question: what - do - we – need - to - do - to - make - California - FIRST - AGAIN?

Politically, the answer will take courage. Plenty of it. Because there is no formula for fixing our schools and adequately funding our colleges and universities that doesn't include education reform, significant new revenue and a fundamental reordering of our dysfunctional budget and tax laws.

We can need to put everything on the table.

Governor Brown, I say, we need to have the courage to test the voltage in some of these so-called "third rail" issues, beginning with Proposition 13.

We need to strengthen Prop 13 and get it back to the original idea of protecting homeowners.

Prop 13 was never intended to be a corporate tax give-away, but that is what it has become.

We all know the history. With the state experiencing rapid growth and high inflation, we had people literally forced out of their homes by skyrocketing assessments.

And we all know what's happened since.

Not only have we suffered the long-term consequences of disinvestment in public education and public infrastructure -- Prop 13 has had the unintended effect of favoring commercial property owners at the expense of homeowners.

And, please to the members of the media, don't just go to the Tea Party types for a reactive quote. Ask Warren Buffet. Ask San Francisco Assessor Phil Ting, who found in his county that the share of the property tax pie paid by commercial owners withered from 59 to just 41 percent in the years since Prop 13 went into effect.

It's time to address the unfairness inherent in a system that allows Wall Street hedge fund managers to devise complex real estate investment trusts that give the super rich a free pass on the taxes every ordinary homeowner in California has to pay.

Here's a proposal. How about recognizing we can't afford this loophole any longer?

Let's apply Prop 13's protections to homeowners and homeowners alone. And let's strengthen those protections. We could take half the money we generate to fund schools and use the other half to cut taxes for homeowners – and, you know what, we can spur the housing market in the process. Phase it in over time to soften the impact on business and call it the Homeowner and Public Education Protection Act!

Of course, we know it's not that easy!

We know we can't stop there. If we are going to be honest about the long-term investments we must make as a state, we have to acknowledge that property tax reform is only one piece – albeit a significant piece -- of a much larger and more complicated puzzle.

We need a grand bargain with our business community.

Nearly every serious examination of California's out-of-whack budget process has converged on this singular conclusion.

We need our business community – particularly our progressive business leadership – to stand up and come forward as co-authors of a long-term solution.

We need to remind them. Historically, it was YOU. It was the state's enlightened business leadership who led the charge for the investments that created the California Dream.

Business led on the water project, which nourished and sustained growth for half a century. Business demanded the generational expansion of opportunity in the Master Plan – which gave us the most skilled labor force in the world.

I know, politically, this proposition may sound daunting. And we are going to need to make sure we stay grounded, because any long-term solution is going to involve coming into contact with more than one third rail issue. And there's going to need to be something in the bargain for everyone.

On the left, it's going to require a new willingness to modernize and rationalize our tax laws – and yes, even to eliminate taxes that don't make good economic sense.

For starters, we know that employment tax credits are the most effective way to stimulate private sector job growth in a down economy. Let's put tax credits for business on the table.

Even further, let's recognize that our corporate tax has become a Swiss Cheese of loopholes and exemptions. Let's put eliminating the corporation tax on the table.

Let's smooth out the rollercoaster ride and reduce the state's reliance on income tax revenue. There is a compelling proposal from California Forward and Think Long that would cut income taxes eleven percent across the rate structure. This could be part of a grand bargain.

And for the love of California, let's stop pounding the table! Let's recognize on both sides what we all know to be true, that to balance the equation we need significant new revenue.

A reform of our property tax system as I've described could yield anywhere from \$2.1 up to 8 billion dollars a year.

A service tax can generate as much as twenty eight billion dollars in new revenue. Bob Hertzberg is right on the money. It's crazy that we are taxing donuts and not lawyers in the State of California!

And any grand bargain needs to include long-needed structural reforms.

We are leaving billions in school funding on the table with our dysfunctional state lottery system – and other states are eating our lunch.

We need to get back to the basic principle that the majority rules in a democratic society.

Realignment can't be a one-way street. Let's give local school districts and local governments the ability to generate new revenue by a majority vote of the people.

Let's start with school parcel taxes. Between 1983 and 2010, an overwhelming majority — ninety-two percent — of all proposed school parcel taxes received at least a simple majority among voters. People want to fund their schools. But because of the two-thirds minority veto, 47% of those parcel taxes never became law.

Let's end the tyranny of the minority in California and give the governor and the legislature the ability to pass a revenue increase by majority vote

Most of all, let's not be afraid to make the case. Let's not be afraid to stand up to the ideologues here in Sacramento, or in Washington D.C.

I believe it all comes down to this:

We need to stand up to the cynicism in our politics today that says our problems in California are intractable and impossible to solve. Because they are NOT.

We just need to regain our confidence.

We need to remember as Californians where we came from and how we got here.

We need to remember how Californians built a nation-state.

How we came to lead the world in virtually every field and every facet of human enterprise.

We got here by believing.

Believing in our future. Believing in tomorrow. Believing in our kids. Believing in the power to educate. Believing in power of democracy. Believing in the strength that comes in the world's most incredible diversity.

It's time to get a new conversation started in the Golden State.

Let's not be afraid.

Lets not be afraid to lead – rather than follow.

Let's do what Californians have always done!

Let's go for it with gusto.

Thank you so much for listening.

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