

State of the State speeches continue



David M. Kall | Monday, February 1, 2016

[Last week](#), we provided details of several governors' State of the State speeches. Other governors have since delivered their addresses, which we summarize here.

Michigan

In his sixth [State of the State speech](#), Gov. Rick Snyder underscored actions he plans to take to fix the Flint water crisis, along with the condition of Detroit Public Schools and Michigan's economic future.

The governor emphasized that he has already taken steps to solve the water problem, like delivering water, water filters, and water testing kits to residents. In addition, he indicated that he would provide numerous budget recommendations in early February that would keep Flint on Detroit's water system for the rest of this year, replace water supply pipes and fixtures in Flint schools, and fund specialized staff in Flint for follow-up care for affected residents. Further, the state has set up a [web page](#) containing updates on the Flint water situation.

Other infrastructure weaknesses that Gov. Snyder intends to confront include energy and electrical grids, broadband support, and upgrades to the Soo Locks. The Soo Locks system is important because it keeps giant ships moving through one of the busiest ports in the world. The Soo Locks System consists of two canals and four locks that allow the vessels to safely traverse the 21-foot drop in elevation of the St. Mary's River, between Lake Superior and Lakes Michigan and Huron.

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Another pressing need is the Detroit Public School system, which Gov. Snyder described as “failing at the most basic fundamentals of education.” One focal area is the school district’s debt, which he said needs to be restructured so that the \$1,100 per-student spent on debt service can be spent on classroom resources instead.

South Carolina

Gov. Nikki Haley kicked off her speech by conceding that “the state of our state is bent, but not broken,” a reference to the man-made tragedy in the form of the Charleston church shooting, as well as the 1,000 year flood last October, the “biggest natural disaster” since [Hurricane Hugo](#) in 1989.

Gov. Haley promised that her budget takes care of other critical needs as well, including the following:

- Additional prosecutors and an extension of the task force addressing the state’s domestic violence problem.
- Additional fixes to the education system, like asking voters to decide if they want the governor to appoint a superintendent of education; a recruiting initiative to bring teachers to rural districts; and the passage of legislation permanently dedicating up to one percent of the state’s bond capacity to K-12 education facilities, after prioritizing need.
- Ethics reform in state government that would require public officials to disclose who pays them, and the appointment of independent investigators to oversee legislators.
- Ongoing development of the manufacturing industry, building on the success of South Carolina as the “BMW capital of the world;” a \$1 billion investment by Toray Industries, the largest producer of carbon fiber in the world; Daimler’s \$22 million investment in Cherokee County; and Mercedes-Benz Vans’ and Volvo’s planned expansions into the state.

Insisting that she would not sign any legislation that increases taxes, Gov. Haley underscored her commitment to “real reform to the Department of Transportation,” while also stressing that she “will not buy into the idea that we somehow cannot afford to cut income taxes for our people.” She quoted a University of South Carolina economist who said that “[i]n 28 years of forecasting our state’s economy, rarely have I seen [it] in such good shape and on such steady footing.”

Emphasizing the \$1 billion in new revenue last year, and \$1.3 billion in new revenue this year, Gov. Haley stressed that her executive budget includes “every dollar needed to pay for this year’s tax cut. Next year’s will too....Pass legislation that cuts our taxes, reforms our flawed transportation system, and invests in our roads, and I will sign it. Pass legislation that does not do all three of those things, and I will veto it.”

California

In 2011, California’s deficit was \$27 billion, unemployment was 12 percent, and its credit rating was the worst in the nation. But Gov. Jerry Brown’s [speech](#) highlighted progress that has been made since then, noting that currently:

- The budget is in surplus
- Standard and Poor's has raised our credit rating three times
- California has paid down accumulated debt - \$26 billion worth
- California has created a solid Rainy Day Fund to offset the next economic downturn
- California has increased funding for schools 51 percent
- Under Medi-Cal, California now covers 13.5 million people, a 74 percent increase

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- California has enacted its first ever Earned Income Tax Credit
- California raised its minimum wage to \$10 an hour, which is 38 percent higher than the federal minimum
- Two million new jobs have been created
- Unemployment has dropped in half

Even so, facing what he considers to be a “profoundly uncertain future,” the governor’s remarks revolved around ways to pay for commitments already made so as to not lock in future spending. Starting with the budget, he pointed out that between 2000 and 2016, the total deficits were seven times as large as the surpluses, which resulted in “painful and unplanned-for cuts” that adversely affected schools and universities, child care, courts, social services, and other vital state programs.

To avoid those mistakes, and in light of Department of Finance estimates that the next recession, even if it were only of average intensity, could cut California’s revenues by \$55 billion over three years, Gov. Brown intends to bolster the state’s Rainy Day Fund. He also wants to build up a large reserve to protect against the volatility and unpredictability of income tax revenues, which account for 70 percent of general fund revenues.

Next, by 2019 California’s Medi-Cal costs will likely have grown by two-thirds, to more than \$25 billion. The governor plans to ask lawmakers to consider the federal management care financing reform system.

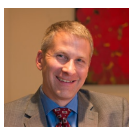
As for the long-standing drought, Gov. Brown vowed to work hard to address it and related water usage challenges, recognizing that passage of the water bond was “one of the bright spots in our contentious politics.” Water bond funding has improved efficiency and enabled investment in technology for desalination, recharging aquifers, managing groundwater, capturing stormwater, building storage and reliable conveyance, and improving efficiency throughout the system.

Additionally, the governor acknowledged both the difficulty and necessity of paying for the \$220 billion commitment to retirement benefits and \$71.6 billion to education. And finally, with respect to infrastructure, Gov. Brown will seek an expanded and permanent revenue source, which will include new taxes and fees, to pay for badly needed maintenance of roads, highways and bridges. Although the deferred maintenance bill currently stands at \$77 billion, and “[i]deology and politics stand in the way... one way or another the roads must be fixed.”

The governor ended his remarks on a positive note, pledging to find the right path forward, with courage and confidence.

In other states

Wisconsin’s Gov. Scott Walker also gave his [State of the State address](#) last week, as did Gov. Charlie Baker of [Massachusetts](#), Gov. Jack Markell of [Delaware](#), and Gov. David Ige of [Hawaii](#).



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