

BUDGET ADDRESS BY GOVERNOR SANDOVAL

AS PREPARED FOR DELIVERY

EMBARGOED UNTIL DELIVERY

My fellow Nevadans, good evening.

Three months ago, I delivered a State of the State Address against the backdrop of record unemployment and sharply reduced state revenue. I believed then, as I do now, that by controlling state spending and changing the way we do business, we could bring about a sustained economic recovery that would get Nevada working again. And so tonight, I'm pleased to come before you with a second and more positive report on the state of Nevada's economy.

As a matter of both principle and necessity, Nevada's government should function like Nevada's families live. We must make responsible decisions, spend within our means, and leave something better for those who follow. We must be courageous, making the hard choices today that will avoid even harder choices tomorrow. We must prioritize what matters most.

The times demand we work together. Serve together. Sacrifice together. Only in this way will we succeed together. And so I have asked the collective Nevada family to gather again this evening to share my thoughts about our future, as well as what I believe must happen in the final weeks of this legislative session.

Tonight, I am able to report that the economy is improving. We are not out of the woods yet, but there are signs of recovery. Yesterday, we received the final revenue forecasts that will guide us to the adoption of a new state budget. As a result, we have approximately \$270 million in new state revenue – an early sign that the economic recovery is taking hold. I welcome this news with optimism and determination, as I'm sure all of you do as well.

But it is not the only good news we have.

In March, Nevada businesses created over 10,000 new jobs – the first signs of growth in over three years. Our unemployment rate has dropped from 14.9 to 13.2 percent. Let me be clear: I still find this rate unacceptably high. Even so, we are making progress that must continue.

Sales tax, payroll tax, and other important economic indicators are on the rise. The Nevada Commission on Economic Development reports that new business prospects have more than doubled in the first quarter of 2011, when compared to the same time period last year. As one example, tomorrow morning I will take part in a press conference announcing a major new employer who will break ground on a facility in Northern Nevada. With the construction on this project and the permanent jobs being created by this company, more than 650 Nevadans will return to work.

In response to all these trends, we have been able to re-invest in our state. Six weeks ago, we added back over \$120 million to our state budget. And just last week, another \$50 million was reinvested in critical programs. Statewide, we have restored funding for autism, elder protective services, mental health, and community nursing.

As your governor, I have a fundamental belief: you have the right to know the truth about our economic situation. We must therefore acknowledge that we still have a long road ahead. Even with the new revenue I have announced tonight, overall spending reductions remain substantial. Our state simply cannot afford to deliver every program our people have come to expect. I struggle with that fact every day.

I want to deliver more for Nevadans, not less. And I know that the way to get there is to strengthen Nevada's dynamic economy. I firmly believe that sacrifice today, will ultimately yield prolonged success, tomorrow.

And so tonight, I'm pledging that nearly \$270 million in new revenue will go directly to public education. Our kids come first. On that, there can be no debate. I have asked the Legislature to restore funding for class size reduction, all-day kindergarten, classroom programs, and extracurricular activities like music, sports and theater. I have also allocated \$20 million for our colleges and universities.

Some will say this is not enough. Yet they offer no plan for how to find additional money without harming the fragile economic recovery we now know Nevada is experiencing.

The bottom line? We can direct millions of dollars to restoring nearly 95 percent of the reductions to basic classroom support. Or we can over-reach, without changing the way we do

business, and without regard to the long-term economic impact of short-term spending.

Nevadans deserve better than that.

We all share a passion for delivering the best education for our children. My daughters attend public school in Washoe County. This is as personal for me as it is for you. I'm a proud graduate of the University of Nevada, Reno. I want our universities and colleges to remain sound. But I also know in my heart that education isn't just about the money. What matters most is NOT how much we spend on education, but how well we spend it.

To me, education is not about "the system." It's about the students ... the teachers ... and the learning environment they cultivate and share. It's about opportunity and hope and confidence in their ability to compete.

Nevadans want – and indeed deserve – a better return on their investment. We owe it to our students and teachers to change the failing culture that has become all too pervasive in our places of education. Nevada's graduation rate remains the worst in the nation. Thousands of our students under-perform in virtually every academic subject on every possible test. The input does not match the output. Reforms must be part of the picture if we hope for the day when Nevada's students out-perform the rest of our country.

I have asked the Legislature to consider a complete package of reasonable education reform measures – from performance bonuses, to ending the practice that forces lay-offs of some of our best teachers simply because of an outdated, and hopelessly out-of-touch rule, that requires "last in, first out." Under this system, award-winning Teachers of the Year can lose their jobs, simply because they don't have as many years in the system as someone else, who may not be as effective in the classroom. That's unacceptable. We should pursue, keep, and reward the best teachers... not cast them aside because, well, "that's just how the system works."

The proposed budget and reform plan will also provide more local control by giving each school district the authority to set its own priorities, and eliminating rigid state mandates. Why would we continue to force a "one size fits all" policy on our students and our educators? Every school district is different; every student is different.

No matter where we stand on the question of more funding, we must stand together on the need for reform. We can debate the approach, but we cannot delay the objective.

Even with the addition of millions of dollars in new revenue for education, there are still tough decisions to be made. I am therefore asking the Nevada Legislature to establish benchmarks or "priority triggers" that will ensure future revenue gains are directed to schools, colleges, and universities over the next two years.

It's pretty simple: we will agree now that as revenues increase we will direct that money straight to education. Just as the most recent economic projections came in higher than many expected, there will be continued growth, and we should therefore trigger new revenue directly into the classroom.

Imagine what we can achieve if the Legislature acts on my proposals: In just a few short weeks, we could invest almost \$270 million in education, set triggers in place to spend future revenue on the education of our children, move decisions back to the classroom where they belong, bring common sense to our hiring practices, and begin to remove the obstacles to opportunity that confront too many of our students.

This is just the beginning. When the Legislature meets again in 2013, I'm confident we will be able to have a very different conversation about the funding of our schools – and for that matter, all of state government.

Why am I so optimistic about Nevada's economic recovery?

As I said at my inauguration, optimism is the foundation of courage. I draw strength from the very real and positive economic indicators we have seen recently, because I know they are only the beginning. Building on these early signs of economic recovery, we can, and will, get Nevada working again.

With the cooperation of Democrats and Republicans alike, we have proposed a complete overhaul of Nevada's economic development infrastructure. I'm hopeful that we can pass this legislation, because I know it will be an important part of the future roadmap for diversifying our economic base and fostering new industries to take root here.

But I also know that government alone can't create the kind of job growth we need. Business, particularly small business, is the engine that will drive economic recovery. And yet, as I visit Nevada firms, I see row after row of empty desks where workers once sat. I see empty warehouses. And I see Nevadans doing their level best to adapt to our changed reality.

These businesses cannot afford a tax increase, or further intrusion by government. They should not be asked to choose between paying Carson City's bills, meeting their own payroll, or hiring that next unemployed Nevadan. These businesses, their employees, and the unemployed are the Nevadans I think about at night, just as much as I think about those in need of social services or those teachers who are working hard in our schools. We are one family – and we are on this journey together.

Nevada has a long tradition of resiliency – a history of innovation, adaptation, and recovery. When times are tough, we set aside our differences and come together as one state, one community, one people. I believe we are yet again at that stage, when unity of purpose will move us forward. Now is the time to reform our educational system, support job growth, and pass a realistic, fact-based state budget that invests when and where it can without harming our fragile economic recovery.

I know these last three years of economic recession have been difficult. Many still cannot see recovery on the horizon. But I also know Nevadans, and we will not give up. We will not allow our differences to triumph over our responsibilities. It is now, in the final weeks of this legislative session, that we will rise to meet the challenges of our time.

We can do this, but only if we do it together.

With the measures I have described tonight, a total of \$440 million will have been reinvested in essential state services and programs since we last met at the State of the State. The proposed budget is reasonable, reflective of the times, and responsive to the sacrifices already made by so many in the private sector that must now be shared by those of us in government.

We can't tax our way out. We can't cut our way out. But we can, and will, grow our way out.

Tomorrow's economy may be different, but it will also be filled with new opportunities. And these new opportunities are already beginning to appear. Family by family, business by business, neighborhood by neighborhood, Nevadans are getting back to work. Our economic engine, dormant for so long, is beginning to show signs of life. State revenues have increased, and they will continue to do so.

We must now establish priority triggers for more education spending. We must ensure that education reforms build a new system focused on student achievement. We must adopt a state budget that will fuel the fires of job creation and economic prosperity for all. And we must do it by June 6th -- the Constitutionally-mandated time for this legislative session to end.

Most of all, we must do it, not because it's popular, but because it is right.

If we do all these things, we will pass together through this time in our history, confident that Nevada's best days are yet to come.

Thank you, God bless you, and God bless the great state of Nevada. Good evening.