

REMARKS BY LT. GOVERNOR ELENI KOUNALAKIS
Sacramento Host Breakfast
Sacramento – June 2, 2022

Good morning, everyone. It is an honor to be with all of you today for the 96th Annual Sacramento Host Breakfast. Thank you, James for that very kind introduction and for bringing us all together. The annual Host Breakfast is a great Sacramento tradition, rich with history and known for its convening power. I know Governor Newsom wishes he could be here to continue the time-honored tradition of governors addressing this group, but as with so much over the last two years, COVID has put us in unprecedented territory. I am very honored and humbled to provide a few remarks in his absence.

Allow me to begin by thanking not only James but the entire Sacramento Host Committee as well as Jennifer Barrera from the California Chamber of Commerce for her hard work and dedication to getting this event back on track. I would also like to thank Susanne Stirling from Cal Chamber for her work leading Cal Chamber's international efforts. My office and the Governor's Office of Business and Economic Development work closely with Susanne and her team to promote California's international trade with countries around the world. Their partnership is truly invaluable.

I'd also like to recognize a few individuals who have joined us today. Sacramento's own Congresswoman Doris Matsui is here. Major General David Baldwin, the commander of the California National Guard, is also here. Thank you general, and to all the men and women of our armed services here today, thank you for your service.

And finally, I'd like to recognize all the members of the California state legislature and elected representatives from cities and counties throughout the state. Your work guiding the state through the rollercoaster of the COVID-19 pandemic helped save lives and positioned our state to rebound quickly.

It is hard to believe that over two years have passed since California became the first state in the country to issue a statewide stay at home order. Looking back, it was an almost unthinkable decision at the time. No one knew, no one could really imagine, what would happen when we unplugged the engine of the world's fifth largest economy.

So many of you here today, members of the California Chamber of Commerce, were on the front lines during this pandemic. Some of you kept working through those uncertain and dangerous conditions – grocers, home builders, farmers, hospital and transportation workers and more. Others of you had to cease operations from one day to the next. How many sleepless nights you spent worrying about your companies, your employees and your customers.

So let me just say, on behalf of myself and all the people of the state of California, THANK YOU. Thank you for your persistence, and for helping California manage our way through this extraordinary time.

As we sit down for breakfast today, you might know that legislators down the street at the State Capitol, are working with the governor to decide how to spend an unprecedented \$98 billion dollar budget surplus. This morning, I'd like to talk a bit about the California budget,

and how - as massive and complicated as the spending plan is – there's a vision for our future which is coming into focus.

But first, let's remember that just two years ago, at the start of the pandemic, California was predicting a \$54 billion budget deficit, and had lost almost 2.8 million jobs. We have since regained over 91 percent of the jobs lost and our unemployment rate has dropped from a pandemic peak of 16 percent to 4.6 percent today.

By all accounts, California's economic recovery is now leading the country. Our GDP grew by 7.8 percent in 2021 and by 9.5 percent in the fourth quarter alone, one of the fastest growth rates in the world. California's economy is now \$3.35 trillion - larger than every economy in the world except the U.S. (as a whole), China, Japan, and Germany. We entered the pandemic as the fifth largest economy in the world, and we have retained that distinction. We have also retained our status as number one in the country in two-way trade; number one in manufacturing; and number one in agriculture. Twenty of the world's 100 fastest growing companies – according to Fortune magazine - are headquartered in California. More venture capital funding is awarded here than any other state and in 2021, IPOs in our state took in nearly 42 percent of all the funds raised through IPOs nationally.

These are the facts. And it's a lot of very positive news for the California economy. But I cannot help but hear what some of you are thinking. What about Inflation? Taxation? Gas Prices? Homelessness? Home prices? Mental Health? Wildfires? Drought? Almost every day, someone asks me how I can be so positive about the state of our state.

So let me clarify: We have many, difficult challenges in California. But a growing economy gives us powerful tools to help address those challenges.

Here again, I want to express my gratitude to all of you – because you might not hear it enough. Thank you for your part as businesspeople in helping to grow our economy. And even if you grumble about it, I want to also thank you for contributing your share of tax revenue that has put us in the financial position we are in today.

Now as your Lt. Governor, I serve as acting governor when the governor is out of the state – but you know that’s just a few days each year. And even though I am the president of the State Senate, I only actually get to vote when there is a tie. But still, from my privileged view down the hall from the governor and the legislature, I have seen a picture emerge about the priorities of the state. As a businesswoman myself, I’d like to share with you this morning my interpretation of how our state is demonstrating our priorities and our values through the budgeting of this historic, surplus-fueled spending program.

First, I know you care deeply about fiscal responsibility. I am sure you know that the top one percent of Californians tax payers contribute about 45 percent of all our income tax revenue. What you might not know, however, is that the individuals who make up that one percent are always changing. Throughout our history, people have always come and gone. The current increase in the number of people moving away is related to a lot of things, mostly around the high cost of living. But it is a paradox. People are leaving because they can’t afford to buy a house.

They can't afford a house because people are in bidding wars over houses. You might ask, if everyone is leaving, who is bidding up the home prices?

The point I want to underscore is that California is a very dynamic place, and we have had more than our fair share of boom-and-bust cycles. That's why over the last two years, using the power of the budget surplus, the Governor has prioritized historic investments to prepare for the next down cycle. With the legislature's support we have replenished and strengthened our state's financial reserves. We've made massive payments to pay down retirement liabilities, reducing those unfunded liabilities so many of you have been concerned about. We've also paid down bond obligations, reducing our budgetary debt, and creating more capacity to sell bonds in the future, when and if necessary.

The second priority that has emerged, again in my assessment, is a commitment to helping those among us who need it most, especially families and businesses which struggled the most over the last two years. During the pandemic, we provided direct support in the form of 600 to 1500 dollar checks to two out of every three Californians, through the Golden State stimulus program. We also provided \$5 billion in rent relief, helping over a million residents stay in their homes, while compensating their landlords.

You all know that small businesses are the pride of our communities, and so many of them struggled when everyone stayed at home and our tourism and service industry went on pause. That's why we funded the

small business grant program in our state, managed by Go-Biz, which as of last December, has provided grants to over 300,000 small businesses. Stimulus checks, rent relief and small business grants are not the only programs put in place, but I believe they've been the most impactful, and helped millions of Californians keep a roof over their heads, food on the table and the ability to reopen their doors.

Also in this second category of helping the most vulnerable, perhaps no issue is more serious or more complicated than homelessness. I'm not going to try to quantify the problem because you already know. You know the toll it is taking both on the unhoused, AND all of us in society who believe it is not acceptable to see human beings suffering on our streets. The federal funding that came to California early on, through the CARES Act and the Rescue Act, along with funds from our surplus, have resulted in the largest investment ever in tackling the epidemic of homelessness. Project Roomkey provided temporary shelter for 50,000 Californians. Project Homekey has already delivered 10,000 permanent units, with funding in place to provide 55,000 new housing units and treatment slots in the coming years. Providing beds for the homeless, however, is not enough. I encourage you all to follow Governor Newsom's effort to establish a Care Court system in our state, because as you know, this crisis is about more than housing. It is a mental health crisis as well.

Finally, the third broad priority that I see guiding budget decisions is investing in the future. It is amazing to me, but with the magnitude of these surpluses we haven't heard a lot about what it means to four-year-olds! Here's what it means: Four-year olds are going to school. My

kids were in preschool at age four and I bet most of yours were too. But the power of the California economy is now enough to expand our K-12 public education to include public preschool for all four year-olds by 2025. As a mom, I just want to swing from the chandelier! Access to affordable childcare is a critical element to unleashing the power of any economy. And as any parent or expert in child development knows, the earlier you start a child's education, the more likely that child will go on to succeed in life.

When it comes to investing in the future of our state, there is far more being done with our budget surplus I can detail for you this morning. From investing in our public colleges and universities, to shoring up our network of transportation infrastructure, broadband infrastructure, water infrastructure. \$37 billion in infrastructure in this year's budget alone.

But I do want to emphasize one more clear priority, and that is addressing climate change and investing in a carbon-free energy future. Between last year's budget and this year's budget proposal, California is set to invest over \$47 billion. From the transformation of the Salton Sea into a Lithium Valley, we will do our part to help on-shore large-scale battery development. From the expansion of off-shore wind capabilities, networks of electric car charging stations and hydrogen-powered equipment at our ports, the future of carbon free energy is already happening here. And again, our business community is leading the way, and we are supporting your innovation with tax-credit programs to support your investments in research and development.

Last fall, I had the opportunity to step in for Governor Newsom and lead California's delegation to COP 26 in Glasgow. It was very humbling for me in that everywhere we went, people recognized our flag. In fact, California's innovation and leadership in combatting climate change is considered to be among the most steadfast, stable and reliable in the world. I am convinced that the next big breakthroughs toward a carbon-free energy future will happen here in California.

Before I close my remarks, I'd like to recognize all the members of California's foreign Consular Corps here this morning. In my capacity as Governor Newsom and California's representative for international affairs and trade, we have spent a lot of time on Zoom calls but it's the first time many of us are meeting in person. As a former US Ambassador myself, let me just say thank you for your role in building bridges for our state with countries around the world. You remind us every day that California's diversity is truly one of our greatest strengths.

Thank you all for having me here today. Thank you to the California Chamber of Commerce and thank you all for doing your part in leading our Golden State toward a better, stronger future.

Thank you.