Thank you Paula (Paula Mendoza, chairwoman.) I am honored to be here today, and reinvigorated whenever I am in the presence of entrepreneurs who risk their capital, who sweat and toil to succeed, and who don’t merely talk about the American Dream, but live it every day.

It is also good to be in the presence of your honorees, including Congressman Reyes, Senator Shapleigh and Representative Alonzo.

As always, it is great to see so many friends in the legislature who are working to give voice to your ideas and ideals.

As the members of the Texas Association of Mexican American Chambers of Commerce, and as a representative sampling of hundreds of thousands of Hispanic-owned businesses in the State of Texas that earn more than $40 billion annually, you are more than constituents, you are partners in the endeavor to build a better Texas.

There is a great story in the Austin newspaper today that details how much the Hispanic business community is doing to build a better Texas.

From 1997 to 2002, 3,000 new Hispanic-owned businesses open their doors, just in Central Texas.

That is a 25 percent increase for the region in just 5 years.

Across the country, the number of Hispanic-owned businesses is increasing at a rate three times greater than the national average.

And Texas is now home to 1 out of every 5 Hispanic-owned businesses in America.

Those statistics are encouraging because they send two important messages.

One, they show that in Texas, opportunity abounds and the American Dream is available to all who dare to pursue it.

And two, if our goal is to create greater opportunity for our people, government would be wise to listen to the voice of the experts.
Your voice is critical to the debate over education, taxes and opportunity.

And I am here today to say we not only hear your voice, we are listening.

The door is not only open to you, you have a prime seat at the table.

I believe government works better when it views things through the eyes of a small business owner.

That means you know there is a limit to how much you can spend and a limit to how much you can charge in order to succeed.

Government cannot be all things to all people.

And we cannot tax, spend, regulate and litigate our way to prosperity.

Prosperity occurs when the private sector is unleashed to create opportunity, and when the public sector makes the right investments in the right priorities, jobs and education chief among them.

When I proposed the creation of the Texas Enterprise Fund in the midst of a $10 billion budget shortfall in 2003, I knew there would be critics focused solely on short-term needs at the expense of long-term prosperity.

But I think a governor has to take a big picture view, and think about how we can sustain economic growth, which in turn generates the long-term revenue needed for critical government investments.

If you want to invest more money in education and healthcare for the working poor, then I say invest in jobs instead of higher taxes.

In three short years our point has been proven: we have gone from a record deficit to a multi-billion surplus without raising taxes.

We have leveraged the Texas Enterprise Fund to create 37,000 new jobs.

Those jobs are not only being created in Dallas, Houston, Austin and San Antonio, but I am proud to say, Congressman Reyes and Senator Shapleigh, in El Paso too, where ADP announced it will create more than 1,000 jobs with the help of a Texas Enterprise Fund grant of $3 million.

The big job projects may get a lot of media attention, but the fact is, our economy is really powered by the small employers that make up 98 percent of businesses in Texas.

Every small business owner in this state can take pride in the fact that Texas has gained 530,000 new jobs since 2003, that our business climate has been ranked one of the best in the nation, and that the Federal Reserve recently said our economy is the strongest it has been since 1998.

If Texas is to continue to be a national leader in job creation, any new tax system we adopt must reward jobs and investments, not penalize them.

And just as importantly, our tax structure needs to treat businesses in different industries with an even hand.
Today only one in 16 businesses pays the franchise tax.

It has become a voluntary tax that is an unstable source of revenue for our schools.

I think it makes more sense to have a broader tax that captures more of the economy at a lower rate, and that provides incentives for job creation, and investments in employee healthcare and pensions.

It is good public policy to have a business tax that is broader and fairer so more pay their fair share.

At the same time, we cannot make it tougher for our smallest businesses to grow and prosper.

That’s why it makes perfect sense, as we reform the franchise tax, that we increase the small business franchise tax exemption from $150,000 to $300,000 of a business’ gross receipts.

Our smallest businesses, and sole proprietors, will not be unduly burdened by a tax they are not required to pay.

And if they grow into a larger business that employs more people and generates revenues in excess of $300,000, they will be able to deduct salaries, deduct investments in worker pensions, and deduct investments in employee and dependent health care.

That’s what a tax system ought to do, it ought to encourage the right investments while discouraging unhealthy behavior.

That’s why I have no objection to raising the cigarette tax a dollar a pack in order to finance a property tax cut.

It discourages cancer-causing activities like smoking, and encourages something much healthier: home ownership.

To some, tax reform is just a convenient phrase to push a big spending agenda.

To me, it must always be about ensuring opportunity for employers and families, and a reliable source of revenue that allows our schools to succeed in the task of educating our children.

I mentioned earlier government’s obligation to invest in the right priorities.

No priority is more worthy of our investment than our children’s education.

We have made remarkable strides in improving education in recent years.

Since 1999 we have put $10 billion in new money into the classroom.

We were the first state in America to make a college prep curriculum the standard coursework in high school, the first to provide individualized study guides for struggling students, and the first to tailor individualized graduation plans for students at risk of dropping out.

We lead the nation in the number of students taking advanced math courses and total dollars invested in pre-K education.

More high schools than ever before are offering college credit courses, more students are taking the SAT, and a
record number of children are attending an institution of higher learning because we are challenging them to achieve.

We have made these tremendous gains despite unique obstacles that few other states face.

A majority of our students, nearly 55 percent, come from economically disadvantaged backgrounds.

We have more than 630,000 students who speak English as a second language, some who enter our schools performing below their grade level.

While some might expect these challenges to diminish the Texas story, they have, in fact, made it all the more remarkable.

The fact is, despite our unique educational challenges, student achievement is on the rise for children of all backgrounds and all grade levels.

Reforms, higher standards and stronger accountability have helped our schools climb the mountain of success.

But we're by no means near the summit.

And the hardest climbing is always at the highest altitudes.

What worked below will only get you so far. To get to the top takes additional innovation and discipline.

That’s why reform should be central to the education funding debate going forward.

One such reform that I support is performance pay for teachers.

I recently ordered one of the first statewide merit pay systems in America because when you pay the best and brightest teachers better, more will reach for that standard.

That doesn't mean we shouldn't pay all teachers more. We should.

But let’s not expect better results from the same system just because it is better funded.

For more than 200 years performance pay has worked extremely well in a different context- it’s called the American Enterprise System.

Competition can work in the classroom too.

Our goal must be to reach children who have too often languished in the shadows of success: those who come from the poorest homes, those who may not have a rich family tradition of college participation.

Their future is just as important to Texas as the future of children who come from gated communities.

I am proud we have a record number of Texans attending an institution of higher education, and I am proud that one such institution of higher learning, Texas A&M University Kingsville, will soon welcome through its doors the first class to attend the Irma Rangel School of Pharmacy.
This school will create new opportunities in the border region, and improve access to health care in South Texas.

It is an investment I have supported for a number of years, and it will pay dividends for decades to come.

Folks in Austin think often about how to spend your money without thinking enough about the folks who generate that money.
I will never forget you, the employers who create jobs and fund our schools, the individual citizens who do your fair share and expect government to live within its means like you and your family.

I am proud that Texas has become a national model for education reform and job growth, and I recognize that so much of that success is a result of what the members of this organization are doing each and every day.

As we address the great challenges of reforming our tax system and improving education, I ask each of you for your continued guidance and support, and I want you to know that my door is always open.

I appreciate what you do for our state and our people.

You give Texans something far greater than jobs and paychecks, and that is the opportunity to provide a better life for the next generation.

Thank you, and God bless you.