

Thank you ...

Yesterday, I snapped open the newspaper and saw a big, fat headline. That's all most Minnesotans see is the headline. To them it said,

“\$2.2 billion tax cut proposed by House GOP.”

To me it said, “Politics, Power, Poker, Posturing...and Promises.”

Minnesotans, and YOU, deserve to feel disappointed. It's like you're being shown the Porsche of tax relief when you can only afford a Buick. They are showing the public something that they can't really have. They aren't being responsible in the rest of their actions. Period.

Actually, I've come to expect not much better so far this Session.

But what disturbed me in reading the article was what got left out.

FIRST, there was no mention that the Republican plan doesn't balance over the next four years. That's my test of a balanced budget – and the credit rating agencies in New York. Minnesota deserves better than politicians only looking two years out...to the next election.

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SECOND, there was no mention of the House Republicans' inability or unwillingness to explain specifically how they would reduce state government services. This puts all of the permanent tax relief in serious jeopardy down the road. The Republicans are on the radio with ads that toot about their tax cut train, but I'm here to tell you it's going to derail.

I've been consistent in saying that I'm open to some of the Republican proposals like spending more money on K-12 education, but only after seeing their whole plan laid out. Rest assured, I won't get stuck holding the bag.

This much I do know:

- The Republicans aren't providing enough on-going funding to keep state services running in the next biennium. It's their job to be specific, and I'll keep them around until they tell me exactly what the people of Minnesota can do without.
- The Republicans are spending the one-time tobacco settlement on tax relief. That's not just irresponsible, it's tragic. That windfall deserves to be invested for the future.
- Finally, the Republicans are taking for granted the excellent credit rating that their own Governor Carlson fought so hard to win back after nearly 20 tough economic years.

And to think that I thought elephants had long memories!

It doesn't take too much to remember the problems of 1980 and 1981. Senator Roger Moe hasn't forgotten, I haven't forgotten ... and neither have any of you who were around back then.

The Republicans got what they prayed for back then: deep, permanent tax relief. Then the State of Minnesota got hit with a recession. In hind-sight, the people in charge spent too much and cut too deep. The books didn't balance – and Minnesotans paid the price. It took 18 years for the legislature and the executive branch to clean up the mess.

In my budget, we finally close the books on the early 80's. There are two line items, totally ignored by the Republican House, that would have erased the last of the so-called “shifts” that legislators used to plug holes all those years ago. Instead of fixing this and prudently looking to the future, they're using every available dollar to look good to their constituents. Maybe some of you in this room are among them. Well, think again.

**THOSE WHO DO NOT LEARN FROM HISTORY ARE DOOMED TO REPEAT IT.**

There is a timebomb in the Republican plan – it's called MN CARE. Using one of the oldest tricks in the hat, their budget looks balanced for the next four years, but creates a HALF A BILLION DOLLAR hole in year five. They phase down the provider tax and spend down the health care access fund surplus. But, combined with their tax cut, they are a HALF A BILLION short per year. That's what happens when you use one-time tobacco money in your revenue base without a plan for where that money comes from down the road. It is my job to hold them accountable ... and it's yours.

There is a revenue “cliff” and their train tracks go right over it.

Let me be very clear about what I do support because there has been some confusion...at least reported in the media.

**I ABSOLUTELY support permanent income tax relief. That's why I recommended reductions on the first two brackets, which benefits all Minnesotans. That's why I proposed eliminating the marriage penalty. I stuck to my promise that any additional revenues in the February forecast would be used for tax relief. Not ONE DIME was spent on a supplemental budget. When was the last time THAT happened?**

There is one other tax cut proposal that I believe deserves discussion before we leave this tax cut issue, and that's my proposal to reduce car registration fees. I'll just bet that none of you here are driving one of those old beaters that can be licensed for 35 dollars a year!

We dare not be short-sighted today. Our boom years will end. Of this there is no doubt. I've spoken with many, many economic advisors over the past five months, all of whom are holding their breath wondering when this will all end. I'm sure you are, too.

Meanwhile, the economy is still strong. That means that we can still send out a \$1.3 billion SALES TAX REBATE with 1999 surplus dollars. Sure, but where is it? House File 1 has become the caboose on the Republican Train, with the exception of \$70 million in farm property tax relief that got split out and will likely hit my desk tomorrow.

That farm relief decision is yet one more great example of politics over prudence. We all know not every farmer is hurting. But rather than TARGET this relief, which required maybe \$10 million at most, the Senate bid relief at \$40 million, the House bid at \$70 million and...you guessed it...I'll be looking at a \$70 million bill that sends a check to every single farmer who qualifies whether they've experienced hardship or not.

The minute I sign it, they'll all go home and brag about it. Then the Revenue Department has to actually get the job done. There won't be one legislator who confesses that it will cost \$10 to pay each farmer thanks to the special ONE-TIME GOVERNMENT program that now needs to be created for farm payments. If farm relief had gone out with the sales tax rebate under House File 1, each check would have cost 80 cents.

Not one of the cost-conscious legislators has the time to think through the extra costs. At the end of the day, the state's taxpayers will have spent \$600,000 to send out payments for one short year's worth of relief to farmers.

My commissioners of Revenue and Finance had recommended spreading \$70 million in relief out over three years and distributing on an as-needed basis. Now we will have nothing left ... but the problems in the rural areas are far from over.

Can we still do permanent tax relief? Sure, but only to the degree it makes sense.

HOW MANY OF YOU ARE HEDGING AGAINST A MORE UNCERTAIN ECONOMY WITHIN THE NEXT TWO YEARS?

That's why I'm here to talk with you. I need to work with people who have a longer vision than two years to the next election.

The need for a longer vision is why I went to St. Cloud this morning to talk about the proposed Minnesota Families Foundation with Human Services Commissioner Michael O'Keefe.

We spent a half of this last century supporting people on welfare, and it's time to start out the next century with a working vision of self-sufficiency. This one-time tobacco settlement will NEVER happen again.

- One-time money is no good for permanent spending.
- One-time money is no good for permanent tax relief.
- One-time money is good for investing.

As CEO's, you have a lot at stake in this next biennial budget. So do I. I spent a lot of time on this budget. You know how hard it is to work on budgets in your own businesses, and make specific cuts. I did that without reservation and have taken the grief that comes with the

territory. So I'm not unwilling to do myself what I'm demanding of the Legislative leadership. Based on what I've seen so far, the jury is still out on whether they can get the job done.

It's obvious that the House is having trouble. Eliminating Roger Moe's parking space isn't going to get the job done. Cutting three positions off of my staff won't do it either. What we need is genuine change in the delivery system of government to affect the long-term price of public sector services.

Let's talk about technology investments. Speaking as one CEO to many others, you know that technology investments are the life-blood of an organization in the 21<sup>st</sup> Century. Every one of you has changed the way you do business internally and externally thanks to technology. You've managed to streamline how many people you employ by creatively using technology to link with your customers and vendors and banks.

Ladies and gentlemen, the State of Minnesota is far, far behind the private sector. Being so far behind COSTS REAL MONEY and LIMITS THE QUALITY OF SERVICE WE ARE ABLE TO PROVIDE. That gap is only getting wider with the House Republicans refusal to fund important projects like:

- If you had a \$5 billion a year business that was still relying upon 30 year old computers, wouldn't you spend \$8 million to ensure that you continued to collect your receivables?
- Four and a half million dollars would provide an internet directory for the entire state through Electronic Government Services. Without it, we don't have a security system with a firewall to protect transactions and we also don't have any ability to provide one-stop licensing services to business. Unfortunately, the House provides ZERO and the Senate gives only a fraction of what is needed to do the job right.

I seriously doubt you would put up with this in your businesses. I also seriously doubt that shareholders would put up with this in your business. My shareholders, the people of Minnesota, are unfortunately only hearing about this process through the media. And that's hardly a whole picture.

I asked myself coming here today, "What do Minnesota CEO's really care about?"

I keep hearing about the problems with recruiting CEOs to Minnesota because of high income taxes. That's part of why I'm committed to permanent tax relief. However, I would suggest that you focus instead on an even more critical issue: a workforce that works. The biggest issue determining whether businesses are profitable in the years to come is the availability of the other 99 percent of workers.

When worker shortage is an issue around the country, Minnesota's commitment to educating our youth and retraining our adults is a huge selling point.

I'm determined to have the best public education system in the nation. Our ability to meet your expectations and find the workers you need to meet your business goals may well be jeopardized by an unaffordable, unaccountable tax relief plan. If you focus your

energies on a tax system that serves only the new CEO, it's possible that years down the road there won't be any workers.

If you question this, just ask your human resources director. There isn't one of these people in Minnesota who isn't tearing their hair out trying to find people to bring into your business. Gone are the days when talented people compete for jobs. Now there are three vacancies for every talented person. That's a problem and that will limit growth. My budget addresses these issues, and the House Republicans won't be able to deliver it with the reductions in revenue that they promise.

You CEOs also understand the importance of moving people and goods around the metro area. Companies like Norwest Bank and American Express are leaders in promoting the use of transit. When I rode a Metro Transit bus a few weeks ago, I learned that 4 out of 10 workers in downtown Minneapolis get to work by bus...primarily because they can't find or afford a place to park!

That's just the beginning of the problems unless the House Republicans literally decide to hop off their tax train and hop on a REAL TRAIN to invest in transportation that makes a difference in the metro area. We are going to grow in the Twin Cities Metro by 650,000 in the next 20 years – if we don't develop a multi-modal transportation system, how are we going to accommodate the mobility demands of that kind of increase?

The Republican NO OPTION approach won't work. The Senate gets it just fine, and I appreciate their leadership on transit issues, especially the Light Rail Corridor to between Minneapolis and the Airport.

Today when I was at New Flyer of America bus manufacturing in St. Cloud, I saw a business that's booming because other states are ordering buses. Maybe it's time we keep a few of them here at home and let our people benefit from mass transit. Rail transit, commuter transit, bus corridors – all need to be part of a strategy to get people off roads during peak hours so commerce can function.

If we keep doing what we're going today, a 30 minute commute today will take an hour and a half 20 years from now. After years and years of planning, it's time to do something. Now.

I am committed to an efficient, competitive and responsive state government, but that doesn't just happen because you want it to...or wish it to. We have to TAKE SOME ACTION. Cutting spending won't magically change anything. Let's really figure out what we don't need and get rid of it. Let's take the eight agencies that are all doing the same thing, bring them in one room and make some changes. Ultimately, we will reduce

the cost of state government, but just by cutting spending. We need to invest and change the way we do business...just like you are facing every day in your own businesses.

Real change happens because of strategic focus, communication and leadership. There is a place for competition and privatization. Give me some time so this can be done right, not just because a few legislators want to turn over a state-built prison to a private company. That all by itself will not change the face of state government as we know it today. We need to get beyond this polarized talk about privatization. It's not an all or nothing proposition. I saw that firsthand today at St. Cloud State Prison, where a number of private companies provide services alongside state government without jeopardizing public safety.

We will do more as we take up the big questions about reform that need to be addressed over the next two years:

- We started just yesterday thinking anew about how to tie funding for public schools to results under a performance-based funding system.
- How can we get a grab on the appetite for rule-making that costs businesses and individuals real costs and real freedoms just as surely as any law?
- How can we build transit and transportation systems that works for all of Minnesota, together with smart land use strategies that work for the people?
- How do we make sure Minnesotans have access to decent, affordable health care and housing?
- How do we help an aging generation of Minnesotans stay in their homes as long as possible and contribute to their communities into their senior years?
- How do we build a capable workforce for the next century?
- And how do we get our arms around promoting self-sufficiency, and end an era of dependence on government services?

I'm looking forward to answering these questions with the citizens of Minnesota, who are tired of business as usual.

I'm tired of business as usual, too.

No CEO would tolerate 201 Directors on their Board, split into two groups and conditioned to never, ever agree to anything until the end of the chess game.

Watching the conference committee process up close, I'm reminded of something Wayne Gretzky said once when he was asked about why he was called the "Great One." He said, "I don't skate where the puck is...I skate where it's going to be."

That's just like watching this legislative process with a bicameral house and senate...forget watching the headline today – pay attention to where the puck's going to end up.

Because that's what this system is about...pucks and power and partisanship and posturing.

I want to leave you with ONE final thought – let's streamline the Board of Directors down to one, smaller, accountable body in a unicameral legislature.

Thanks for inviting me here today, and I will appreciate your active support as we move forward on huge decisions that affect the future of your companies as surely as they affect the future of state government.