



The one thing I know already is that it sure is more fun to be governor when times are good.

Obviously, news that we have almost \$500 million more than expected from last year, and \$1.0 billion more projected for this biennium, can be considered good news. However, for most politicians that can also be real tempting. However, I want to make clear how I feel about this news today.

First, I'm disappointed that the Legislature didn't follow my lead to wait to make the first real "settle up" with taxpayers for the rebate, until after we closed the books.

Had the legislature not "capped" the rebate -- everyone's rebate check would have been bigger because the total rebate would have been almost \$1.8 billion instead of \$1.3 billion.

As it happens -- conveniently in an election year -- extra money from the last budget cycle sits in the bank.

But it still belongs to the taxpayers. And I want to send the money in the bank, back to the taxpayers this summer.

I will hold firm to my belief that this tripartisan government set a responsible budget -- \$23 billion worth -- during the last session and now will live within it.

The Legislature owes it to the Minnesota Taxpayers not to spend a surplus, from the previous biennium, out of your pockets.

I also want to repeat my unwillingness to rely on projections.

I believe we should wait until the money is in the bank before the state's elected officials make new commitments that in the end the state maybe can't afford.

Let me do a little reminding of two very special things that most people don't know about.

In 1996 the Legislature passed a law that directs 60% of the projected surplus to be put in a "savings" account for property tax reform.

That's as good a place as any for now.

HOWEVER, I still regard my proposal to reduce license tabs as unfinished business from last year. And so as the debate begins I still think it makes sense to put permanent tax relief on the top of the list. Especially permanent tax relief in the form of reduced license tabs that didn't get done last year. And based on recent comments by Republicans and Democrats, this shouldn't be a problem. The last legislature also decided that a piece of this forecast -- \$43 million -- was earmarked for K-12 spending.



As I've said since the end of session, I think this should be reallocated to fund class size reduction and student achievement. We need to show results, not just use it to fund teacher contract settlements. We've made a significant increased investment in our K-12 spending -- that we'll still be paying for next biennium -- and I want to see that it's making a difference for our kids.

There is one thing I want to say about tobacco:

The issue I want to talk about is the one-time tobacco settlement money. Citizens must remember that the legislature only acted to endow the 1st payment. There are more payments to follow in 2002 and 2003. Because no decisions were made about those payments, this forecast shows them going into the general fund. Hear me clearly -- I will continue to maintain that they should be set aside and invested in an endowment for the long -- term benefit of Minnesotans. That represents a windfall to the state -- not an overpayment of taxes.

Finally -- don't get too used to seeing me up here talking about big surpluses. It seems that folks are starting to agree that maybe it will take something big to really rock this economy. From now on, as the Finance Department explained to you all this morning, we're setting the bar much higher and we need to recognize that it's now going to be much harder to "outperform" our forecasts.

Therefore, now is not the time to consider more spending. Now let's see what questions you have for me or Commissioners Wheelock and Smith.

Possible Questions:

The House says they want to spend \$400 million for roads -- what do you think?

Even at \$400 million, anyone that thinks a one-time investment is going to solve our transportation AND TRANSIT needs just doesn't understand the problem. I'm looking at the issues of congestion and strategic infrastructure investments, but I'm not going to take rebate money out of taxpayers pockets to do it. I'll have a comprehensive proposal that responsibly addresses our longterm interests -- maybe for next session or maybe for the next biennial budget.

What about this \$400 million in the Assigned Risk Plan?

First, that's not money available to the general fund according to current state law. I'm discussing the issue with my Commissioners, but there are some very good reasons to consider uses other than the general fund -- particularly since it is NOT an over collection of taxes.

So -- are you saying that you'll support another rebate check next year?

I just found out about the surplus like everyone else -- I'll ask my Commissioner of Revenue for proposals -- but yes, I would consider that as a very good option.

Are you really saying you won't consider any more tax relief before another "settle-up" at the end of the biennium?

I would -- but I'm saying we should be cautious. If a motor vehicle tab reduction were the tax cut we were talking about, I'd consider implementing it next fiscal year. But I am also sensitive to the possibility that "forecast" revenues may never appear. I'm not going to overextend only to have a problem a year from now.

There's been some suggestion by the House Republican's that a reduction in the state sales tax should be the next priority -- how do you feel about that?

I'm on record supporting sales taxes -- it's one of the few taxes where people get to determine their own tax bill based on how much and what they buy -- especially when Minnesota exempts food and clothes. I think I've been clear that motor vehicle tabs are next on my list. Finally -- I'd add that even after the largest income tax cut in the state's history we're still likely to be ranked 4th highest -- unlike the sales tax where we're 28th on the list.

Would you consider using some of this money in the capital budget along with bonding?

No.