

Thank you for coming today.

Let me thank the City of St. Cloud for hosting this meeting.

I also want to thank Commissioner Pam Wheelock and Director Dean Barkley and their staff for organizing this event. They put a lot of work into it and have done a great job.

While the nation continues to trudge through the aftermath of this election, it's time for Minnesota to get down to the real business of governing.

That's what today is all about.

The real business of governing is knowing what you stand for, setting priorities and making hard choices.

My beliefs and budget principles have not changed since my election. They continue to guide my decision-making.

First:

Government should be responsive, limited and accountable. Government does not exist to sustain itself on policies and programs that no longer make sense.

Second:

- Government should only do what the people cannot do for themselves. The people of this state must make smart decisions and take personal responsibility for their choices.

Third:

- We need to bring government back to the people. I like to stick to the basics: government of the people, by the people, for the people; it's that simple.

The business of governing is about setting priorities.

My priorities are spelled out in the Big Plan. The Big Plan contains 26 initiatives; some policy-related, some budget-related, and some are just common sense statements about our responsibilities as citizens.

The business of government is about making hard choices.

I'm am ready to make the hard choices. But we have a SHARED RESPONSIBILITY and a SHARED INTEREST on a lot of the issues. We are partners in making Minnesota a good place to live, work and play.

Very simply, I am asking for your help.

I am looking to you because we have a common interest in keeping our communities safe, we have a common interest in improving student achievement, and we both struggle with increasing health care costs. And that's just the short list.

Before I make decisions on these issues, I want to understand your priorities.

As you think about some of the questions we are asking, try to step out of your traditional role as a county commissioner, school board member, local elected official or business leader. Take a broader look at the pressures we face collectively. I ask you to think like a Governor.

To help you think like a Governor, members of my cabinet are going to give you THE BIG PICTURE.

Don't confuse the BIG PICTURE with the BIG PLAN.

The BIG PICTURE is about the real cost pressures we are facing as a state and how those pressures directly impact what the next budget and beyond is going to look like.

The BIG PICTURE is a reality check.

You know, it's a great time to be Governor. Our economy is booming and it would be easy to go on a spending spree, but that's not what I'm about.

I'm about taking a critical look at current spending and proposing ways to be MORE strategic and MORE forward-thinking. Minnesota's economic prosperity is the best opportunity for us as a state to reform and reallocate, not spend and splurge.

I don't usually talk numbers but I want the public to understand how this works.

Numbers tell a story and you need to know the story to formulate an opinion about how we allocate our state resources for the future.

Does everybody have a pen? I want you to write these down.  
6,10,12,13 and 16.3

Six. The 2000-2001 biennial budget was scheduled to grow by 6% if NO spending bills in the 1999 or the 2000 legislative session were passed.

Let me say that again, the current biennial budget was going to grow by 6% before any of us even got to the capitol in January of 1999.

Ten. What about ten?

The 2000-2001 Biennial Budget I submitted to the legislature after I was elected would have increased state spending by 10% over the previous biennium.

Again, had my two-year budget passed in the 1999 legislative session without any changes by the legislature, the state biennial budget would have grown by a total of 10%.

Let's talk about Twelve.

The legislature looked at my first budget and decided they wanted to spend more. So at the end of the 1999 legislative session, the legislature increased state spending by 12% for the 2000-2001 biennium.

I want to repeat, the 1999 legislature spent more than I originally recommended and as a result increased state spending by 12% for the 2000-2001 biennium.

This is interesting isn't it?

Lets move on to the number 16.

Sixteen point three to be exact.

The legislature came back in the 2000 legislative session and increased spending even more. The "second year" of the biennium is supposed to be about bonding. But you know what? It ended up being about spending too. Because the legislature came back for a second year, overall state spending for the 2000-2001 Biennium increased to a total of 16.3% over the previous biennium.

I don't think the average Minnesotan had an increase in their family income by 16% the past two years.

What I am telling you is that TOGETHER, we need to get a grip. We need to understand that the spending decisions we make today, will have impacts far into the future and become our hidden cost drivers at every level of government.

As I prepare my 2002-2003 budget, I'm already behind the eight ball. State spending is estimated to grow by 6.5% for 2002-2003 before I or the legislature even make the first decision.

That 6.5% is the estimated cost for programs that are already in law. That growth is a result of expanding state programs, and inflationary pressure for things like labor costs and health care.

Even though the economy is growing at a healthy rate, government shouldn't be growing faster than the economy.

It's common sense. While I understand there are barriers for people, if we can't move people off government programs in good times, how can we expect to do it when times are tough? We should not be tempted to spend more money if it's not directly related to the basic responsibilities of government.

Of course one of the problems is that we confuse the public. They are confused because the real cost drivers are hidden. We say we are spending on one thing and end up spending on something else.

We increased K-12 spending by \$1.3 BILLION dollars this last biennium. K-12 education is one of those basic responsibilities of government. School districts told us they want and need flexibility. That's what we did, we increased state spending for education by 20%. But for some reason, its still not enough.

I think its time to be honest with each other.

Teacher compensation is a great example. We all know that the least productive teacher gets the same pay as the most productive teacher. We have a system that does not work in an era of full employment. We have a system that does not work when competing professions pay better for new college graduates.

Commissioner Jax is going to talk about some of the teacher compensation options we ought to consider. Let's face it, the system has got to change.

While I do not sit at the bargaining table with the school administrators on the teacher compensation issue, I face the same kinds of pressures with my own state employees. Those costs are coming out of the taxpayers pocket.

We are all facing significant cost increases without any real improvement in service.

It's time we take these issues on together because you and I both know they are driving our costs out of control.

What's important is that I share with you a little bit of background so we can all learn a lesson.

I want you to know that I understand how dependent state, county and city/municipal government is on one another.

17.4 cents out of every dollar of personal income generated in our state, goes to taxes or fees to pay for some government service. More often than not, you are the ones who deliver the service.

To me, that means we have a shared responsibility.

My responsibility is to limit the overall rate of state spending without shifting that cost to you, the local units of government. But in doing that, I fully expect that as local units of governments, you go through the same rigorous process the state is going through to control your costs and address your top priorities.

One of my top priorities is a fair tax system that supports Minnesota's ability to compete in a global market.

You may know I am submitting a proposal to the legislature that will fully acknowledge the state's responsibility to pay for the basic education costs in our K-12 system.

School boards have NO FLEXIBILITY in setting the general education levy. We decide from St. Paul how much they have to raise through property taxes with no say by local taxpayers. It's ridiculous. We need to move these programs and funding relationships back into line and end the shell game.

I'm starting with K-12 because it is the single largest unfunded mandate and is one of the most basic responsibilities we have as a state. It is a major swipe at fixing our system so property taxes more truly represent local decisions, and citizens can understand and control their taxes.

Will we be able to make progress on straightening out these relationships beyond the K-12 funding issue? It's too soon to tell.

Commissioner Smith is rolling out a comprehensive tax package that in addition to the K-12 issue, tackles one of the most important changes we are facing in the new millennium, and a global, technology-driven economy.

Consider this. In 1929, 61% of what we spent money on was for goods, only 39% was for services. By 1999, that ratio has flipped. Nearly 58% of personal expenditures is spent on services and only 42% is spent on goods.

That means the furniture maker's product is being taxed, but the web designer's product isn't. Both items are necessary to this economy but I ask you, why furniture and not the web site? What is fair about that?

The only difference between the two was the furniture maker was around however many years ago when we started taxing furniture.

That's why we are here today.

We are here to talk about the real business of governing in a new era. The real business of governing is about making hard choices by acknowledging the realities of a changing society and a changing economy.



I also want to say, just for the record, I signed most of those spending bills I talked about earlier so I take some responsibility. But remember this, there comes a point in this whole process where I can only sign or veto a bill. I have no caucus so my policy must stand on its own merit, politics be damned.

You can help us succeed---let's do this together.

Thank you.