

The forecast for next summer is good.

Lots of sun and lots of fun.

Oh, and another rebate.

The forecast is so good that for the third year in a row, Minnesotans will receive a rebate check.

Yes, we have yet another state forecast of continued unprecedented economic growth and as a result we can expect strong revenue increases, even after the significant tax cuts of the past two legislative sessions.

I'd like to remind you of those tax cuts:

Two Sales Tax rebates - \$1.35 billion dollars paid out to Minnesota taxpayers in 1999, and another \$635 million dollars paid out this past August. That's \$2 billion dollars returned to taxpayers in the last two years.

We cut future state tax collections permanently by almost a billion dollars a year by permanently cutting Motor Vehicle Registrations saving Minnesotans \$175 million dollars annually. And reducing Individual Income Taxes paid by Minnesota families by \$775 million dollars a year.

And now, based on this forecast we can do even more.

In July, when we first got an indication that revenues were exceeding forecast, I announced that \$260 million dollars was available for an initial deposit on the "next" rebate.

That number is now expected to reach \$924 million by next July.

Of course, my first priority will be to "settle up with the taxpayers" and return the \$924 million dollar surplus from the current biennium back to taxpayers.

Beyond the rebate, this forecast will be the basis of my budget recommendations for the next two years.

As a part of the overall budget that I will present to the legislature in January, I want to consider:

-a lower sales tax rate,(and, by the way, I really wish certain legislators would refrain from irresponsible scare tactics that lead people to believe that our sales tax plan includes the taxing of food and clothing. It won't.)

-permanent income tax relief that is fair and just to all citizens, and

-further reductions in car tab taxes



All of the above, in addition to eliminating the state-mandated property tax for basic K-12 education costs.

I want to emphasize that this forecast only reinforces the work we've done, and the goals I have set for my administration.

Regardless of this revenue forecast, it is essential that we continue to maintain our fiscal discipline, not avoid hard choices, and make decisions today that will serve Minnesota's best interest over the long term.

That means limiting growth in overall government spending to focus resources on those things that government truly needs to do, and where government spending can provide measurable results.

It also means that we must take this opportunity to reform and restructure our tax system to make it more fair and position our state to compete and win in the global marketplace.

And so, Our targets remain significant tax reform and relief, and responsibly limiting the growth in state spending. Tax cuts, not higher spending, will be my priority for the surplus forecast for the next biennium.

The chances of successfully accomplishing much needed tax reform and significant tax relief have just gotten higher. The increase in projected forecast revenues for the next budget affords the opportunity to build on our tax reform efforts and provide significant tax relief.

My budget recommendations will also include tax reform initiatives that recognize the 21st century technology and service based economy and will keep Minnesota competitive into the future.

This will mean changes to both the property tax and the sales tax, so that each will fall more fairly and evenly on different properties, and on services as well as goods. The good news is that this can be done - and without any expansion of the sales tax to clothing.

When the economy is good, government should have a diminished role. As you know, I have asked for budget recommendations that hold spending in the next biennium roughly to the rate of inflation. That is my target.

That will prove to be a significant challenge as state expenditures for the fastest growing area of the budget - - Health Care -- are projected to increase over 20 % compared to the current period.

The "experts" describe this forecast as extremely optimistic. Rest assured my budget proposals will take that into consideration and I have asked Commissioner Wheelock and my budget team



to advise me about the appropriate risk management measures that respond to the potential economic uncertainties.

If the budget I submit in January is my last, I do not intend to leave the state in fiscal jeopardy.

I will act responsibly in placing my budget before the next legislative session. I would hope that legislators will act responsibly also - joining with us early in agreeing to the basics of needed tax and spending reforms, while maintaining much needed fiscal discipline.

I'd like to remind everyone that this forecast is a projection. Minnesotans can rest assured that we will watch the February forecast very carefully. If adjustments need to be made to my recommendations, then we will make them.

I'd like read a quote from Moody's Investors Service, which recently assigned Minnesota a triple-A rating, the highest possible.

(I quote), "This highest rating and stable outlook reflect a strong financial position, the result of conservative fiscal practices and planning."

Thank you.