

Bold Reforms for a New Economy

Mr. Speaker,

Mr. President, and honorable Legislators.

Thank you for allowing me the privilege of this prestigious venue to deliver my second state of the state address.

Governor Wendell Anderson,

Governor Harold Stassen;

Thank you for coming here today--and on behalf of all the people of Minnesota--let me once again thank you for your service to this great state.

(Please stand and be acknowledged)

Lt. Governor Mae Schunk.

Thank you for your loyalty and dedication to this administration and our goals.
Welcome to the constitutional officers:

Attorney General Mike Hatch.

Secretary of State Mary Kiffmeyer.

State Auditor Judi Dutcher, and

State Treasurer Carol Johnson.

To the Chief Justice,

The Associate Justices of the Supreme Court, and

The Minnesota Court of Appeals,

your attendance is indeed an honor.

To my Commissioners, my staff, my friends -- from the bottom of my heart--thank you for your hard work and loyalty.

And finally, thank you to my family for being with me here today.

It's been an interesting two years in the state of Minnesota.

And it's been a good two years.

How do I know that?

The people told me.

In the last two years I have traveled to every corner of this state and listened to the people.

And so while I have a ton of statistics to prove that the state of the state is good--I come here today with something even better than numbers:

I come here fortified with the hugs, the smiles, and the encouraging words of the people.

And those words are comforting.

In Alexandria and Alvarado I got off a bus and mingled with some very hard- working people who have helped make this the great state it is.

In Albert Lea I met meat packers who help make Minnesota one of the top food processing and packaging states in the nation.

And in Becker, Belgrade, Big Lake and Bemidji I saw hard working young people chipping in as part of the best workforce in the world.

A workforce that for the last two years has had one of the lowest unemployment rates in the nation. Business comes to Minnesota because we not only work hard, but we know how to work smart.

In many towns throughout Minnesota it was pointed out to me that, while we need to remain vigilant, people are appreciative that the Pollution Control Agency is working closely with the Department of Agriculture and the Department of Natural Resources to preserve and safeguard our environment.

In Bloomington I learned of the resources we have available for abused women and their families. But I also learned of the terrible toll domestic abuse takes on our society.

I listened to these advocates and I learned.

In Callaway, where it seemed the whole town came out to greet me, I was overwhelmed by the confidence people had in themselves and in our ability to do what is right for them.

In Chatfield, I got a haircut. Really.

And I saw a main street struggling to remain vital in a changing rural economy.

I took note.

In Cold Spring I toured a brewery. A brewery that is a classic example of adapting business strategies to a changing world.

I learned that all over our state businesses are adapting.

In fact, in the last two years our Department of Trade and Economic Development assisted over 205 projects committed to the creation of 8600 jobs, 82% of which were in rural Minnesota.

Adapting to a changing economy. It is what will make a good state better.

In Crane Lake I caught some fish. And that day, especially for my family and me, the state of the state was good.

Thank you Crane Lake--you did yourself proud.

Fishing, golfing, swimming, hiking, boating, skiing, snowmobiling, canoeing, the arts, sports and even shopping, make this state a good state to visit.

In the last two years I have worked hard to promote tourism. And in the next two years I will work even harder.

In the last two years tourism in Minnesota has grown by over 10% a year and is now a \$10 BILLION dollar industry.

I traveled to a lot of towns this past year and met a lot of people whose livelihoods depend on tourism.

Towns like Duluth and Detroit Lakes.

It is towns like these that I have in mind when I travel to Chicago, Los Angeles, New York and Japan and urge their citizens to experience Minnesota.

I traveled to towns where the people are proud of their natural resources and work hard to preserve them from the growth of our cities.

I saw where the rivers meet in Elk River, I played golf in Eden Prairie, and I was charmed by the people in Fertile.

I had lunch at the Whistle Stop in Frontenac and was serenaded by singers in Fulda.

In Eveleth I was deeply concerned and in Hoyt Lakes I was sad.

Life is good in Minnesota, but not for everyone.

But I also have experienced Minnesota's ability to persevere.

In tiny Heidelberg I was overwhelmed by the sincerity and kindness shown to me by two of the most entrepreneurial spirits in Minnesota.

Laura Odenthal and her husband Randy took advantage of a new state meat inspection program and developed a direct marketing outlet for their meat products.

And, believe it or not, Laura and Randy produced a bratwurst made from alligator and pork and sold over 2,500 pounds of the product at the State Fair.

The entrepreneurial spirit is what makes this a state above all states. The ultimate resource in a goal of self-sufficiency is the can do attitude.

Our state is full of entrepreneurial role models.

Donn and Sarah Kreofsky developed Lark Toy Company in Kellogg, Minnesota and built the most unusual carousel you will ever see.

You know how many people visited that carousel in Kellogg last year?
750,000 people. Yes, three quarters of a million people.

For hard working, innovative and creative people like the Kreofskys, the state of the state is good.

But while most of us are enjoying the good life, things around us are changing.
In Long Prairie, Marshall and New Trier the agricultural economy continues to evolve; and in Mankato, Minnetonka, Moorhead and Minneapolis ecommerce continues to expand.

In Owatonna property taxes are projected to go up 14%. In Morris the projection is a 16% increase, in Apple Valley 20%, in New Hope 30% and in Bemidji and Delano 35%.

In Rochester many thousands of health care workers struggle to keep us healthy.
I've been out there and I have gotten a message.

And the message is:

Things around us, the economy, health care, communications, are changing at a rapid pace, and government policy must change accordingly.

Today I am bringing you the Ventura Administration's agenda for that change:

Bold change for a new economy and a new way of life in Minnesota.

A way of life that includes a 21st century tax system, a 21st century telecommunications infrastructure, a 21st century education system and a 21st century government to guide us through this fast paced world.

Let us begin with bold, responsible tax reform.

We are poised to provide Minnesota citizens with a reformed tax system that not only lightens their load, but also makes the tax system more fair, simple and accountable to taxpayers.

I also want our tax laws to support Minnesota workers and businesses to compete and win in the globally competitive marketplace.

The tax changes I will present to the 2001 legislature will lay an important and ambitious agenda before lawmakers and citizens for the coming months.

Yes, they will be controversial.

Yet I believe that addressing those issues now is crucial to the long term best interests of the citizens of Minnesota.

I ask you to join me in a constructive dialogue that can successfully turn these goals into reality by the close of the legislative session.

Over the past year and a half, my administration has worked with many of you, local government officials and citizens, to develop a good understanding of concerns and hopes for a better tax system.

What have we heard and learned in that process?

Our "big three" taxes, property, income, and sales tax, together account for 3 out of every 5 dollars that citizens pay for state and local government in Minnesota.

And each of the big 3 has its own big problems:

The property tax is a complicated shell game that frustrates citizen involvement, and lets both state and local governments evade responsibility for their spending and taxing decisions.

And all too often, responsibility for local spending decisions is camouflaged by levy limits, state aid payments, and a tax structure that places too much of the tax burden on those who don't even get to vote.

All of this makes it impossible for the property tax to be what it was originally intended:

A local tax, controlled by the community, with local officials and citizens accountable for its use.

The property tax also puts an unfairly high burden on businesses and rental housing, which hurts our competitiveness and creates economic development barriers in many parts of our state.

And finally, many Minnesotans, including myself, question the basic fairness of the property tax as a way to pay for government.

How much does the value of a property really have to do with how much it costs government to serve it, or the ability of the owner to pay the tax?

All too often, not much.

The property tax needs to be reformed so it is smaller, simpler, fairer, and more truly a local tax, and we can do it, this year.

In my budget,

I will propose that the state take over the full costs of the K through 12 general education formula and eliminate the state-mandated general education levy by local school districts.

Combined with other changes to the property tax system, this will result in net property tax relief of over \$800 million annually to all types of property across Minnesota,

Including double digit percentage property tax reductions to:

businesses,

homes,

apartments,

farms, and

cabins.

And be assured that property tax relief will benefit all parts of our state.

I will propose reforms to restrict local school districts to levying special referendums on residential property because let's face it, they are the ones that vote for them and benefit from them.

Today, businesses, cabin owners and farmers experience taxation without representation when it comes to these voter approved levies.

Everyone needs to pay their fair share, but I will propose that businesses and cabins that have no local vote will pay tax at a uniform statewide rate instead.

And farmland will be exempted from both the local operating referendum and the statewide tax.

I will propose increases in the state "circuit breaker" property tax refund, to help seniors and others with fixed incomes cope with the effects of rising property values and taxes.

And I will propose that what remains of the property tax be made more clearly a local tax, locally decided, locally controlled and accountable:

by eliminating the sales tax on local governments,

by beginning to take state funding responsibility for some mandated juvenile protection costs now borne by county governments and the property tax,

by avoiding levy limits,

by reforming state aid formulas to cities so they better reflect local needs and resources,

and by improving the quality and understandability of taxpayer information so citizens can participate more effectively in local spending and taxing decisions.

Another tax many people have told me is unfair is the income tax.
A tax that's given our state more notoriety than our 10,000 lakes.

Yes, we have been working on lowering them, and over the last two years the income tax has been substantially reduced. Still, we have the 10th highest top rate and the third highest starting rate in the nation.

What kind of a message does that send about how much we value work and individual self sufficiency?

Those high income tax rates also make it harder to attract and keep skilled workers in our state, the very people we need if our economy is to continue to grow.

Our income tax rates need to be lowered again for all taxpayers, and we can do it, this year.

In my budget,

I will propose an across the board reduction in state income tax rates that will reach .5% in all three brackets, and

I will propose increases in the Working Family Credit to ensure that work is rewarded at all income levels in our state.

There is one tax that many people believe is fair (or at least as fair as any tax can be!): the sales tax.

People say it feels like they can control it, that the payment of the sales tax is their choice, not the government's.

I agree with them, and I want our state to rely more on the sales tax, and less on the income and property taxes in the future.

But the sales tax has some problems, too:

Right now, the sales tax is out of step with a modern economy.
The fact is our society is more and more service based.
Think about this.

On average, about forty percent of the purchases you make today are for goods. Things like hammers, books, tires and snow shovels.
All these items are taxable.

But about sixty percent of purchases are for services. Things like haircuts, piano tuning, boat docking, dating services, and car washes.

Things that mostly go untaxed.

This 60/40 split is almost the exact reversal of what existed in the years when our sales tax was developed.

It's time we change our tax system to reflect our economy.

The sales tax faces some other problems, too:

The growth of ecommerce and sales over the Internet, while essential for economic growth, also causes a growing tax loss because sellers from outside Minnesota don't collect our sales tax and, in the process, put our Minnesota retailers at a competitive disadvantage.

We must find a way, working with other states, to create a way for out of state sellers to charge and collect our sales tax, just as our in state businesses must.

If we don't, more and more of the tax burden will be shifted to those who find themselves on the wrong side of the "digital divide" and that's not fair.

Finally, we have a high state sales tax rate, at 6.5 percent, it is the 3rd highest in the country, a leftover from the state budget problems of the early 90's. And one of the few "adjustments" from that era we have yet to undo.

Our sales tax needs to apply more fairly to all parts of a modern economy, at a lower rate, and it needs to be preserved and enhanced as a reliable source of tax revenue for the future, and we can do it, this year.

In my budget, and in concert with other Governors across the nation, I will propose administrative and definitional changes designed to align Minnesota's sales tax system with those of other states and create a national, streamlined state sales tax system that can:

Help solve the internet sales problem,
Create a level playing field for Minnesota based retailers, and
Preserve the sales tax as a revenue source for the future.

I will propose a reduction in the state sales tax rate to 6 percent.
And in what will perhaps be the most controversial aspect of my tax reform plan:
I will propose that Minnesota broaden its sales tax base to include services as well as goods, while continuing to exempt life essentials like food, clothing, and heating fuels.

This particular reform is so important that I am going to say again what I said earlier:

As responsible representatives of the people we cannot ignore that we have a sales tax in Minnesota, built and designed on the late 60's economy. It is riddled with exemptions and totally ignores a huge and growing segment of our economy.

This is a tough one.

This change will take tremendous political courage.

But I am asking the legislature and the people of this state, to stand with me and take this issue on.

And in the end, I hope you will make a bold move to position our state for more good economic times.

Minnesota's future is increasingly global and competitive.

And to make sure Minnesota remains an attractive, competitive place to live and do business we must reduce and reform other taxes as well.

In my budget, in addition to reductions in business property taxes:

I will propose reductions in corporate income taxes to help make Minnesota based firms more competitive.

And in connection with my sales tax reform recommendations,

I will also propose expanded sales tax exemptions for materials and equipment that will help lower the cost of operating here.

Tax reform and relief don't end with the big 3 taxes, though.

There's also my favorite "bad" tax.

The motor vehicle registration tax.

It was a bad tax last year when we lowered the tax to a maximum of \$99 from the third to tenth years, and it's still a bad tax.

In my budget,

I will propose that we continue to move toward my original goal that no one ever pay more than \$75 dollars for license tabs.

And finally, in each recent session of the legislature, we have faced a continuing call to reform the way we pay for the Minnesota Care Program.

Making health insurance available at affordable prices is a good thing, but paying for it through taxes on prescription drugs, HMO premiums, and an increasing tax on health care providers is not.

Therefore, in my budget:

I will propose a repeal of the wholesale prescription drug tax, the HMO premium tax, and permanently setting the health care provider tax at 1.5%.

Lower, reformed property taxes, lower income taxes, a lower sales tax rate, Along with all the other changes I've described, I think you'll agree is an ambitious agenda for tax reform, you might even call it a *BIG PLAN!*

I know that all of you share some of my goals, some of you share most of them, and a few of you may even share all of them.

But you're probably wondering, can we accomplish all of it this year?

I believe we can.

It requires only two things, but they're big things, and we will need to do both of them.

First, we must hold down spending growth.

We must hold spending down so we can combine tax relief with tax reform, and as a result, taxes overall can be lower, simpler and fairer.

My budget will do that.

Second, we must be bold and face the challenges of building a tax system, and especially a sales tax system, for the 21st century.

I know, and you know, that tax reform is not for the faint-hearted, especially when times are good.

But I also know, and I think you do too, that many of the changes I have described today are long overdue.

All of this requires us to look bravely at the status quo, raise questions and challenge the complicated system we have today.

As we work together to challenge this system, let us do it without mis information and mischaracterization of what this plan is really about.

This plan is not about raising taxes. It's about making a tax system fairer.

Over all it's about cutting taxes.

And in the end it is about the ability for all Minnesotans to have more money in their pockets and for the State of Minnesota to have less in theirs.

But while taxes are a huge concern there are other important reforms that Minnesota will need to be competitive in the new economy.

Minnesota has not completed a major overhaul of its telecommunications laws for over 80 years!

That means the last time we overhauled our telecommunications law, there were no cellphones, no Internet, no cable TV, no such thing as digital or high speed access.

The telecommunications world of today is completely different than the one of 80 years ago. And Minnesota has not kept up.

That is not acceptable.

This year, we must deliver.

Our telecommunications reform plan eliminates an entire chapter of state law and abolishes more than ten pages of outdated regulations.

And in addition, it creates an expedited process for resolving telecommunications related disputes between customers and providers.

It allows telephone companies to compete on a level playing field in Minnesota. New competitors will bring choice and improved service to consumers currently served by a monopoly.

Let me give you a couple of examples of how competition helps.

Fey Industries employs more than 200 people in Edgerton, Minnesota. Until recently, the local phone company was charging them more than \$1,500 per month for high speed service. When a competitive telephone company came to Edgerton, they offered to sell exactly the same service for \$225 a month.

When the original company found out about that, they offered to cut the price to \$500 a month. Fey Industries decided that the best option for them was to buy service from BOTH companies to make sure that they had backup service in case one line went down.

With competition in town, Fey Industries now has double the service at half the price!

On the other hand, in Glenwood Minnesota, one of their major employers, American Business Forms, has had to suffer through five cuts in its fiber optic cable in recent months. There is no competitor there to offer them backup service so when the fiber gets cut, American Business Forms is effectively shut down and they lose thousands of dollars.

Our plan adds teeth to requirements that force monopoly providers to open up their networks to competitors.

Just ask the residents of Marshall or Worthington what happens when competition is allowed to thrive, rates decrease and service improves.

Just ask the people of Gilbert what can happen when a major employer like Delta Dental chooses to site a new facility with more than 100 good paying jobs because Gilbert has high speed telecommunications access and other communities do not.

Monopoly providers have no incentive to keep rates low, invest in advanced services, or provide the best quality services because they know consumers have no other choice.

And despite what some of the monopoly phone providers have been saying, my plan does not increase taxes.

What it does do is eliminate hidden taxes in our phone bills that subsidize monopoly telephone company profits.

The Ventura Administration's research shows that much of Greater Minnesota is being left behind when it comes to advanced telecommunications services.

Some of the smaller providers in rural Minnesota are making investments in their infrastructure and we applaud them, but this is not happening on a broad enough scale to give all Minnesotans access to this technology.

Our goal is simple.

Minnesota will make the transition from a noncompetitive regulatory environment to a consumer oriented telecommunications marketplace.

High quality, fairly priced voice, data, and video services must be available to every home and business in Minnesota.

If we are not successful in accomplishing this reform, this year, we will have, again, missed a great opportunity.

Let's work together to get it done. The people are counting on us.

And now, education.

Arguably our most important responsibility.

And for sure, our greatest challenge to reform. But reform we must.

We have a great history of education reform in this state but now is not a time to rest on our laurels.

We must meet the challenge of filling teacher vacancies in certain subject areas, including math and science.

We must meet the challenge of teacher compensation in general.

And we must meet the challenge of being accountable to the taxpayers for the billions we spend on education in Minnesota.

Therefore, increases in my budget for K through 12 education spending will be limited and targeted.

My budget will include options that propose to facilitate alternative ways of paying teachers and alternative pathways to teaching.

This last biennium, with tripartisan support, we increased K through 12 spending by \$1.3 billion dollars.

Still most local school districts would like much more. But I am skeptical because I believe that most districts have not shown taxpayers the benefit of the last budget increase.

I do know that some districts are working hard to focus more of their existing money on improving student learning.

It can be done.

From Mabel - Canton to Minneapolis to Minnetonka, teachers, school boards and administrators are having some healthy discussions about establishing priorities and finding new ways to do things with the same old money, and you know what?

The world is not crashing to a halt.

What I will recommend in my budget are ways to support new teachers in the classroom by supporting those districts that think and act outside of the box.

My budget will support those districts that provide mentoring support, and create new career pathways that help teachers stay in their chosen profession.

I will propose ways to support getting new teachers and non teachers into the classroom by loosening and fixing licensing requirements and compensation plans.

We all know that the least productive teacher gets the same pay as the most productive teacher. Obviously there is not a great cost benefit to this system, especially in a full employment economy.

I am proposing that when a teacher is a superior performer that teacher be paid accordingly.

It is a different world today and will be a much different world tomorrow. And in education, as in business, it is the tomorrow that we must prepare for.

Education is key. No question about it.

It is the foundation upon which our children will build their working careers. And it is the driving force for still more reform.

Minnesota's success in the new economy will depend upon our future workforce being prepared and our current workforce being re - educated.

About 16 months ago, I met the movers and shakers of Hutchinson, Minnesota. What impressed me the most about that town was that their leader, Mayor Marlin Torgenson, had the right attitude.

When you called up the mayor and got his message recorder, you heard this Will Rogers quote:

"Even if you are on the right track, you will get run over if you just sit there."

I think that about sums up the workforce development challenge we are facing right now.

Let's start with the basics.

The most important asset we have in Minnesota is our human capital.

Our workforce will keep business in Minnesota, it will attract new business to Minnesota, and it will create vitality to maintain our superior standard of living.

In today's economy, workforce development is economic development.

Yes, we have a responsibility to create a favorable business climate with tax rates for business that are competitive and property taxes that are fair.

But our responsibility does not end there.

The state must approach education, workforce development and economic development with a single strategy.

That is why I am exploring a major reorganization among the two state agencies that are currently delivering workforce and economic development programs, the Department of Economic Security and the Department of Trade and Economic Development.

Later this month I will bring to you a proposal to more fully incorporate workforce and economic development.

My administration's proposal will consider the best of these areas and create new opportunities to take advantage of our commitment to this new principle.

The purpose of a reorganization is not cost savings. I expect this reform to be budget - neutral.

The primary purpose of a reorganization is to integrate economic and workforce development policy decision making.

Why?

Because the new economy demands it.

Another goal of the reorganization would be to provide a fresh perspective for aging programs that were created in an era of high unemployment, slow economic growth and few career opportunities.

My long term vision would include the state's entire adult training system. It would incorporate more fully adult basic education programs and our vocational/technical training institutions.

While these changes will produce a new way of doing things, the strategy to address workforce development does not end with these agency changes.

The workforce development strategy extends to every department across my Administration and includes a series of initiatives that I will propose to deal with teacher shortages, loan forgiveness programs for health care workers and employment opportunities for people with disabilities.

All this is so that Minnesota can compete with other states in this new technology driven economy.

But there is one last thing that I would like to emphasize.

I've already shared with you that to win in this economy we must have the best workforce. But let me add that in order to stay on top we must have a constant source of innovation.

We have this in the University of Minnesota.

But we must capture this innovation and bring it into Minnesota's economy.

It seems logical to me that the research and discovery that takes place at our university should stay in our marketplace and become Minnesota business opportunities.

To facilitate this process, in my budget this year, I will invest in technology commercialization that will be precise and targeted toward moving invention into our economy.

With the right cohesion between Minnesota's business community and the University of Minnesota, I believe we can make this success happen

When I started this speech I said it would be about reform.
And it is.

Bold, necessary and responsible reform.

You may have also noticed that these reforms have one thing in common.

They don't set us up to spend a lot of money.

Again, it doesn't matter what part of Minnesota I travel in, I can be in Thief River

Falls, Slayton or Willmar, and generally come back to St. Paul with three messages:

The first message is usually, "send any excess tax collections back to the people in the form of a sales tax rebate."

So let's do the right thing and send it back.

Second, they almost always remind me that I am a "fiscal conservative" and promised in my campaign to limit government.

The third thing I usually hear is that "taxes are unfairly applied and are way too high. So when you have permanent growth in the economy that will allow you to cut taxes, do it."

And finally let me add a fourth that I am beginning to hear: "These economic times are great but remember they might not last. Be cautious."

Let me give you an example of how my caution was not heeded last year.

Minnesota state government grew 16.3% last biennium and about 6% of that growth came in the second year's session that was supposed to be a capital bonding year.

This year state government is expected to grow another 6.5% even before you and I make any decisions this session.

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

I strongly believe that we need to assess what we're already doing with the projected \$41.1 billion dollar budget for the next biennium before we consider spending a dollar more.

I instructed every one of my commissioners to thoroughly evaluate their existing budgets and reallocate resources away from unnecessary, irrelevant or redundant programs and toward higher priorities with clear, measurable outcomes.

As a result of this challenge on January 23 of this year I will deliver a biennial budget that will have very limited spending, be focused on achieving results and committed to delivering better and faster services with little more than existing resources.

Better and faster services with little more than existing resources.

Interesting.

Last year I spoke often of reforming government to make it better, faster and more accountable, all with fewer resources.

I suggested that we could do that with a unicameral legislature. It didn't happen.

Instead, many of you argued that the problems in the legislature could be solved through changes in statute and legislative rule.

"You don't need to cut off your arm to fix a broken bone."

That's what I was told in a committee hearing last February.

I'm disappointed that the bicameral process effectively killed a bill giving the people an opportunity to weigh in on the structure of their government by sending it back to committee for consideration of a fiscal note.

I am, however, encouraged by your willingness to look at reforming the legislative process to provide for a more open, accountable and responsive government. I heard from many of you last session about how you would like to reform the bicameral system.

Representative McElroy shared a proposal reforming the committee structure in both bodies to encourage joint decisionmaking on important issues to avoid the need for conference committees.

Other ideas were offered up in the various committee hearings. I am challenging the legislature to make sure that these changes are considered and adopted in some form this session.

I challenge you to spend time reviewing and repealing obsolete laws and rules in the first few weeks of session before considering any new laws.

I challenge you to set real spending targets out in the open and as early in the session as possible so that big decisions are not delayed until the final weeks of the legislative session.

I challenge you to give each legislator the opportunity to introduce a priority bill that will be guaranteed committee consideration and a floor vote. And,

I challenge you to open up the process by ensuring that committees do not meet after 10 p.m. and that meetings are announced at least one week in advance.

I realize that the legislature has made progress on reforming the legislative process over the last decade. But there is always room for improvement.

I trust that you will consider these suggestions as you adopt legislative rules, and I encourage you to do what's necessary to deliver on the promises made in the last session to reform the legislative process.

Implementing these changes will help ensure a more open, accountable and responsive government.

Of course, I still believe that a single house legislature would be the best way to fix the problems inherent in our two house system.

Rest assured, if the legislature fails to reform itself in this session, to paraphrase my good friend Arnold Schwarzenegger: "Unicameral will be back."

Another reform that I will propose is having only a single legislative session in the biennium.

I hope that you will also join me in advancing a Single Session every two years.

The current system was adopted by constitutional amendment in 1972 to allow for more thoughtful consideration of important policy and budgetary matters, avoid the end of session logjams, and eliminate the need for expensive special sessions.

This probably sounded like pretty good reform back then. However, when reform clearly doesn't work I think we should have the courage to recognize it.

In fact, since we went to two sessions, we've seen more bills introduced, more laws passed, longer sessions, legislative logjams and more permanent growth in state spending.

The House and Senate introduced a total of 8,016 bills in the 1999 - 2000 biennium. Up 45% from just ten years ago.

The 1999 - 2000 Legislature, for the first time in history, passed more laws in the second year of the biennium than in the first year.

We still experience the end of session logjams as the legislature meets around the clock to conclude its business before the constitutional deadline.

In the 2000 session the legislature met 51 legislative days over 15 weeks. This is up from 38 legislative days in 10.5 weeks in 1990.

It's quite clear that this is not what was originally intended when the people passed the constitutional amendment allowing for flexible sessions.

Remember the 16.3% increase in spending I spoke about earlier?

That number grew from 12% in 1999 because the legislature came back in the 2000 legislative session and increased spending even more.

The second year of the biennium is supposed to be only about capital bonding. But it also ended up being about more permanent spending.

And that alone may be the best reason for moving back to a single session.

I see no reason why we can't complete the people's business with one legislative session every other year.

I also believe that a single session will focus both the executive and legislative branches more on issues that are important to the people and less on election_year politics.

I support a constitutional amendment to return to a single legislative session every two years.

But even without an amendment, I have instructed my staff to work with commissioners to develop a capital budget for your consideration this session and stand ready to adjourn *sine die* this spring.

But before you adjourn, there is another important concern that we must address: campaign finance reform.

This issue was overshadowed by presidential politics in the weeks following the 2000 elections, but I believe that it is critical to maintaining the integrity of our election process and re-engaging citizens in their government.

While Minnesota is doing a lot of things right, I encourage the legislature to follow through on campaign finance reforms that will address some of the flaws in our system.

My Administration's goals for campaign finance reform are:

Closing the soft money loophole.

Giving candidates the public money when they need it.

Providing better citizen access to campaign finance information on the web.

Many agree that soft money channeled through political parties to support individual campaigns is a huge problem, and it played an even more prominent role in the 2000 elections than in previous election cycles.

Much of this money is laundered through national political parties and congressional committees and we've seen our share of these "independent expenditures" in Minnesota.

While parties and advocacy groups should certainly have the opportunity to express their views on candidates' policy records, the current barrage of negative and misleading ads and mailings in the final week or two of the election is unfair to the candidates and to the people they seek to represent.

I believe that political parties and party caucuses should agree to limit their independent expenditures as a condition of receiving public money, and I encourage the Minnesota Legislature to pass a bill that will close this gaping loophole in Minnesota's law.

However, while reining in soft money will help to level the playing field, we must also give candidates public money when they really need it.

In Minnesota, legislative and constitutional officer candidates are currently given public funds following the general election if they receive a certain percentage of the total vote in that election. This financing mechanism forces many candidates to take out loans to cover campaign expenses until after the election.

This is particularly unfair to challengers since many incumbents have built up a war chest over several election cycles.

Some candidates, particularly challengers, have difficulty securing the loan even if they demonstrate a certain level of support.

As a candidate for governor, 22 banks turned me down before I was able to find one that would give me a loan.

I support changing the timing of these direct payments to candidates.

Minnesota candidates who sign a spending limit agreement, raise the appropriate level of qualifying contributions, and have the nomination of a major political party should receive their public subsidies immediately after the primary election.

This proposal will help level the playing field by putting viable challengers in a position to run competitive campaigns.

It's also time for state campaign finance information to be available online to provide easy and timely citizen access to this information.

Campaign expenditures and contributions are public information. But in many states, including Minnesota, this data is not available on the Internet.

This proposal will help bring government back to the people by giving them the tools and information they need to make good decisions about who they want representing them.

By accomplishing these goals, we will help ensure that any person interested in elected office can run a competitive campaign and be judged on the issues rather than the size of his or her pocketbook.

If we hope to re-engage individual citizens in our political process, we must limit the financial influence of special interests in campaigns and level the playing field between challengers and incumbents.

I hope that you'll join me in sharing the responsibility for reforming our campaign finance system.

And so, to the people of this great state and to the elected leaders in this room, I submit this very ambitious agenda.

I promised the people that I would have the courage to challenge the status quo and shake up the system.

I believe that this agenda fulfills that promise, and I believe it does it in a very responsible manner.

As the business of this body begins, we can choose to debate these bold reforms that are so important to the people of this state, or we can choose to focus on the personal, the political and the petty.

My commissioners, my staff and I worked very hard to develop these important reforms.

Let us move forward to debate them.

And I will finish by this.

I will dedicate this State of the State address to my aunt, who passed away and will be buried tomorrow.

God bless you, Aunt Betty.

Thank you very much.