

Thank you for giving me the opportunity today to talk a little bit about my plan for the state of Minnesota.

Yesterday I delivered my budget address to the Legislature and the media in St. Paul.

I had to deliver the speech in terms they could understand so I tried to use some basic principles of physics.

Usually, I would ask how many people in the audience ever took physics, or passed the class.

I would get maybe three or four people to raise their hand.

Now I find myself in front of an audience of medical students.

I'm not going to ask you the question since I gather you ALL had to not only TAKE physics but actually PASS it to get where you are.

So let me take you back, remember Newton's Third Law of Motion?

For every action, there is an equal and opposite reaction.

When you spend one more dollar, you have to create one more dollar.

And of course, you medical students probably also know something about biology. You know that "one more dollar" does not grow on a tree.

In two years I have learned a lot about physics and how it applies to the science of putting together a budget.

I am satisfied that we applied good science to the 2002-2003 budget because it is built upon a solid foundation of:

Tax Relief and Reform

- Carefully targeted spending, and
- Initiatives designed to address the demands of a changing economy.

It starts with following through on my commitment to the taxpayers of Minnesota.

That means keeping my word about returning the surplus to taxpayers once we have settled up and closed the books for the current budget period.

But you don't want to hear political posturing, do you?

You want to hear about what we are doing will impact you, sitting here right now, with student loans coming out of your ears and tests or boards coming down the line.

Let me get right down to it.

Why should you care about my tax plan?

Because our economy is changing and if we don't do anything about that now we will have even harder decisions down the line.

Our economy used to be more of a "goods" based economy, what does that mean?

Goods are furniture, appliances, things you can touch.

Today we are in more of a service economy, personal shoppers, financial planners, childcare, customer service.

The fact is, consumer spending has shifted from 60% goods and only 40% services to just the opposite, 40% goods and 60% services.

That shrinking base, and the loss of tax revenues through internet sales, weakens the tax base and will ultimately force us to depend more on the very taxes that seem least fair, property and income, in order to balance our state and local budgets.

It's in our best long-term interest to expand the sales tax to those services.

We should reduce this impact by lowering the tax rate from 6.5% to 6.0% and continue to exempt the necessities of life such as food, clothing and heating oil.

It's interesting that the Department of Revenue got a call from a taxpayer that took her dog to get groomed on her way to the hair salon, the dog's haircut was taxed, but hers wasn't.

When you buy a suit, if it needs altering at the time you buy it, those alterations aren't taxed. However, if you gain a couple of pounds, and six months later you need the waist let out, you then will pay sales tax.

All I ask is that you think about these things.

Dry cleaning is taxable, but Laundromats are exempt.

Tree removal is taxable, but tree planting is not.

Telephone services like call forwarding and answering services are taxable when provided by your telephone company, but not when supplied by a different company.

If you pay for the lodging or care of your dog it is taxable, but if you do the same for your horse it is not.

If you buy a membership at the White Bear Swim and Racket Club it is taxable, if you join the YMCA with the same facilities, it is not.

And one more time:

- Care and lodging for horses is exempt from tax, but care and lodging of dogs is taxable.
- Haircuts for people are exempt from tax, but haircuts for dogs are taxable.

Apparently the dogs don't have a very good lobbyist at the capitol.

This is not only crazy tax policy, it is unfair tax policy, and we need to change it. Another relic of the past is property taxes, a concept that once was a good measure of wealth.

It's not even a local tax anymore.

After all, we tell the local units of government what they must levy for basic education services.

Then we wonder why there are only handfuls of people in the state who understand our property tax system.

Accountability starts with state government paying fully for its own spending decisions. And don't worry, if you decide to practice medicine in a rural part of the state, which I hope many of you do, I've taken great care to make sure we help equalize resources so that not only the property-rich school districts can consider additional funding through voter approved referendums.

After all of this, even after paying for part of the cost with some local aid shifts and a statewide levy on business and cabin owners, who don't get to vote in local elections, we still provide double-digit tax relief to all classes of property.

So let's talk about the spending in my budget and how it impacts you.

I recognize President Yudof may be shocked about my budget but I believe that with a strong economy, low unemployment and growing personal income, the cost of government should not expand at an accelerated rate. His own economist agrees.

I've provided for a share of the cost for higher education faculty and staff. In the second year of the biennium, I have provided for an increase in funding for workers in our long-term care systems.

I am recommending that \$16 million be appropriated for the University Medical School. And this is not just a one-time commitment. I am adding \$161 million of tobacco settlement funds to

the \$351 million settlement funds from the last biennium for a total of \$512 million for medical education in the State of Minnesota.

I am recommending an expansion of the state loan forgiveness programs to total 2.2 million dollars EVERY YEAR. What does this buy? It buys 291 placements every year. In total, the state will repaying a portion of a health care provider school loan in exchange for an obligation to practice in a targeted area or facility.

187 nurses in nursing homes, 26 rural physicians, 14 dentists, 14 rural pharmacists, 12 rural mental health providers, 38 rural health care technicians

I hope you are all getting the message.

I am asking you to please stay and practice in Minnesota. We need you to keep our state healthy.

Its not just our people we need to stay healthy but our market as well.

The cost of health care is getting so expensive that we just can't move as fast as I'd like in making sure that every child in the state is covered by health insurance.

We have the programs, we need parents to get them signed up.

We also must work harder to keep health care affordable for everyone.

Here's one you might not read in a text book:

Do you know one of the best kept secrets in health care today?

50% of the health care costs are a direct result of our own bad behavior.

What's with that?

We overeat,

We don't exercise,

we don't eat the right foods,

we smoke,

we don't get enough sleep,

we don't stay home from work when we are sick,

we don't take care of our mental health,
we don't wear hat when its cold outside,
in short we don't listen mothers or our doctors good advice.

That's why I think we should put a renewed focus on prevention.

Prevention along with quality improvement is the key to long term cost control, and my budget invests in both strategies.

You know I always say that you can't legislate stupidity.

We can't just pass a bill, we've got to work together.

We've got to educate our citizens and give them a reason to take care of themselves.

We will start by getting aggressive at eliminating the glaring disparities in health status within our communities of color.

In a state that prides itself as being on the cutting edge of health care, our record is intolerable.

I want to make progress in expanding coverage to children, by changing the current practice where they lose eligibility just about the time we process their enrollment.

I want to do something about health care taxes.

You medical students may not be following this now, but you will soon.

I'm proposing an elimination of the wholesale drug tax, the Gross Premium Tax, and the elimination of the scheduled 0.5% increase in the provider tax, and make sure it can't ever be increased. To do this, I'm recommending that 85 percent of the current cigarette tax be deposited directly in the Health Care Access Fund.

While I have been talking a lot about taxes, health care and higher education, I have not forgotten other areas that need attention.

I recently met with a group of LTV workers who came down to the Capitol to talk with me about their situation.

These workers, who are some of the hardest-working people I've ever met, told me that they aren't looking for a government hand-out, but for a hand-up.

They know that in the fast-changing economy of today, they need to be trained and learn new skills.

With training, and some economic development help from the state, I believe that they will persevere.

I can't stop layoffs on the Iron Range.

But I can help prepare our state's workers for the future, and this budget takes some bold moves in that direction.

My budget recognizes that if communities throughout Minnesota are going to attract good employers, they need a trained workforce.

My budget recognizes that in today's economy, workforce development IS economic development.

To help LTV workers and every other worker who wants to improve their job skills, I am recommending an education based strategy to help people help themselves.

I want the individual to choose the higher education provider that best meets their educational needs.

My budget therefore includes increases of:

\$14 million dollars to expand financial aid to low income, non-traditional and part-time students, \$11 Million to extend eligibility beyond four years, \$5 Million to recognize increases in tuition and fees, and an additional \$4 million dollars of funding to work with families and students that traditionally don't participate in higher education or are "first generation" students.

It is clear to me that in this new economy, the state with the best workforce wins.

Every one of you sitting in this audience is the key to that workforce.

I made YOU the priority in my budget, not the bureaucracy.

I started this message referring to Newton's laws; well here's a portion of Newton's FIRST LAW:

TO CHANGE THE CONSTANT VELOCITY OF AN OBJECT A FORCE IS NEEDED.

My administration is the force and the State of Minnesota's constant velocity is about to change.

Thanks for inviting me here and I wish you all the best of luck in your studies.



That goes especially for you Nancy Webster, your family is proud of you.