

Good afternoon.

But today I also want to talk to you about important legislative issues that, unlike the floodwaters, could have a very positive effect on your lives here in Moorhead.

My staff, my cabinet and I worked hard on my budget.

We talked to a lot of people.

I personally traveled to over fifty different communities over eighteen months seeking input from the people.

I heard from the people that they wanted tax reform, tax relief, rebates and limited spending.

And that is what I am proposing.

My budget seeks tax cuts and very dramatic reforms in tax policy and education finance.

And, as a result, it is very, very controversial.

But then you didn't elect me to be timid.

I believe I was elected because I am not afraid to swing for the fences.
The great Brooklyn Dodger, Duke Snider once said,

"Always swing hard, just in case they throw the ball where you're swinging."

My budget swings hard at some long-standing problems in our tax and education policy and if the legislature has the courage to step up to the plate and swing hard this can be a homerun for all of us.

This budget can be a homerun for:

- People who go to work everyday and open the front door of their own shops.
- For people who have to write their own checks to the County Treasurer every May and October.
- For people who when they retire don't want to be property taxed out of their homes.
- For people who run shops on Main Street and are concerned about losing business to phantom Internet sellers.
- For people who own farms, businesses, and recreational property, but are paying a disproportionate amount of local education costs.
- For people who work hard every day but still can't afford to own a home.

- And finally, for people who are tired of government growing faster than their own paychecks.

This tax plan is for all these people.

But change can be scary. And change this big tends to bring out the protectors of the status quo.

Since I announced this plan in January I have been informed that my budget is nothing less than a "disaster," that the "sky is falling," and that this budget will inflict "great pain" on all Minnesotans.

(I'm not sure how much pain others are feeling but I do know that lots of pain has been inflicted on me.)

But, be assured, I am not backing down. I believe that the people want:

- A 14% reduction in their property taxes.
- I believe that farmers want a 23% reduction in their property taxes. In total my budget will give \$63 million in relief to farmers and that relief is not just for one year that relief will go on year after year.
- I believe that businesses want a 15% reduction in commercial and industrial property taxes.
- I believe that developers and building contractors want a 28% reduction in property taxes on apartments.
- And finally, I believe that the people want local control.

Yes, it is true that, as a result of tax reform, some cities may choose to raise taxes to make up for loss of state aids but the fact is with the state taking over education finance, property taxes will go down so much that *even if cities raise their portion, you will still experience double digit property tax reductions.*

This budget will do all of this and limit the growth of government at the same time.

Now, some of the more vocal legislators will tell you that my tax relief, tax reform and limiting spending plan is not supported by the people.

They base their conclusions on the daily protests and demonstrations that are taking place at the capitol.

But I base my conclusions, not on the few hundred that can take time from their jobs to come to the capitol and hold signs, but on the hundreds of thousands of taxpayers who are tired of paying money into a system that is broken.

I base my conclusions on more objective observers like the recent Wall Street Journal story that quoted national tax experts exclaiming our plan as "textbook" tax reform that "meets most precepts for sound tax policy"

And that "tax policy" reform is very important to me.

Let me be clear, if the legislature takes the politically expedient path and simply passes band aid tax relief with large spending increases that are not tied to responsible and measurable outcomes I guarantee you that I will be very difficult to deal with come the end of session.

I am already the most "veto overridden" Governor in the history of the state so I will not be afraid to go for a veto record that will stand for a long time.

I will not let politics keep me from doing the right thing.

I will not lose sight of the fact that my budget seeks to build a tax system for the future.

A tax system that recognizes that we are fast becoming a service-driven economy.

And while it may not be popular, it is good public policy to expand the sales tax to services in order to make our system more stable and predictable than it is now.

I will not lose sight of the fact that my overall tax relief and tax reform plan and even the sales tax base expansion itself is fairer to lower-income households than our current tax laws.

And finally, I will not let political pressures interfere with sound judgement when it comes to education spending.

Both the senate and the house have been promising the protesters and the demonstrators much larger increases in education funding.

They are making these promises even though economists continue to warn that our economy is slowing at a faster rate and that state revenue projections are not as rosy as once thought.

Be assured *I* will be cautious.

But that leaves me standing alone and often portrayed as the "evil" governor.

But if people are fair and judge me by my actions and my honest concerns, they will know that I care very much about people's needs and about young people and their access to quality education.

Recently representatives of Education Minnesota have been using scare tactics and lies to discredit my support for education.

The problem is they don't tell you everything.

They leave out important information like if my current budget proposal is enacted, the state average general and special education revenue per student will have increased by 15.6% from fiscal year 1999 to fiscal year 2003.

Even when referendum revenue is excluded, the state average general and special education revenue per student will have increased by 12.8% during that span.

But the bottom line is that growth in both revenue measures will have exceeded the rate of inflation over the four-year period.

And that's a fact.

But even after the largest increase in K-12 education spending in a decade took effect in 1999, I began to hear cries of help from educators, superintendents and school boards that it wasn't enough.

I began to ask why it wasn't.

To my amazement, asking that question was immediately regarded by many in the education field as inappropriate, and in fact, almost treasonous.

Like other Governor's before me, I started out my term with the best of intentions. I pledged to work hard to make our education system the best it could be. I wanted to work hard for education because I love kids and I want them to have the best possible chance to be successful when they go out into the world as adults.

I still want these things for our kids but what I am finding is that if a person questions the amount of taxpayer dollars going into education, many will immediately label them as traitors to the cause.

As a parent, a taxpayer and governor I challenge the legislature and everyone who cares, to not only seek more money, but to engage in a serious dialogue on these reforms:

- By having the state pay for the entire K12 general education formula, let's make the school financing system more understandable and ensure that future state education expenditures will reach the schools instead of being swallowed up in other local property tax relief.
- To address the problems of recruiting and retaining an education workforce let's change the way we pay teachers.

Currently, teachers are paid the same amount of money no matter how good they are at their job or how much in demand they are.

During good economic times this leaves school administrators at a terrible disadvantage when trying to retain or recruit teachers in high demand areas like math, technology and science.

Under our current system the only solution to this problem is to raise all teachers' salaries regardless of their value to the system.

Recently we have been hearing complaints of teacher shortages. To address this problem, and perhaps the problem of increased labor costs, why not change the way we license teachers?

Again, whenever I bring this up I am called uninformed, unrealistic and just plain naive.

Well, I don't think so.

I know that being a teacher requires special training and expertise. But so what if that special training and expertise is developed during a previous career?

We should recognize that experience, license it, and use it.

- To address the problem of splitting communities during salary negotiations why don't we require that school districts and their employees become "essential employees" and agree to binding arbitration, rather than a strike, to solve a negotiation impasse?

What could be fairer and what could be in the better interest of the kids?

- When school boards are negotiating contracts with teachers the state requires them to have completed a contract settlement by a certain date or the state will reduce their revenue.

This is crazy.

As a result many districts will settle under pressure and agree to contracts for more money than they have in their budgets.

This law must be changed.

In addition, to help reduce the tension created by bargaining every two years, I am proposing that teachers and school districts be allowed to negotiate five-year contracts.

- Finally, school boards, teachers, administrators and lawmakers should work together to pass a bill that is currently moving through the legislature. This bill would prevent school districts from entering into contracts with district employees that would leave their budgets structurally unbalanced.

These are legitimate and necessary reforms for a system that is broken. Broken beyond repair? No way. It is a good system but a system that needs updating.



Like our overall tax system, it is a good system that can and should be better.
But it will only be better if we reform before we spend.

Let's face it, it takes courage to change. It takes courage to look twenty years down the road
instead of just around the corner.

There is about six weeks left in this session.

This is no time for a drag bunt.

It's time for the legislature to step up to the plate and swing hard.

Thank you.