

Good afternoon.

Thank you for the opportunity to talk about my budget.

Have you ever seen anything like it? I mean this is the mother of all budget debates.

I've been taking so much abuse lately that I'm sure tomorrow's headlines will say "Ventura's budget cause of higher flood crests."

But seriously, I am very proud of my budget. And very proud of the debate that it has caused.

My budget seeks tax cuts, very dramatic reforms in tax policy and limits spending.

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.

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

But I must continue to emphasize that the status quo will not get you

A 14% reduction in your residential property taxes.

A 15% reduction in commercial and industrial property taxes?

A 28% reduction in property taxes on apartments.

A 23% reduction in property taxes for Farmers. In total my budget will give \$63 million in relief to Minnesota farmers - and that relief is not just for one year - that relief will go on year after year.

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.

While it is true that St. Paul's Homestead and Agricultural Credit Aid (HACA) will be eliminated, and that the city may choose to raise their levy to make up for the loss, the total net impact to St. Paul taxpayers is that they will pay over \$29 million dollars less in property taxes under my plan than they did before.

Remember that: \$29 million less!!!!

And in addition cities and counties will no longer pay sales tax on their purchases.

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, not only unfair, but in many cases in need of fixing.

And if you believe recent polls there is a lot more support out there for this budget than many thought.

I also base my conclusions on more objective observers like the recent Wall Street Journal story that quoted national tax experts calling my plan "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 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.

Believe me if we don't do it now - we will have to in the future.

In fact, many states are finding that the only way to stabilize revenue and keep budgets balanced is to rely more on the sales tax.

Recently the Governor of New Hampshire proposed a sales tax to partially substitute for property taxes to fund education.

In Tennessee the legislature is working to close an \$800 million dollar budget gap partly by putting a new gross receipts tax on service industries.

In North Carolina a commission appointed to study tax efficiency and tax loopholes recommended a comprehensive study of extending the sales tax to services as a way to close their projected budget deficit.

And in Montana their State Senate has passed a bill to create a sales tax and eliminate the income tax.

The bottom line is my plan is forward thinking, fair and good tax policy.

My plan to take over 100% of the general education formula by eliminating the state mandated property tax levy makes the property tax a truly local tax.

And I want to make it clear that this shift will not weaken local control, nor is it an indication that the state is planning to increase its involvement in the local decision-making process of school districts.

I continue to believe that local elected officials have the responsibility for insuring student achievement and successful schools.

No school district will have any less authority under our proposal than they do today.

I can't emphasize enough that eliminating the general education property tax levy not only offers an historic opportunity to dramatically reduce taxes on your businesses and other properties, but will also allow for greater competitiveness.

We cannot let this opportunity pass.

But if we spend too much it will.

Both the senate and the house are proposing much larger increases in education and other funding than I have recommended.

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.

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.

But based on my experience this past two years I don't think we could ever have enough money.

We must be careful.

In my first two years as Governor the price of government went up 13%. For the good of the state I will not let that continue.

I have told my commissioners that we must limit government. Of course we should continue to provide the services that people want and demand - but we should not try to solve every problem with new money.

As a parent, a taxpayer and governor I challenge the legislature and everyone who cares, to not only seek more money, but to seek reforms:

Reforms like Campaign Finance and legislative reform.

Reforms like expanding the sales tax.

Like reforming education finance. 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.

Reforming 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 reform the way we license teachers?

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 less than four weeks left in this session.

This is no time for a drag bunt.

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

Thank you.