

Good evening.

I hope you're all enjoying this un-Minnesota-like winter we've been having.

The nice thing about being a Minnesotan is that if you need a shot of real winter, you can always find one.

So I'm going to Duluth later this week.

But no matter where I go in this state, we all have one thing in common: that one-point-nine billion dollar deficit hanging over our heads.

And as of today, with the Legislature opening, things are a lot busier at the Capitol as we try to solve that problem.

But with the opening of the session, the clock is really ticking.

This year the Legislature can't do its usual talk, talk, talk and then try to cut a quick deal and get everything done in the last minute.

You're all business people.

You have to work with real time deadlines--self-imposed deadlines.

Can you imagine waiting until December 31st to look at your books?

Any business that does that would soon be out of business.

If we, the elected officials, wait until our statutory deadline, we are failing our state.

That traditional approach is just not going to work. It just makes the hole bigger and harder to crawl out of.

In fact, if the Legislature fails to take serious action by mid-February, we're going to be faced with losing around \$3.7 million dollars in revenue for every week of delay.

You know what that means: even bigger spending cuts and less service.

Together, we have a responsibility to balance our budget, pass a redistricting plan and a capital-bonding bill. Those are our constitutional responsibilities and we should take them seriously.

So I'm asking legislators to do a flip-flop from their usual routine.

Do the important budget work first and once we have solved these very serious problems, and only then, should the legislature take up issues like my favorite issue, unicameral, and your favorite issue, joint and several liability.

Clearly, if they manage their time well and face up to their responsibility to make tough decisions we can get these things done.

A few weeks ago I announced my administration's plan to reduce the deficit. I characterized it as spreading the pain around: giving everyone a headache, instead of an impacted wisdom tooth for a few.

One of the criticisms we've been hearing comes from Greater Minnesota--that our plan unfairly puts the biggest burden on the rural communities outside the Twin Cities.

That's just not true.

For instance, on average state aid payments are reduced more than 16 percent to metro cities, compared with less than 11 percent for cities outside the metro area.

Overall, the state has a 7.6 percent budget shortfall, yet our plan recommends that cities, no matter where they are, receive cuts of, on average, 5.1 percent of their property tax and state aid base. For counties the average is 2.8 percent.

Sure, anyone can single out an example of a city or county that got hit harder than average, but overall I'm not seeing how rural communities are being asked to take a bigger hit.

"Well, how about the gas tax," the critics say. "That's got to be worse for rural Minnesota."

I'm not sure a gas tax increase is harder on rural Minnesota.

It's the balance between all taxes that counts: income tax, property tax, sales tax and others.

My gas tax solution is not something that I wanted to do. But I take my responsibility very seriously and in the end, to make the gas tax a part of the solution creates a fair and balanced package.

You don't like it?

You want all the proceeds to go to transportation?

Well, so would I, but then what?

Most of this tax will help solve the general fund deficit and if we were to dedicate it all to roads, somewhere we have to come up with another \$200 million.

Where?

I keep hearing what's wrong with my plan but I am hearing little about significant alternatives.

One suggestion is to freeze hiring.

I'm not criticizing this suggestion, but I will point out that the claim that we can save hundreds of millions of dollars through a hiring freeze is based on some faulty math.

My Department of Employee Relations tells me that whomever worked up this plan figured in all open positions in state government and treated them as full time employees making an average of \$56 thousand dollars a year.

Well, it turns out that over half the vacant positions in state government are part-time. These are short-term positions like temporary tax workers and snow plow drivers.

A correct analysis shows that a hiring freeze could save the general fund around \$20 million dollars, not the three hundred million advertised by those who proposed it.

My point is, while \$20 million dollars isn't chicken feed, it is only about one percent of the \$2 billion dollar deficit.

If you don't like my solution, that's fine, but the people deserve a comprehensive solution and not false hopes.

My proposal is comprehensive, fair and balanced. It helps state agencies provide necessary services, in both the metro and non-metro parts of our state, and solves the problem for the long term.

I'll tell you what is NOT part of the solution: opening up last year's historic tax reform bill, which is another suggestion I've been hearing.

Some people claim last year's tax cuts caused the deficit. I want to know why the same people don't then criticize the new spending that was in the tax bill.

You can't have it both ways, saying only the tax reform aspect of the bill caused the shortfall and the spending had nothing to do with it.

The tax reforms did not cause our financial problems. It has been well documented that this shortfall is a result of a nation-wide economic downturn and the events of September 11th.

I've read some legislators refer to "unintended consequences" of the tax bill.

Come on. They knew what they were voting for.

In the senate the vote was 52 to 11.

When it comes down to it, our economic problems are not someone's "fault."

No one in state government acted irresponsibly to put us into this position.

A couple of months ago, when the shortfall was announced, I spoke to your board of directors, and I stressed one point above all others: we need to work together.

Even though we're two months closer to November's elections, it's still not the time to be pointing fingers and playing politics.

Don't worry--there will be plenty of time for that in the fall.

But we have a problem to solve right now, and playing the blame game just isn't going to cut it.

The people of Minnesota elected us to do a job and now more than ever they're looking to us to do it.

So let's hear those alternatives.

I never said my solution is the perfect one.

But right now, it's the only one.

We've heard from the critics--now it's their turn to do more than criticize. Now is the time to come together with a comprehensive and long-term solution.

Be assured that I will not accept anything less.

Thank you.