

On January 10, I submitted a comprehensive long-term budget solution to the Legislature. My plan responsibly balanced our budget and left no pending disasters for another year.

Now, almost one month later, the Senate Democrats and House Republicans have offered their plans.

It seems that the centerpiece of Senate Majority Leader Roger Moe and Speaker Steve Sviggum's solutions for our long-term budget problem is to gamble that there will be no inflation over the next 3 years.

About a decade ago, when the state last faced a deficit,

Legislators insisted that there be an inflation factor in our projections - but now - when it's not convenient - they want to ignore it.

This is the classic Alfred E. Neuman "What me worry?" scenario.

This problem is real and cannot be solved by wishing it away.

Will education advocates stand by and let the House and Senate put at risk millions of dollars that are forecast for K-12 education over the next two years?

Will nursing homes, state employees, and local governments stand by and let the House and Senate put at risk money that was built into our planning to anticipate future costs for long-term care and citizen services?

Would any business develop a 5-year plan that didn't adjust for inflation?

And will Minnesota's business leaders stand by as the House and Senate create a major future liability that will show itself in major tax increases and credit down grades?

How can legislative leaders look at K-12, higher education, health care and businesses with a straight face and tell them that they are being spared?

It may look like they are being spared but the truth is going to rear it's ugly head next year. I hope that nursing home associations, educators, local government leaders, business leaders and state employees will question this legislative tactic.

I don't believe that our citizens want politically motivated avoidance strategies.

I do believe that they want honest, responsible and courageous fiscal policy.



As I told legislative leaders in a letter just yesterday I cannot accept a phantom fix that uses every single dollar the state has in various fund reserves - and then doesn't have a plan to restore them.

The temporary political fixes that are proposed by the Senate and House will likely put our AAA credit rating in jeopardy and could cause us to pay millions more in interest on our capital bonding projects.

Both their plans would cause serious long-term consequences.

The Senate's plan, which uses every single dollar of reserve funds, including the entire cash flow account, will likely cause us to use the tobacco funds for cash flow purposes in the next biennium.

The House would raid all reserves except the cash flow account but would use the proceeds of the tobacco endowment.

Both of these plans could require cuts to critical institutions like the University of Minnesota's Academic Health Center.

The House plan would surely impact our prevention goals and our plan to save health care costs of almost \$500 million a year by 2005.

On December 11, 2001 the House Republican Caucus said that any budget solution "should be structurally balanced" out to the years 2004-2005.

Something must have changed. The plan they released yesterday clearly doesn't get there.

House Republicans should own up to the fact that if they rely on simplistic solutions like hiring freezes and borrowing - in the long run - services I propose to save, will suffer.

They should also own up to the fact that I have already begun to cut spending and hiring - and I assure you that I will continue that effort.

In their effort to dramatize their plan they put out misleading information that only serves to make people even more skeptical.

The House Republican caucus reported yesterday that my administration has hired 479 employees in January of this year. Well, be careful what you read.

164 of those were teaching positions at MNSCU - over which I have no control.

250 of the 479 are part time hires that will work an average of less than 2 months.

Let's get serious.

A hiring freeze is a shortsighted political fix that puts no trust in our managers or our state workers and is likely to create long lines for state services and raise the ire of our citizens.

It will never save the \$100 million dollars that the House claims.

Their plan is a disaster waiting to happen.

Their plan is forty miles of bad road.

You would likely not get the service you are used to at State Parks.

Your tax refunds could be delayed.

It goes on and on.

The House claims \$2.1 billion in cuts in 2004 & 2005 but it gives us no detail. I suppose we can assume that about \$1 billion comes from ignoring the inflation factor.

The Senate has yet to even attempt a long-term fix.

No one takes pleasure in cutting government. But if the legislature doesn't want to cut nursing homes and education why wouldn't they have the courage to balance the budget in for the long term in a way to protect education and nursing homes?

Why not be honest instead of giving false hope?

The House claims to have a budget reserve of \$131 million by the end of 2005. But how can you have a budget reserve when your budget is still well over \$500 million short of being balanced?

It is irresponsible and it won't work.

Speaker Sviggum and Senator Moe know very well that revenue collection over the last couple months is not indicating that things are likely to improve with the February forecast.

Yet they continue to move forward with a hope and a prayer.

They also know that they will either have to come back next year to cut more drastically, raise taxes substantially or begin a long-term fix later this session.

Under either scenario they have lost precious time and will cause the solution to come that much harder.



It's really quite ironic that they don't want to raise cigarette taxes this year - but mark my word, if they don't, next year they will have to consider raising taxes like sales, income and taxes on business.

You know what these plans remind me of?

They remind me of the homeowner who makes house repairs with cheap materials that last just long enough for them to sell it to someone else.

Then the new owner comes along and gets stuck with all the bills when the place falls apart.

I don't want our citizens to get suckered into this cheap trick.

We need to fix our fiscal house with a long lasting plan that will hold up in the future. Our citizens deserve no less than that.

Thank you.