

Good Afternoon.

Thank you for inviting me to lunch today.

I'd like to thank you all for coming and thank everyone who helped put this great lunch together.

I also want to thank my Commissioner of Veterans Affairs, Jeff Olson, for his very hard work on behalf of the Veterans of this state.

I like the fact that I am speaking to you in a VFW hall. I like it because since September 11 and the beginning of the war on terrorism, it is especially important to recognize how important the armed forces have been to the preservation of freedoms that we enjoy in our country.

To the veterans of VFW Post 1914 and American Legion Post 33 in St. James, I want to thank you for your loyalty to the United States and your service in the Armed Forces.

These days it is nice to see all the support for our war efforts. Back in the late sixties when I enlisted in the Navy you didn't necessarily have the overwhelming support that our soldiers have today.

But the great thing about this country is that we can and must stand behind our soldiers and never hold them responsible for decisions made by politicians.

When Roy Boehm was asked by President Kennedy to help form the first Navy SEAL unit he responded like this:

"I didn't vote for you Mr. President, but I'll die for you, Mr. President."

It is that kind of loyalty that makes me proud to be a veteran and a Navy SEAL.

As you know I am out and about today to officially announce the appointment of new judges in Marshall and St. James.

When I finish here I will be walking over to the courthouse to appoint a new judge in St. James.

Of course that means that Terry Dempsey, the current Judge can go fishing. I hear he's a common sense type guy who used to be in the legislature, maybe he'll go back to the legislature, they sure could use some help.

Now, I'm kind of joking around here--I'm not bashing the legislature--you know the drill, joke, joke, joke.

Seriously, I do want to talk a little bit about the current state of affairs in St. Paul.

As you know, as result of a national recession and the devastating effects of September 11th we have a serious budget deficit. A deficit that is almost two billion dollars for the current biennium, and another two and a half billion in the next biennium.

In January I sent to the legislature a comprehensive long-term budget fix.

My solution is balanced with spending cuts that would be difficult but fair.

It also called for raising taxes on cigarettes and gasoline, and extending the sales tax to some services.

Now, let me make it clear that I didn't want to raise taxes. And clearly, there are a lot of cuts that we will have to make that I wish we didn't have to.

But I was elected to this job to make tough decisions--and I will. Believe me, if we don't raise additional revenues we will have to make even stiffer cuts to education, local governments and nursing homes.

I said when I ran for this job that I would leave the budget in as good a shape as it was when Governor Carlson left office. To do anything else would be irresponsible.

The problem is I can't get the legislature to agree that we must make the tough choices.

What the legislature is proposing is a temporary fix.

The Senate would use every single dollar we have in reserve to balance the current budget and effectively leave the state broke.

Both the Senate and the House say that if we just ignore the inflation factor in the forecast for 2004 and 2005 we can solve most of the deficit for those years.

Now I'm not an economic expert but I think I can figure out that such a move is crazy.

Every economist that I have talked to has told me that this is pure folly. The experts told me that if you ignore the inflation factor then you must assume the recession is not over.

And if the recession is not over in 2004 we're going to be in bigger trouble then than we are now.

The legislature keeps saying that they will not raise taxes, will not cut education, will not cut nursing homes, and will not cut local government.

What will they cut? Why do they keep saying those things? We all know they are going to have to do something.

You cannot solve this problem by avoiding it.

They know very well that it isn't going away. But they also know very well that an election is coming up and that's the real reason they aren't truly facing up to the problem.

By not solving the problem for 2004 and 2005 they put school districts and local governments at great risk. They should face up to the problem and be honest with the people.

Yesterday the Department of Finance reported that January revenue collections were nearly \$72 million dollars short of projections--a clear sign that things are not likely to get better.

Yet legislative leaders continue to hope for a miracle.

Last week I gave a speech that was meant to persuade them to work toward an honest solution and not one that simply gives them political advantage. After I gave the speech a legislative leader accused me of yelling at them and not sitting down with them to work out a meaningful compromise.

Well, I don't remember yelling at them, I remember asking them to save the politics for later and get down to serious fiscal management now.

It seems I can't win with the legislature. It reminds me of what Harry Truman once said:

"I never did give anybody hell. I just told the truth and they thought it was hell."

Unfortunately, the truth is it doesn't look like the legislature is going to get anything done real soon.

Because there is no agreement to take action, and it is clear that the February forecast will not likely improve the outlook, I believe I need to step up my effort to make reductions that do not require legislative action.

Today I am asking my commissioners and agency heads to act immediately to implement proposed reductions that can be achieved without legislative action.

In addition, I have issued a directive that, as of today, current and future employee vacancies shall not be filled unless there is a critical or legal need to do so.

Finally, I have told my managers that I expect them to be tenacious in applying scrutiny to purchases of equipment, supplies, and other commodities--and that should include contracts for consulting and other professional services.

While I expect that these conditions will remain until the end of the fiscal year, the continuation of these restrictions will largely depend upon the timing and nature of legislative action on the budget deficit.

And if there is no resolve on the part of the legislature to take meaningful action, I will not hesitate to take additional budget reduction actions.

As I said earlier, I don't relish having to do this.

But the people did not elect me to play politics. They elected me to make tough decisions--and I respect the people.

Sure, it would be nice if all I had to do were the things that make people happy, but that's not reality.

But rest assured, I'm still having fun and part of that fun is coming to places like St. James and meeting hard working people.

And I know that when you work hard and pay those taxes that you expect your leaders to make sure that we don't waste them.

I have a group of very talented and very smart people that work for me as commissioners and staff. And you can be assured that working together, we will make sure that we get the most from every dollar you send us.

Thank you.