

Good morning.

I sure hope you are all enjoying your day in the capitol city.

As far as excitement goes, it doesn't get much better than this.

A little over three years ago I was doing a talk radio show, playing lots of golf, and watching the political circus from the outside.

Man how things have changed.

Seriously, despite all the commotion and all the political theatrics, this is serious business.

Our State's budget is ailing, and together we all have a responsibility to fix it.

And, as if it wasn't bad enough last week, this week brought even worse news.

While our economy looks to improve as early as this next quarter, the damage from the recession was greater than we thought and the recovery is going to be slower than we thought.

Although, after yesterday's action in the house, it is clear that Speaker Sviggum and Majority Leader Moe ignored the bad news, and continued down the path of a quick political fix.

Incredibly, this marriage of the conservative and the liberal, seems to be leading us down the path of fiscal chaos.

This "compromise" between Sviggum and Moe uses virtually every reserve the state has in an attempt to balance the budget for this biennium.

There is one they didn't tap.

They must have forgotten about the \$12 million they had in their own coffers.

In addition, this bill cuts many state agencies by up to twenty percent.

It cuts the Governors office budget by 16 percent.

But, you know how much the legislature cut their operating budget? 3 percent.

Senator Moe and Speaker Sviggum are also the creators of the "let's just ignore inflation" approach to balancing the budget.

They do this knowing full well that the result of their action could lead to K-12 education taking about a \$375 million dollar hit in the next budget cycle.

Senator Moe agreed to this. I did not.

Senator Moe's answer to everything in this bill is 'we'll fix it in phase II'.

Well, I have to wonder if Sviggum and Pawlenty will agree to any "fix"?

We all know that to solve a \$3.2 billion dollar shortfall in the next budget cycle will require additional revenue.

For the life of me, I can't figure out this Moe/Sviggum deal.

In the past, at the urging of legislators like Roger Moe, state law has required that forecasts have an inflation factor.

Senator Moe knows full well that if they use these kind of tactics Minnesota's hard earned triple A bonding rating will surely take a hit.

One of my finance advisors recently said to me, "If you act like a double A state you're likely to become a double A state." Moe, Sviggum and Pawlenty are acting like leaders of a double A state.

But, enough of that.

We now have to implement the bill and let me tell you it isn't going to be pretty. Unlike my approach, which would spread out the cuts among various governments, this bill concentrates its cuts in state government.

Be assured that I am a reformer, and am for a smaller government, but I prefer to do it in a more systematic and fair way. This bill requires cuts in agencies like Finance, Revenue and Administration of up to 20 percent.

Why these agencies? Politics.

Legislators cleverly directed the most significant cuts to areas of government that don't have special interest groups watching out for them.

But the cold hard fact is that the Department of Revenue collects the taxes that fuel our state's operation.

Once we make the Moe, Sviggum, and Pawlenty cuts it is estimated that we lose the ability to audit and collect taxes to the tune of over 11 million dollars a year.

It makes you wonder if these legislators have any business sense at all.

Again, I am a reformer. I think we need to make government more efficient, but in a more fair and businesslike manner.

They cut the department of Finance by 17 percent.

The Department of Finance pays the bills. But what do legislators care if the bills don't get paid on time?

The Department of Administration, among other things, maintains the state's investment in buildings and other infrastructure. A twenty percent cut may look good today, but how about five years from now?

Because this bill was put together in about 72 hours, many legislators have no clue what the ramifications of this bill will be.

But be assured that we have some very capable people that will do the best they can to apply these legislative mandated cuts as fair and evenhandedly as the law will allow.

The Speaker and the Senator have said that they will begin working on phase II soon after they break for precinct caucuses.

Let me remind them that I have a responsible plan on the table. It fairly spread the pain out among all levels of government and mitigates the impact on us all by adding small increases in consumer taxes like cigarettes and gasoline. It may not fit their political plans, but I believe it the right plan.

Finally, let me say that the hard work is still to come. I hope this Moe/Sviggum marriage is a strong one, because phase two is going to be no honeymoon.

Thank you.