



State of the State Address

The Honorable Tim Pawlenty
Governor of Minnesota

Delivered before a joint session of the
85th session of the Minnesota Legislature

January 17, 2007

House of Representatives Chamber
State Capitol, Saint Paul, Minnesota

**STATE OF THE STATE ADDRESS
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"A BETTER MINNESOTA"

IT STARTS WITH GRATITUDE

Thank you. Well this is now my fifth State of the State address. I never really thought I had that much to say. In all the years I spent in this chamber, I sometimes saw Mr. Lincoln looking down on us and wondered what he might have thought.

I think he might say that politics and politicians aren't too popular these days and our first job is to work together to reestablish the people's trust in our government.

In response to political criticism, Lincoln once said this, "If I were two-faced, why would I be wearing this one?"

The face of state government needs to be trustworthy and open.

We serve in this beautiful and historic building, by the people's choice, to do their work with a spirit of humility, service, and gratitude.

Minnesota is incredibly blessed in every way. They say that gratitude makes way for more blessing.

So, let's begin by expressing our gratitude for those who carry the heaviest load for our nation and state.

During the past four years, the First Lady, who is with us today, and I have had a chance to spend a great deal of time with members of our military and their families. We have seen their uncommon courage and extraordinary dedication. These brave men and women come from all over our great state, and they are inspiring examples of duty and honor.

The First Lady and I went to Kosovo a few years ago to visit the many troops from Minnesota National Guard who are serving there to keep the peace. While we were there, we met Sergeant Mark Gaulke. Mark served in the military for 28 years before retiring in 2005.

Mark is with us in the gallery and he's holding a picture of his daughter, Jessica. She is a student at Augsburg and is currently on her honeymoon, otherwise I'm sure she'd want to be with us today. Jessica just stepped down as Minneapolis Aquatennial Queen of the Lakes, but not because of her wedding. She stepped down because she will be deploying soon with her National Guard unit for a tour of duty in Iraq.

Members of the United States military deserve our deepest appreciation. Join me in thanking Sergeant Mark Gaulke, Specialist Jessica Gaulke and all the men and women of our military, their families, and our veterans.

The news last week that 2,600 members of the Minnesota National Guard will have their tours in Iraq extended hit our

military families and their communities really hard. It frustrates and disappoints all of us. But I know the quality of these people: They will continue to do their duty with excellence.

The burden under which they are serving today strains even their steely and selfless commitment.

We need to do our duty by supporting them and all members of the military with our words and our deeds. We need a surge of support for our military families, and we need it now.

I'm calling on every Minnesotan to find a way to express support for these outstanding Americans. Here are just a few ways that you can help: Buy a "Support Our Troops" license plate. Help an organization geared towards assisting the military or veterans. Go on the Governor's web page and sign up for the First Lady's Military Family Care Initiative. Donate money to the Minnesota Military Family Foundation or the Minnesotans' Military Appreciation Fund. Attend an event like a deployment or welcome home ceremony to show your support. Pick up the tab at a restaurant for one of these heroes or their families. If you see them around town, stick out your hand, shake their hand, look them in the eye, and give them heartfelt thanks from a fellow Minnesotan.

I proposed a veterans and military package along with Senator Vickerman, Representative Haws, Representative Severson, and others. It includes a tax exemption for military pension benefits, a Minnesota GI bill for college expenses, which I look forward to working with the Attorney

General on, she has a similar proposal, it also has full funding for the National Guard's budget requests, and dramatic increases for Minnesota's veterans programs.

Please pass it; we owe it to these great heroes.

THE PROGRESS OF MINNESOTA

One of the privileges of serving here is being able to work in this amazing building.

Cass Gilbert and all those who designed the Capitol left us a message.

They put a sculpture on top of the Capitol called "The Progress of the State," or the Quadriga.

In the sculpture, a person rides a chariot carrying a banner that says "Minnesota." Now, the golden guy in the chariot is not Joe Mauer, he's called "Prosperity." I think here is the lesson:

The progress of our state depends on prosperity, but it also depends on all of us working together.

In the statue, two strong women are out front leading and guiding the four golden horses. Like these leaders, Democrats and Republicans need to work together to guide our state in a common direction. We have plenty of powers here, that's not the problem: The key is pulling at the same speed, in the same direction – all in the name of progress and prosperity for the citizens we serve.

The state of our state is great, but we can make Minnesota even better.

There are many important things we need to do to advance prosperity and prepare Minnesota for the future this session, such things as improving our transportation system, enhancing public safety, continuing to support agriculture and our natural resource-based industries, maintaining a pro-job business climate and stimulating rural economic development.

But in the short time we have today, I want to focus our common efforts to steer four big "horses" that will have a very large role in powering Minnesota's prosperity and progress.

They are these:

- Better Government
- Better Energy
- Better Education, and
- Better Health Care

BETTER GOVERNMENT

Government provides important services and has an important role to play. But we need to be careful, so that our desire to do well through government doesn't slowly suffocate and stifle one of our key advantages: the unprecedented freedoms and liberties we possess and the personal responsibility that comes with it.

This building is filled with ideas, philosophies and agendas that call for government to do more, and more and more. That inevitably leads to demands for more taxes, more regulation, and more bureaucracy.

A key measure of good government is this: Do the taxpayers get good value for the money they pay? During the past four years, we've made some great progress on this front. Let me give you just one example.

Brenda Willard is a manager in our Administration Department. She and her colleagues helped develop purchasing standards and policies for state computers, cell phones, and furniture that will save the state over \$22 million. That's the combined annual tax bill for 1,100 Minnesota families! Brenda is with us in the gallery today. Let's thank her and all of her colleagues and team members for their great work.

When my budget is released next week, you will see a key theme: Minnesota government should stop paying for good intentions and start paying for better performance.

I'll be more likely to reach for the signing pen, rather than the veto stamp, if the bill on my desk clearly defines expected results. It should also have clear measurements for those results and link spending to performance, rather than just wishful thinking.

We owe that to the hard-working taxpayers of this state.

And just like Minnesota families, state government needs to live within its means. We just climbed out of an epic budget hole, and we're not going to spend our way back into one!

Under the November budget forecast, state spending will go up about \$1 billion automatically because we'll be serving more people under our entitlement programs. Beyond that, an additional \$2 billion is available for use. That means the state can use about \$3 billion in the upcoming budget cycle. That would be about a 10 percent increase over the current budget. Ten percent growth is more than most Minnesotans will see in their paychecks and it should be enough growth for their government, too.

I've said it before and I'll say it again – Minnesotans are not undertaxed.

We should lessen their burden by cutting taxes. Thanks for your efforts to pass the bill which provides tax relief for college tuition and other education costs. I urge you to pass additional tax-cutting legislation this session that provides property tax relief, tax relief for veterans, and other tax cuts that will strategically help our economy.

I also continue to urge you to cap property taxes by placing a limit on how much any local unit of government can increase property taxes without voter approval. Now some have opposed this idea by citing the need for "local control." That's understandable, I've heard those concerns and today I offer a compromise by proposing to exempt any local unit of government from this requirement if they get less than a third of their general fund revenues from the state.

But being fiscally responsible is not our only duty. We need to aggressively prepare for the future in other ways.

BETTER ENERGY

Renewable energy is an important part of Minnesota's future.

Our great nation's sad addiction to foreign oil exposes the country to a reckless amount of economic and national security risk.

Even worse, as with many addicts, we are buying from some of the very people who, in many cases, want to hurt us.

Our nation has been asleep at the switch on energy policy for decades. The good news is that while much of the country has just begun to hear the energy wake-up call, Minnesota has been an early riser. While others slept in on renewable energy, we got up early, we made the coffee, we cooked the breakfast, we read the paper, we did some chores and we took the dog for a walk.

An example of our renewable energy leadership is Mark Willers, who is with us today in the gallery. Mark and his family have a farm near Luverne. He is also on the board of a farmer-owned ethanol co-op and he heads up a local wind energy company.

Mark represents the visionary farmers who didn't wait for the future to happen to them. Let's thank Mark and all of our Minnesota energy pioneers for their great work that got us to this point.

Minnesota has great renewable energy policies. Now let's show the nation how to move even more boldly towards energy independence.

I strongly urge you to consider my "Next Generation Energy Plan," add your own good ideas, and let's pass a comprehensive renewable energy plan as soon as possible.

That plan will help us move away from fossil fuels, and it will also help us clean up the environment and improve the environment. But we can do even more. Minnesota can't reverse global climate change by ourselves, but we can do our part and help lead the way. Our energy plan will significantly reduce the amount of carbon we put into the atmosphere.

I look forward to working with the Democrats and the Republicans to pass and sign comprehensive historic renewable energy legislation this session.

While we're talking about improving our environment, there's another step that needs to take place and I hope we'll take it this session – and that's finally passing a constitutional amendment to dedicate funding for the outdoors and conservation. We've come close in past years, but our environment can't wait anymore. I continue to support this important effort and urge you to do so as well.

BETTER EDUCATION

Another fundamental key to making Minnesota better socially and economically is the urgent need to make our schools even better.

Now, you all know that Minnesota is at or near the top in most measures of student performance. Nearly every state would love to have our school performance results.

We're blessed with fantastic educators, engaged parents and, of course, we have above average students.

But nation-leading in student performance isn't good enough anymore. Our students need to be world-leading, not just nation-leading.

SUCCESSFUL SCHOOLS

In any discussion, though, regarding education, the debate about the level of funding consumes most of the oxygen in the room. Very little time gets actually spent on the reforms needed to modernize our education system. So, let me address funding right up-front.

My budget next week will propose an increase of up to four percent per year for our schools for general purposes, plus increases in many special aspects of education funding as well.

But we're not just going to pay for good intentions anymore. We're going to pay for better performance as part of a new "Successful Schools" initiative.

Every district will get a general formula increase of two percent in each of the next two years. Each school will also be eligible to receive an additional two percent per year as a performance bonus if the school achieves or maintains at least a three-star rating in reading and math on their Minnesota school Report Card. That's not a particularly high bar.

My budget will include \$150 million for the bonus portion of this "Successful Schools" initiative. We need to pay for performance and quit enabling schools that don't meet our expectations.

"3R" HIGH SCHOOLS

Another hard reality we must face is this: American high schools are obsolete in their current form.

One of the most forward thinkers of our time, Bill Gates, said this: "... our high schools – even when they're working exactly as designed – cannot teach our kids what they need to know today. Training the workforce of tomorrow with the high schools of today is like trying to teach kids about computers on a 50-year-old mainframe. It's the wrong tool for the times." Close quote.

U.S. students score near the top on international test scores in 4th grade, but by 8th grade our students are about in the middle of the pack and by the end of high school they are near the bottom.

Too many of our high school students today are engaged in academic loitering for much of their high school career. In too many cases, our high school students are bored, checked-out, coasting, not even vaguely aware of their post-high school plans, if they have any, and they are just marking time.

It's costing us a lot of money and it's costing them their future. This is a silent crisis and has the potential to devastate our future prosperity if we don't fix it.

We made some good strides last year, and in proceeding years, but much more needs to be done. Let's make Minnesota the number one state in the nation for reforming high schools by creating "3R" high schools. The three Rs here stand for rigor, relevance, and results.

My budget next week will include \$75 million in funding to encourage high schools to become "3R" schools. This is also a pay for performance deal. They will be required to do a lot. First:

- (1) 3R schools will be required to implement rigorous and relevant courses for all students, including career and technical courses in high-demand fields.
- (2) 3R schools must provide access for all students to programs that provide college credit opportunities.
- (3) In 3R schools, every student, every student, must complete a full year of college while in high school.
- (4) And in 3R schools they must provide opportunities for students to pursue work-based learning and internships.

We hope that every high school will become a 3R high school. But even if they choose not to, the program will be optional, all high schools will still be required to make other changes.

So, our budget will provide additional funding for more schools to provide AP or IB programming for all students in all grade levels.

My budget will also provide funding to transform more schools so they focus on science, technology, engineering, and math. We will also be asking the Legislature to take three additional steps this year: (1) adopt new, more rigorous math standards for all our students; (2) require an individual graduation plan for 8th graders and above that parents will need to sign each year; and (3) require that all students complete four years of a second language in order to graduate from high school.

Now, this may all seem like a big leap, but the bar is very high. I urge you to pass significant high school reform this session.

ONLINE LEARNING

But we also need to change and modernize the way we deliver instruction.

I was told the other day that a majority of teenagers now spend up to 50 percent of their waking hours interacting with a device: televisions, iPods, YouTube, e-mail, text messaging, the Internet, cell phones, video games, digital cameras, and the list goes on and on and grows by the day.

I was with my daughters just the other day at a mall in Eagan and they noticed a cell phone store next to the place we were going into. They begged and pleaded with me to go into the store just to look at some of the new phones, even though they knew we weren't going to be buying one.

Now as you all know, the cell phones of today are not just phones. They're much more, both technologically and socially. I said okay, and they ran ahead of me and into the store with great excitement and glee. When I entered a moment later, they were standing in frozen awe with their mouths open in front of the display containing a "Sidekick III with illuminating features."

It took me a moment to bring them out of what appeared to be some sort of technology-induced trance or coma. Then, I burst their bubble. I told them that Apple had just come out with a new phone and that its makers believe it will leapfrog all other phones and hand-held technology on the market. I jokingly told my kids they had already fallen behind. They were stunned but we spent the next ten minutes talking about the all about the capabilities of the new Apple iPhone. And this is not uncommon for kids of this generation.

Learning and interaction for today's children is profoundly, profoundly different than even a short time ago. In many ways, they communicate, they socialize, and act differently because of technology.

Our education system is behind the times and out of sync with this new reality. Our primary method of instruction is to have adults with dry erase markers lecturing to often

bored students who carry home backpacks so full of paper they look like they could be training to join Will Steger on an Arctic expedition.

We need to move Minnesota into the modern age by making things like more on-line learning opportunities available to our students. If done well, these courses can open world-class instruction in almost any subject to every student in all corners of our state.

To get us there, though, my budget will provide funding to enhance current on-line opportunities, as well as remove the financial barriers for districts wanting to purchase online course work.

ACHIEVE II

All of these initiatives will help students be academically better prepared to go beyond high school. But we also need to do more to get them and their families more financially prepared to go to college.

Last summer, I announced my ACHIEVE proposal to provide two free years of college in Minnesota for top performing students. I continue to think that proposal is a good idea, and urge you to pass it. ACHIEVE provides a powerful incentive for students to study hard throughout their high school career and it increases the likelihood that our most talented students will stay in Minnesota at a time when competition for top talent is more fierce than ever.

I have heard the concerns about this proposal from those who feel ACHIEVE is too focused and too heavily weighted on just top performing students.

So, in the spirit of compromise, I offer you an alternative proposal, I'll call it ACHIEVE II which addresses both preparing for and paying for college. Under this proposal, high school students who take rigorous college level courses while in high school can earn college credit and receive a scholarship that they will be able to use at any college or university in Minnesota. If a student finishes a year of college in high school, they will receive enough money under the scholarship to pay for an average year's tuition and fees at a Minnesota public university regardless of their class rank and regardless of their ACT scores. So it will be open and serve many more students than the original ACHIEVE proposal. This will result in students who take a year of college in high school, they will get at least a free year of college, and the program will benefit many, many students.

70 PERCENT IN THE CLASSROOM

We also need to make sure, though, that education funding as possible reaches the classroom where it matters most. So I again encourage you to pass my proposal requiring that at least 70 percent of the money get into the classroom. We can improve our children's future by improving our education system by driving resources and money into the classroom.

HIGHER ED PERFORMANCE FUNDING

We also need to improve our higher education system. My budget will contain substantial increases for our colleges,

universities and tuition aid programs. For the first time, it will also contain \$50 million in performance bonuses for higher education institutions that achieve clearly defined and obtained strategic goals.

EARLY CHILDHOOD

It's also clear that we need to do more to help our youngest learners. They need to be better prepared for kindergarten and the school years beyond. The payoff can be well worth the investment. There have been a number of early childhood ideas already discussed during the opening weeks of this legislative session.

One of those ideas is all-day kindergarten. I believe all-day K has merit, but it is enormously expensive if it is required for all kids statewide. Its price tag is \$320 million and it would not be targeted to the kids who need it the most. The truth is that children from advantaged backgrounds don't generally have an elementary academic performance problem. In an era of limited resources and seemingly limitless needs, we need to focus and prioritize our efforts and our money.

With all of that in mind, I'm proposing an early childhood scholarship program to provide up to \$4,000 per child for at-risk students to attend a certified kindergarten readiness program of their choice. This will get help to the kids who need it most and, hopefully, it will help close the achievement gap, which we need to work on more. We've made progress, but not nearly enough and not nearly fast enough.

As you can see, we have much work to do in education.

Let's not allow our nostalgia to limit our children's future.

We owe our children their own future, not our past.

BETTER HEALTH CARE

We have other large challenges and opportunities in front of us. One of them is the need to fix our broken health care system. We have a historic opportunity to accomplish real reform. Let's take the journey together by passing my Minnesota Health Connections plan.

Expanding access to health insurance is a priority. But expanding access to a broken system is not a complete solution. We need to have a comprehensive approach that simultaneously focuses on improving access, improving quality, and lowering cost.

Let me start with access. We have a goal that all Minnesotans should be covered by health insurance. This does not mean a single-payer; it doesn't necessarily mean or shouldn't mean that the government takes over the system and pays for all of that coverage. There are many ways to achieve that goal. While we expand access, we also need to fix the underlying system and make sure that our efforts are financially sustainable.

Under current law, without anybody casting a vote, without anyone doing anything, under current law, access to our state-subsidized health care programs will expand to cover

an additional 45,000 Minnesotans this biennium. But we need to do more than that, our first installment for additional access should consist of expanding coverage to all children under age 21, not just 18, with a household income of \$60,000 or less for a family of four.

But we also have to focus on cost containment. Unfortunately, providers and consumers in the current system have little motivation to contain costs.

But market forces can help reduce cost and improve quality. Let me give you an example.

Lasik surgery was introduced about ten years ago. It was priced about \$5,000 per eye and only available in limited locations. After ten years of price and quality wars in a real marketplace, the price has come down to about \$500 an eye, quality has improved, and access has grown dramatically.

So while market approaches may not work for all medical procedures, we know that engaged, motivated consumers are a powerful force in controlling cost, especially when price and quality measurements are easily understood.

As the private market begins to change and implement cost containment strategies, we should study them and apply the best of them, what is working, and apply it to our public programs. I propose MinnesotaCare II, which will take the framework of MinnesotaCare and modernize it to introduce consumer choice and competition so that MinnesotaCare consumers can obtain the benefit of lower premiums along with incentives for making healthy choices.

We will also reduce costs by creating the Minnesota Health Insurance Exchange, to allow uninsured individuals access to health insurance that will lower premium costs by roughly 30 percent.

The Insurance Exchange will also absorb administrative costs for small businesses purchasing insurance and give the employees access to a greater array of insurance products.

Finally, comprehensive reform this year should also move Minnesota toward an interoperable electronic medical records system; overhaul our mental health system; streamline, thank you thank you Representative Greiling, Minnesota's billing and coding systems into a single operation; and advance efforts to pay for better health rather than just procedures provided.

CONCLUSION

As we finish here today, I am reminded of a story about a man of great intellect and great perspective.

David McCullough is one of the premier historians of our time. He's taught us a lot about John Adams, Harry Truman, Teddy Roosevelt, the founding of our nation, and some of the most critical moments in our history.

I heard he recently made a presentation to a very distinguished audience. In the question and answer period, someone asked him which period in American history was most important. He thought for a moment and his simple answer was, "This one, right now."

Looking back is interesting and helpful. But we have to embrace the importance of "right now."

We don't have certainty about what lies ahead for our economy, our national security, or our society. But we do know that the people of Minnesota have chosen the folks in this room to work together and to do our very best to make decisions that lead us towards a better Minnesota and a prosperity for all our citizens.

Our state is filled with wonderful people. Minnesotans are kind, they're generous, hard-working, and they are born innovators. They will certainly do their part if we do ours. Together, let's focus on the future and boldly lead, right now.

Thank you very much. May God bless each of you and may God bless the great state of Minnesota.