

**2009 STATE OF THE STATE ADDRESS**  
**Governor Tim Pawlenty**  
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One hundred years ago, John Johnson, another 48-year-old Minnesota governor, returned from the national campaign trail, stood on this very spot and called the state to unity, efficiency and investment.

He dropped dead a few months later.

To my friends in the legislature, you may not be so lucky. My health is good.

So, we'll need to work together to solve the historic challenges confronting our great State. The people we represent are watching, listening, hoping. The challenges we face are so large that we'll need the best ideas and best efforts from across the aisle and across Minnesota.

In just five days, we will inaugurate a talented and optimistic new President, Barack Obama. Our country needs him to succeed. We all wish him well and our prayers are with him.

Today, we're not Democrats. We're not Republicans. We're Minnesotans.

We're all here because we love and care about Minnesota.

Whether it's ice castles or ice fishing; lutefisk or hot dish; the Minnesota Rouser or Purple Rain; going "up north" or playing pond hockey down the street; visiting the world's largest prairie chicken or ear of corn; swapping Ole and Lena jokes or trading real-life stories of how almost every one of us has hit a deer with our car.

Or, maybe it's just the memory of sitting on a dock early in the morning, before the kids get up, with a hot cup of coffee and the lake as still as glass with the only sound being the call of the loon. That's why we love it here. We're a place that enjoys our simple pleasures.

This is Minnesota. Our Minnesota. And we wouldn't trade it for any other place in the world.

But the people we serve are up against a whole new set of difficult challenges, the worst we've seen in a long time. They need and deserve the best leadership and service we here at the Capitol can give them.

By our words and actions, let's not add to the confusion and doubt. Let's give Minnesotans confidence. Let's show them that we understand what they face and that we will make hard choices to lead Minnesota forward. Our challenge this year is not just to close the huge budget deficit. We also have to strategically position Minnesota to thrive in a very different world.

Winston Churchill once said, "If we open a quarrel between the present and the past, we shall be in danger of losing the future."

That pretty well sums up the debate facing Minnesota policy makers.

We're proud of our past and what we've accomplished together in this great State. But we can't be so in love with the past that we miss the future.

An argument between "what was" and "what is" does not prepare us for "what's coming."

We face brand new challenges in a rapidly changing world. The old ways aren't going to cut it anymore.

In Minnesota, we don't have an ocean or a big population or a warm climate, especially this week. Our main resource is us: our intelligence, our creativity, our determination and our self-reliance and most importantly, our common sense. We're going to need those traits now more than ever.

The state of our State is challenged, but overcoming challenges is what Minnesota does best. So let's get at it.

As we begin our work, let's fix an image in our mind.

Imagine a typical Minnesota kitchen table. A mom and dad have just tucked the kids into bed with a kiss and a prayer, and they come back to the table to confront economic reality.

On the table are bills, notices and a notepad with a budget that's tighter than it's ever been. Hope and fear are also at the table.

How do we pay these bills? How do we fix the car? How do we pay this mortgage? How are we going to afford college or even retire someday?

The same emotions, concerns and urgency at that Minnesota kitchen table must be at all the tables we sit at here at the Capitol – the budget hearing table, the agency tables, and the negotiating tables.

And this day, on behalf of Minnesotans sitting at their kitchen tables, I ask each member of the legislature:

Please don't add to their burden by increasing their bill from government.

Please don't take more of their hard earned money.

Please don't raise their taxes.

The couple at the kitchen table begin by setting priorities. What's most important? What can we afford? What do we give up? How can we do things differently? We need to ask and answer the very same questions.

The budget I'll be proposing in just a couple of weeks will rely on significant reductions in state spending, as well as using other resources currently available. The details of that budget will be presented and debated fully very soon. Today, I'm going to focus on the strategic steps Minnesota needs to take to prepare for the future.

We need to start by taking the kitchen table approach and setting priorities.

The highest priority of government is to keep our citizens safe and to make sure we have the capability to protect and defend.

Each day, members of the United States military put on the uniform and then go out and put it all on the line for us. As hard as we think we have it, where would we be without them?

Staff Sergeant Chad Malmberg is a member of the Minnesota National Guard Red Bulls.

While deployed in Iraq in January of 2007, Sergeant Malmberg found himself in the fight of his life. At 27 years old, he was in command of a large convoy when they were ambushed outside of Baghdad by insurgents.

For nearly an hour they took on heavy fire from machine guns and rocket propelled grenades. Outnumbered, Sergeant Malmberg risked his life, going from one vehicle to another to help his soldiers fight back and provide cover. In the midst of this living nightmare, he kept his calm and coordinated ground and air support.

Every soldier's life was saved that day in large part thanks to Sergeant Malmberg and his tremendous courage and leadership.

For his actions, Sergeant Chad Malmberg was the first member of the Minnesota National Guard, since World War II, to be awarded the Silver Star medal.

This is a remarkable story, but there's more. When we held a ceremony to honor Sergeant Malmberg for his heroism, he didn't give a big speech or talk about himself. He came to the podium, asked members of his unit that were with him that fateful day to stand and also be recognized, and then he sat down.

That was it.

That tells you something about his character and his life perspective.

Sergeant Malmberg is with us here today, seated next to the First Lady, in the center gallery behind you. Please join me in thanking and recognizing this remarkable hero.

Sergeant Malmberg and all the members of the military are our heroes and role models, and we must support them however and whenever they need it.

Soon, over 1,000 Minnesota National Guard troops will be taking over the command of 16,000 coalition forces in Iraq. It's just one more example of the amazing work members of the United States Military do day in and day

out. Having the responsibility of a mission like that bestowed upon the Minnesota National Guard is a great tribute to them, to all Minnesota soldiers and to our state.

I'm deeply grateful for all legislators from both parties who have joined our efforts to make Minnesota the most supportive State in the nation for military members and veterans.

My budget this year will maintain our commitments to the members of the military, their families and veterans. I ask for your support in making that a priority again this session.

My budget will also protect state public safety programs and funding, and I'm hopeful the legislature will share that essential priority as well.

Our next priority must be jobs. Having a good job is the quality of life cornerstone for Minnesotans. It's what sustains them, their families, and our communities. And it pays the bills on the kitchen table.

The way to renew our prosperity is to unleash creativity, innovation, entrepreneurship and job growth.

Successful economies are built by people. Our economic landscape is shaped by men and women who see unmet needs and opportunities in the world around them, and devise goods and services to meet them. For all the turmoil in our nation's financial markets, the malfeasance, corruption, and neglected oversight, this truth remains: While government can commission public works, write checks and foster conditions for job growth, it can't match or replace the power of people who create goods, services, and jobs.

The job losses we see across Minnesota are related to a sea change in the national economy. Minnesota is not alone in this crisis, but we do face a unique challenge.

Minnesota has to come to grips with this fact: In 2009, it costs too much for employers to create and keep jobs in this state. If we want to build up employment, we need to bring those costs down. I'm proposing a *Minnesota Jobs Recovery Act*.

For starters, Minnesota's business tax rate is way too high. A recent study by the Tax Foundation concluded that if Minnesota were a country, we'd have the third highest business tax rates in the world. It's way out of line and it needs to get fixed.

Today, I'm proposing that we cut Minnesota's business tax rate in half. This means reducing the current 9.8 percent business tax rate to 4.8 percent over the next 6 years. This will take us from having one of the worst business tax rates in the country, to having one of the best. It will help us keep and attract more jobs.

We should also remember that small business is the backbone of our economy and has been the source of most of the job growth in the country for a long time.

For those of you who have sought a piece of the American Dream by starting a small business – by hiring your first, your fifth and your tenth employee – and who struggle to survive every day, we thank you, and we salute you.

Many of our small businesses are barely hanging on. In Washington, they're sending billions of dollars to Wall Street. Here in Minnesota, I want us committed to helping Main Street.

These days, lack of financing is a major barrier to small business success. To jump start small business job creation, I've proposed a 50 million dollar package of tax credits that will create over 100 million dollars in new investments.

In addition, I'm proposing a 25 percent refundable tax credit for small business owners that re-invest in their business quickly in order to stimulate our economy.

I'm also proposing a capital gains exemption for qualifying investments in small Minnesota businesses. This will encourage investment in Main Street and help grow jobs.

And here's another thing, companies shouldn't have to do a bunch of paperwork so they can qualify for a bureaucratic rebate from the sales tax

they pay on equipment. Let's just give them a 100 percent exemption from the sales tax – right away when they buy the equipment.

And instead of making these businesses depreciate this equipment over years, let's let them deduct the whole cost right away.

These measures will have immediate impact. They give employers a real incentive to re-invest in their companies and grow jobs.

I know these tax cuts and incentives may seem aggressive in the context of our budget challenges. But we simply have to take dramatic measures to improve our job climate and kick start job growth in Minnesota.

We should also grow jobs by enacting a green jobs initiative. New opportunities in energy from wind, solar, biomass, biogas, geothermal, biofuels and energy conservation are opening a whole new sector of our economy.

Our efforts to increase the use of renewable energy are also paying off.

This fall, the Finnish company Moventas, announced plans to build an 80-thousand square-foot plant in Faribault. They'll be making gear boxes for windpower turbines and they selected Minnesota over several other states to do business and grow jobs.

This is another example of Minnesota's growing global influence in renewable energy, particularly windpower. And the tax incentives available through JOBZ played a crucial role.

I've proposed that in addition to JOBZ zones, we create Green JOBZ tax free zones for renewable energy jobs created anywhere in the state. We need more companies like Moventas.

One of our highest priorities must also be to continue to dramatically reform and improve our K-12 education system.

As I said earlier, the quality of life for most Minnesotans depends on their ability to have a good job. Those jobs now and in the future will require our citizens to have a great education and a marketable skill.

Over the last six years, we've improved Minnesota's K-12 education through a series of reforms including: raising our academic standards and graduation requirements; adopting performance pay for teachers through our Q Comp program; upgrading training for our science and math teachers; making more college credit classes available to high school students; and much more.

Minnesota can be proud that we're at or near the top in the country on many education measures. We have the nation-leading ACT scores and our students recently performed among the best in the world in science and math.

But more needs to be done. Our K-12 system is not ready for the future. The success of that system is mission critical to the future success of our state.

Times are tough and our budget crisis is huge. But even at a time like this, we need to increase funding for K-12 schools.

In exchange, we must expect more. My budget will include dramatic reforms and improvements to our K-12 system.

After parents, the quality of teachers is the most important factor in determining student success at school.

A few months ago, I proposed the *Teaching Transformation Act* to make Minnesota the nation's leader in teacher preparation and training.

We need to aggressively recruit the best and the brightest to become teachers. And we need minimum entrance requirements for teacher preparation programs.

We have minimum requirements for pharmacists, dentists, engineers and just about every other profession. We should have minimum entrance standards for people who do our most important job: educating our children.

The *Teaching Transformation Act* also strengthens our teacher certification test, requires better teacher preparation programs at our colleges and universities, and more.

We also need to continue to improve and modernize the way we pay teachers.

Minnesota has led the nation in reforming teacher compensation. Our *Q Comp* program gives school districts more funding if they pay staff for improvements in student learning, rather than just paying for seniority. In these districts, effective teachers get paid more.

This is a common sense program. It pays teachers better for better efforts and better results. And it's paying off.

Three months ago, the Minneapolis School District implemented *Q Comp* at its 16<sup>th</sup> site. When they did, Minneapolis Superintendent Dr. Bill Green said: "*Q Comp* schools have shown real and significant gains in student achievement. *Q Comp*'s focus on improving teacher quality and instructional practice pays off in real gains for all students."

Because every child has a right to a quality education taught by quality teachers, I propose *Q Comp* be expanded to every corner of our state, every school district and every charter school.

For school districts not currently in *Q Comp*, this proposal will permanently increase per pupil funding by an amount comparable to a 5 percent increase in the general education funding formula.

While expanding *Q Comp* is a really important step, we need to do even more.

Our school finance system sends money to schools whether they're doing a good job or not. This isn't how the world works anymore, and it's not in the best interests of student learning or greater accountability.

Let's pay school districts for results. I propose we increase school district funding by up to an additional 2 percent per student for students meeting standards or at least showing reasonable growth towards achievement.

This will align the money we spend with the results we expect. It's common sense. It's how the world works, and it will continue to transform a system that is badly in need of modernization.

We also need to change the way school districts and teacher unions negotiate and settle labor contracts.

The current system is too adversarial, too uncertain and too often places unbearable pressures on school districts to bust their budgets. It also puts the interests of adults ahead of the best interests of children.

We need to bring our process in line with the nearly 40 other states that settle school labor disputes using a fair arbitration process.

This change will not undermine the ability of teacher unions to negotiate hard and receive fair wages. It works well in other states, and it will work here too.

We also need to improve the management of our schools in other ways.

Minnesota has 490 school districts and charter schools, each of which purchase IT, food services, textbooks and supplies. We should require them to come together for bulk purchasing in order to lower costs and eliminate waste.

This will put more money in the classroom, exactly where it belongs.

I'm pleased to be working with a bipartisan group of legislators, including Senator Terri Bonoff and Representative Ryan Winkler on this important step.

Of course, the need for education reform is not limited to K-12. For several years we've driven reform and innovations in higher education with incentive funding.

But our current higher education system must find even more ways to become more efficient and less focused on geography and bricks and mortar.

It's time our colleges and universities move more aggressively to deliver more of their courses online. From paying bills, and buying airline tickets, to keeping up with friends, much of our lives are now online.

A couple of months ago I met Gina Drellack, a mother of two who earned her degree from Bemidji State University -- online. She was able to take

classes at times and places that were convenient to her, including at her kitchen table. It was flexible, modern and efficient. As a result, she was able to keep her family as a top priority and maintain employment at the same time. She graduated about a year ago, and credits online learning with helping to transform her life.

I know online courses won't replace some needed face-to-face education and hands-on experience, and we don't want it to. But our higher education story needs to look and sound a lot more like Gina's story. The higher education marketplace is clearly and undeniably moving in that direction. The only question will be whether Minnesota leads or follows.

That's why I've challenged Minnesota's state college and university system to deliver 25 percent of their credits online by 2015. I'm grateful MnSCU's board and leadership have accepted the challenge and appreciate the progress they have made to this point. I also appreciate the University of Minnesota's efforts in this area.

To help our younger students get ready for this future, I've proposed that our state high school graduation standards require every student to participate in an online experience by the time they graduate.

This year, I'm also asking that we add a new element of cost accountability for higher education. It's this: we should impose a firm cap on tuition increases. Otherwise, the necessary changes in higher education we will make this session will fall too heavily on students and their families.

Next, we need to deal with the second largest part of our budget: health and human services.

As we all know, Minnesota's programs in this area have become unreasonably expensive and their cost is unsustainable.

The budget forecast shows these programs will go up nearly 19 percent if left unchecked.

We must slow down the rate of spending growth in these programs or it will eliminate our ability to fund other priorities in the future. As my budget will reflect, there is no easy way to do this. But, in the midst of these changes, we will protect all current health care eligibility for children.

My next priority is to reform the way government does business.

Workers in the private sector are facing big layoffs, big pay cuts and sharply reduced hours. Government employees will experience layoffs too. However, we should do what we can to minimize them and a wage freeze will help. I'm proposing we freeze all state government wages for the next two years.

I'm also proposing that we enact legislation to require a wage freeze for any Minnesota government entity that accepts state money.

Here's another way we're going to reform the business of government.

Our system of 87 different county governments was designed for a different era. Most county functions are duplicated 87 times over, to the detriment of taxpayers. I'm not proposing to eliminate counties. But I am proposing that we save money by encouraging counties to work together.

We should incentivize counties to create, join and operate no more than 15 new regional enterprises that will manage and run all human service programs so each county doesn't have to run their own.

We should also require local units of government to use the leverage of the state's buying power to purchase commodities such as road salt, paper and IT services at a reduced price, unless they can find a better price themselves.

It's no secret that funding for cities and counties is going to have to be reduced to close our budget deficit. Since it's not secret we're not going to send them as much money, we need to help them in other ways. We should reduce or eliminate as many state mandates as possible. We should also allow townships, cities or counties to opt-out of some state mandates by vote of their governing body.

I want to particularly thank the Association of Minnesota Counties for their vision in redefining the county-state relationship. It's a bold plan and we look forward to continuing to work with them during the session.

And county lines are not the only political boundaries that need to be crossed.

Wisconsin Governor Jim Doyle and I have been working together to find state government operations that can be combined or coordinated to save money in both states.

You often hear the reference about when “the lion will lay down with the lamb.” Well how about this: in the near future ... the Gopher will lie down with the Badger.

As I close, let’s go back to that Minnesota kitchen table. Yes, there’s fear and worry at that table, but there’s also hope, and optimism. In our own modest way, Minnesotans have a confidence that we can find a way and make it work. We always have.

A few miles from here is the College of St. Catherine, the largest women’s college in America. Sister Antonia McHugh built this college from almost nothing. She was raised on the prairie at the turn of the last century. And, like many Minnesotans before and since, the things she learned in the joys and rigors of rural life gave her the skills to become a great leader.

Listen to her words describing the pioneers who came before her:

"The soul of a pioneer woman is a beautiful thing.... full of wisdom and hope and self-sacrifice.... [They] saw visions and dreamed dreams while they were facing the bare realities.... They had faith in the new land, and faith made them zealous."

As we face bare realities, we need that same faith in the future. We need to find that same wisdom and hope and willingness to sacrifice in ourselves. And like generations before us, we need help from our Creator.

As Abraham Lincoln said, without God’s help, we cannot succeed, and with His help, we cannot fail.

May God bless you all and may God continue to bless the great state of Minnesota.