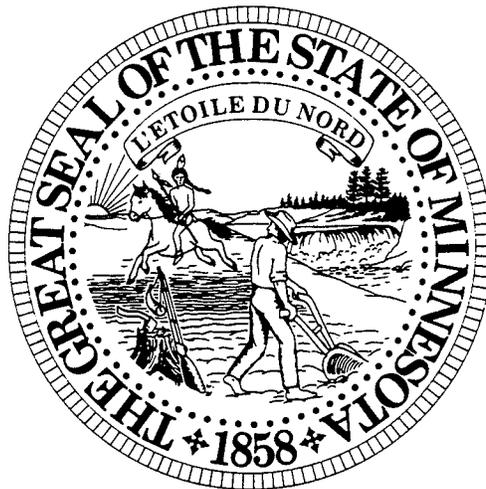


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State of the State Address

February 4, 1998
Saint Paul, Minnesota



Governor Arne H. Carlson
Lieutenant Governor Joanne E. Benson

R E C E I V E D

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Speaker Carruthers, President Spear, Chief Justice Blatz, members of the Supreme Court, former Chief Justice Sandy Keith, Chief Judge Ed Toussaint, members of the Appellate Court, former governors, Lieutenant Governor Benson, fellow constitutional officers, legislators, friends and Minnesotans. And if I were to add all those desiring to run for Governor, that would encompass the entire chamber.

You have been absolutely marvelous, and I thank you so much for both your kindness and all the courtesies that you have shown me over the past seven years. This past year, for all of us, has been a year of joy and personal sadness. We recently lost one of our most beloved Governors, C. Elmer Anderson of Brainerd, who served his state and his community so well for so long. He will always be a part of our memory and part of our history. We lost Ken Otremba and Barb Vickerman, two truly fine Legislators who exemplified the very best in public service. They, too, will always be a part of who we are. And Tim Bowe, the highly decorated State Trooper and a dear friend, who was truly one of Minnesota's finest. His loss was indeed painful.

On the other hand, we welcome to the Supreme Court our newest member, Jim Gilbert. We are delighted to have you and to also celebrate the elevation of Kathleen Blatz to Chief Justice.

I also want to take a moment to especially thank Sandy Keith for his leadership on the bench. When you look back over his splendid career, and I have admired it from a distance, and the closer I got to know him as Governor, the more I realized what a Minnesota treasure he has really been. He is truly one of Minnesota's greats, and we thank him on behalf of all Minnesotans for his service.

It is expected that the Governor of the State should comment on the state of the state. The truth today is that the state of the state is excellent. Minnesota is sturdy and well-prepared to enter the 21st century. We are stronger financially, we are more prosperous and better prepared to take on the future than ever before in our history. And by forming partnerships, we have taken a state that was out of control in 1991, where we were spending \$800,000 a day more than we were taking in, and we have been able, on a partnership basis, to turn that into a multi-billion dollar surplus. And we would not be talking about a \$1.3 billion surplus, had we not cast, and had you not upheld, some 330 vetoes which blocked over \$1.5 billion in new taxes, spending and fees.

Back in 1991, our budget reserves were exhausted, and now we have some \$872 million in the bank -- money set aside to prepare us for whatever financial storms may lie ahead. We have repaid depleted reserves to the extent of \$1.8 billion. Instead of spending 15 percent more than the rate of growth and personal income, we are now holding the rate of government spending below that key indicator. Incidentally, Minnesota's personal income is growing 30 percent faster than it is in the rest of America. We have not only halted the free-fall in our state's bond rating, but we have become the first state in some 24 years to recapture a triple-A bond rating from all three major financial rating institutions. There are

only eight states in the United States that hold such a distinction. Perhaps best of all, we have gone from a state where we had cycles of endless tax and spending curves, and now we are in a position where we have so far been able to engage in more than a dozen tax cuts since 1991, giving back to taxpayers some \$1.1 billion. And we are now proposing an addition of \$1.7 billion in tax relief over the next five years, the largest in Minnesota's history.

I can accept the fact that a rising tide lifts all boats, and clearly we are delighted to be part of the national economy. But as Standard and Poor's indicated in their report, the economy is just a springboard. The other key is what you do with fiscal management. Now, we must also acknowledge that we could not have accomplished so much without adhering to the values embodied in this state and in its people -- values that call on us to grow first-rate jobs, to strengthen our quality of life and to show compassion for those in need. Minnesotans want a state where our children can find safety, opportunity, and breadth and richness of experience. We want a state that our children can be proud of, and today I am pleased to say I believe we are on that path.

Fifty-four thousand children who had no health insurance at the start of this decade are now covered through our MnCare program, ranking us second in the United States. We have become a national model for welfare reform, moving recipients not only into jobs, but much, much more importantly is lifting families out of poverty. 8,550 fewer families today rely on welfare than they did last year.

And while we are on the subject of jobs, we have also cut, on a bipartisan basis, workers' compensation premiums some 35 percent, saving employers \$121 million and helping to create a competitive business climate that will continue to steadily grow jobs in Minnesota.

We have also begun to stem the rising tide of crime. In this last year, Minnesota has seen a decrease of seven percent in the most serious crimes, taking a step toward renewing our sense of security.

Now, I have reserved for the last reform, which is perhaps the most meaningful to me -- education. We challenged the status quo and succeeded. We are now making decisions based upon what is best for the child, not the educational bureaucracy. And this month, for the first time ever, all of our public school students in grades three, five and eight are taking statewide standardized tests for reading and math, thereby giving parents, teachers, and the community a benchmark by which to judge their progress. Our first in the nation charter schools are setting new standards for innovation and flexibility. In just the last year, we have more than doubled to 30 the number of these creative schools. We have funded school technology, and within the next two years, we will be number one in America in the ratio of computers to students. For the first time ever, some of those students today are listening and watching this address on their computers at school via the Internet.

Our goal has been to put children first and, at the heart of all of our reforms, is our sincere belief that there must be competition in the educational system, whether public, private or parochial, every family in America should have the right to send their children to that school that best serves their child's needs.

Already, in this legislative session, there are those who seek to turn the clock back. But rest assured that, as Governor, I will do everything that I can to make certain that choice, competition, and quality continue to drive our commitment to education. I will fight to see that every single family in this state has the same educational choices for their children as the President, the Vice President, and all of our members of Congress.

We in America always define the American dream in the context of access to education. Millions of our families that came from foreign shores came here with that one ideal: that we could sacrifice our life, work hard so that our children could have access to the best educational experience, and on that basis, we could build the kind of egalitarian society that we all say that we want. We cannot, as a society, grant to the least -- the least amount of education -- but, rather, the same access that we give to those who have the most. That is what the American dream is all about. We in Minnesota will be the first state in America to realize that dream.

That also means that we are firmly committed to Minnesota's new graduation standards. The next century will demand more of our children, and we want to make absolutely certain that our children are prepared for that challenge. In all of this, as I have noted, we must be guided by those values that embrace Minnesota's people -- values, again, that call upon us to strengthen our quality of life, to show compassion for those in need and, first and foremost, to create an environment that is conducive to the growth of quality employment opportunities. Together, we have built an enviable record reforming education, reforming health care, reforming welfare, reforming state finances, reforming workers' compensation. The fact is that we have accomplished more solid reforms than any state in the United States.

Now, there will always be those who will look back and say, "Well, you can coast through the next Legislative session, while we await new leadership." But, I would remind them that competition waits for no one. Each and every year, we owe it to ourselves, and we owe it to the people of this state to endeavor to be better than we are. Now, granted, this state is enjoying its lowest unemployment rate ever. Granted, we are number one in the nation in job growth, more than 354,000 jobs have been grown over the past seven years. Granted, we have gone from a climate of job losses to one in which there are not enough skilled workers to fill available positions. The fact is, we do face new challenges. And we can either chose to ignore those challenges and see those successes gradually ebb away, or we can commit ourselves to change and to meeting the expectations that our people have of us. And to take advantage of the most precious resource that we have, which is our people.

It is my prayer that you and I, working together, can meet those challenges. We must strengthen the institutions that have always been the engines of job growth in this state -- our institutions of higher learning. Never in our history has Minnesota needed higher education more than today. Never before have there been as many compelling reasons to justify bonding requests of \$252 million for the University of Minnesota and \$167 million for the Minnesota State Colleges and Universities system, as well as those appropriations that are contained in our supplemental budget. These proposals must be funded in their entirety.

Now, much has been made of the size of the bond bill. But let me remind you that our package falls \$200 million below our debt service guidelines. These requests are not simply requests for bricks and mortar. Our bill strengthens higher education. It enhances the environment and helps build communities throughout Minnesota. I want to thank Morrie Anderson, the new Chancellor at MnSCU for his leadership. He recognizes that 70 percent of the jobs we create in the future will not require a four-year degree but will require some post-secondary or technical training. To help students move into these jobs, part of our funding package calls for some \$11 billion in new spending to forge partnerships between the MnSCU system and five high-growth Minnesota industries: precision manufacturing, computer software, printing and graphics, health and all of the occupations related to health and taconite production. Education and training programs in these key industries will be patterned after current successes. And what are they? A partnership with Northwest Airlines that will train air transport mechanics over the next two years. A partnership with IBM to help move students into high-paying jobs as computer systems network programmers. MnSCU is rapidly building a partnership between those people who create jobs and the whole system of education. That relationship, that partnership, is something you and I must invest in.

We also are blessed to not only have the outstanding leadership of Chancellor Anderson but also the vision of the new President of the University of Minnesota, Mark Yudof. In addition to his search for the all-American pancake, he has also laid out a sturdy vision for the future of the University and how it relates to all of us as citizens of the state of Minnesota. For over 150 years, we as citizens in this state, have invested in the University of Minnesota. In return, the University has given us educated citizens, advances in science and medicine, and a higher quality of life. Eighty percent of the students who graduate from the University of Minnesota remain citizens of this state.

Now, in order for these students to stay competitive with their peers across the nation and the world, we have proposed a number of key initiatives, including renovation of the Walter Library, a building in which all too few of us have spent any time. But it is truly one of the campus' oldest buildings, and the dream of the University of Minnesota is to transform it into a digital technology center. On the inside, students will have access to a state-of-the-art research facility. On the outside, we will preserve the building's elegant and distinctive architecture. We also proposed a new library at the University of Minnesota - Duluth's campus, designed to expand its capabilities into the largest information resource center in northeastern Minnesota. We proposed a new institute for molecular and cellular biology. As hard as it is for most of us to conceptualize, scientists have discovered that research at the cellular and molecular level is critical to scientific discovery. Through those discoveries, all of us win.

I want the University of Minnesota, through its research, to make us the lead state in the world in the development of medical technology. We have long excelled as a state in this area, and we must continue to be the leading light in medical education, medical training and medical research. Recall for a moment, that it was the University of Minnesota that trained Christiaan Barnard, who first performed the human heart transplant in 1967 and then went on to share his knowledge with countless other physicians. It was a year later that University of Minnesota physicians, Robert Good and Richard Hong made medical history by performing the world's first bone marrow transplant. And two decades later,

Minnesota was again inspiring the nation when a team led by Dr. Stuart Jamieson successfully performed the nation's first heart-lung transplant. That list goes on and on.

The reality is that the University of Minnesota and the Mayo Clinic are two of the finest medical institutions in the world, and we are committed to making absolutely certain that we give them the resources that are necessary for them to continue their work and to pursue excellence.

And it is for that reason that I am asking this Legislature to restore some \$26 million in funding that was eliminated by the federal government. And why? To provide for medical research and medical education at both the University of Minnesota and the Mayo Clinic.

Now, if, as I have said, higher education is the engine that drives our job growth, then our business climate is the fuel that propels the train down the tracks. When I took office in 1991, one of the principal complaints was that Minnesota's high tax rates stifled economic growth. At that time, our commercial and industrial property tax rate stood slightly over 5 percent. It was far and away higher than our surrounding states, and very likely the highest in the United States. Now we have shrunk that rate down to some four percent. In the budget that I am submitting to you, I propose to reduce it down to the level of 3.5 percent and, for the apartment class, I want to reduce their rates down to 2.5 percent.

While this proposal will not cost the homeowner one dime, it will grow jobs, and it will grow our economy. In fact, if our plan is successful in this biennium and the next, tax relief will total some \$2.4 billion. This spring, Minnesotans will receive a rebate equal to 20 percent of their property tax bill. We want that same tax relief extended through 1999. We believe that we must return the bulk of the surpluses to the taxpayers from whom it came.

But a large part of a healthy business climate also demands that we, as a state, follow on a very, very cautious and considerate course. We must have stable finances in order for our state to continue winning the competition for new jobs and new businesses.

As many of you know, I recently returned from a trade mission to Asia. I was privileged to have the opportunity to meet with the President of China, the Prime Ministers of Singapore and New Zealand, as well as their economic advisors. And I will tell you, it was sobering. The world faces a potential economic crisis if the United States and Japan do not act swiftly and wisely.

I left Asia wondering why, why we have shared in the upside of the market increase with record profits and then expect to not share in the downside. In light of those realities, I will again repeat my call for a separate reserve account dedicated to the Asian crisis. I want to make certain that we cushion any potential blow to our budget that may be caused by turmoil in those countries. Furthermore, I intend to ask this Legislature not only to set aside the \$200 million I had previously recommended, but depending on the outcome of the February revenue forecast, to hold in reserve a total of \$400 million, an increase of some \$200 million. And then, if the impact of the Asian markets is less than anticipated and if the revenues prove to be sustainable, particularly in the out years, then the Legislature can come back with new leadership and use those funds to enact additional tax cuts. I think that is the prudent course for us to take as a state.

Lower taxes, a healthy economy and high quality jobs are the bread and butter issues that, by necessity, all of us care about. But Minnesotans value more than necessities. We also value that which enriches our souls. All those things, ranging from the arts to the great outdoors. Minnesota's outdoors are central to our quality of life. That is what we do with our families. We go to the lakes, we visit our state parks, we camp, we ski, we snowmobile, we hunt and some of us even try to fish. Our \$202 million Access to the Outdoors initiative is an investment in an area that embodies our identity as a state. It builds upon this state's outstanding record of environmental protection, a record enhanced by more than \$2.2 billion of investment since 1991, for projects that range anywhere from cleaning up the Minnesota River to improving our soil and air quality. This year, we seek to improve every state park in Minnesota. We want to add 100 miles of new trails, regenerate thousands of acres of forest and put many, many more acres into wildlife habitat. In addition, we want to make it simple to obtain recreational licenses through a one-stop shopping system that will be available at computer terminals all across the state.

Included in this comprehensive package is a new park of historic magnitude. It is the Veterans Memorial Park with the USS Des Moines as its centerpiece, to honor those to whom we owe our deepest debt of gratitude -- veterans who fought and died for the liberties that we now take for granted.

Those who served in World War II and the veterans of all wars, before and after, sacrificed greatly for us. Now they call upon us to make a small gesture in return. To those of you who have accused us of overzealousness on this project, I say that it is better to err on the side of caring too much than too little. I think it is better to push too fast and too hard than not at all. My prayer is that each governor from those generations that suffered through war will make absolutely certain that we remember those young men and those young women who risked and gave of their lives, so that we could enjoy the freedom that we have today.

The project in Duluth is designed not only as a memorial to the past and to those who served. It is also designed as a lesson, a reminder, to our young children. There were a lot of 17-year-olds and a lot of 18-year-olds who would have loved to have been home. But, instead, they were asked to assault Okinawa and Iwo Jima. They were asked to lose their lives and risk their lives at the Battle of the Bulge or to fly bombing missions over Berlin. And now they ask us, please remember those who gave so much of themselves for us. And I ask of you that we dedicate a monument to their courage, to their commitment, but also to our future.

Just as I call upon us to demonstrate compassion for those who have served so well, I am also calling on all Minnesotans to renew our commitment to the younger members of our society. Those of us who love this state -- and everyone here does -- we know that we are a compassionate people. Few of us would ever turn our back on those in their time of need. Witness the tremendous outpouring of help during the floods last year. People from every corner of the upper Midwest volunteered to assist, volunteered to make someone's life better, and we identified with their tragedy.

That was a very visible crisis. Now there is mounting evidence that suggests that we are in the midst of another crisis, a silent one. Each year, thousands of babies are exposed to prenatal alcohol and, as a result, far too many of our children are subject to lifelong

disabilities, including mental retardation. Society -- we -- pay a rising price in costs for special education, out-of-home placements and corrections -- up to \$1 million over the lifetime of a single victim. The tragedy is that it's all preventable. The bottom line is this: pregnant women cannot drink alcohol.

I particularly want to thank my wife, Susan, on behalf of this Administration and on behalf of the people of Minnesota, for her dedication, her leadership, and her genuine concern for our children. She has been not only a magnificent partner, but she truly loves those children. It is my prayer that when she and Judge Joan Lancaster submit their report tomorrow, that every single one of us will identify with their love and express our love in exactly the same way. They intend to present to us a comprehensive list of recommendations designed to combat this affliction. Our budget proposes \$5 million in additional funding, so that they can press forward with education and prevention strategies. I very, very much want your support on this issue.

A compassionate people cannot tolerate our children starting out with one strike against them while in the womb. Nor, can we tolerate reports of children living in homeless shelters. The wonderful success story of our Minnesota economy has created thousands of jobs, record low unemployment and all of us feel a certain sense of security that was absent just a few years ago. Through our efforts to reform welfare, we, as a society, are now demanding that our brethren make every effort to work. The problem is that many of those first-time jobs may not pay much more than the minimum wage. As such, we have an obligation to ensure that there is sufficient affordable housing to meet the needs of every single one of our citizens.

In our supplemental budget, we have proposed \$10 million to preserve apartments made more affordable through government assistance. Because federal assistance rates have not kept up with the marketplace, owners might well opt out of that program and therefore, the reliance on state help becomes greater and greater. Thousands of Minnesotans are now desperately seeking homes. In light of the severity of this problem, I am pledging to you today that we will increase our budget requests by an additional \$5 million.

Serving the needs of troubled children and providing housing alternatives also forms the basis for our proposal to create the state's first residential academies, also called the boarding schools. We need to find a way to give children who have spent years bouncing around the foster care system a sense of permanency and a place to succeed. We also recognize that education is not a "one size fits all system". We know that people like former Minnesota Viking Joe Senser, who attended a residential academy, that without such a school, might well have landed in our criminal justice system.

I remember a few years ago talking to a young boy in one of our facilities in Minneapolis. He was a status offender. He was a runaway, a truant. He ran away because every time he went home, his father beat him within an inch of his life. And our system kept sending him back. We have to recognize that all parents are not equipped to be good parents. Our love, our commitment and our energies must focus entirely on the well-being of that child.

Now, we sit back as a body, and we complain about rising crime. We complain about the violence of adolescence, and we come in with strategies designed to lock them up for

longer and longer and longer. Until recently, we were on course to build a new prison every three years. But we began to recognize that if we could just focus more of our energies on preventing the problem, we could not only save an enormous amount of money, but we could save lives.

It is my hope that our entire system coming together -- judicial, executive and legislative -- can focus entirely on the well-being of the child. Boarding schools become remarkable options to allow kids to escape from families that simply don't work -- families beset with violence, drugs, alcohol and crime; and allow them to go into a campus setting with a caring, dedicated, committed faculty and a community that truly wants them and say "We will work with you, and with our love, with our help, you will succeed." That is what it's all about.

The economic and human reality is that it costs us some \$40,000 a year to keep a child at a juvenile detention center. That is more than an entire year's tuition at places like Harvard. We have to ask ourselves if it makes sense to spend money in that way, or does it make more sense to appropriate \$12 million to build three residential academies so we can prevent some of these problems before they occur. It is my prayer that your answer will be a resounding "yes."

We have in our audience some children from St. Joseph's Home in Minneapolis, whom I would like to now recognize. Today, we were led in prayer by Father Boxleitner of St. Joseph's. He and so many others, who work with children and who give their lives to the well-being of children, know full-well what this proposal means. It means a sense of permanency. It means an opportunity for success. Go back in your lives and every single one of you, at a point of stress, at a point of despair, had someone come to you, put a hand on your shoulder and say, "I'll help you."

That is precisely what we must do with our young people. In every single one of our endeavors, we must continue to focus on their well-being. I want them, all of our children, to grow up in an environment that focuses on opportunity over entitlement. To become part of a society that is healthy and is competitive, and that each of them is free to pursue their own individual happiness and to do it in such a way that it builds a sense of community.

We all, particularly those of us who are elected, recognize how fragile a democracy is. We recognize that our communities expect the very best from us. It has been my privilege to have served for the past eight years as governor of this state. It has been an even greater privilege to have had the opportunity to serve for some 30 years. And it has indeed been a tremendous honor to work with you on both sides of the aisle, building the kinds of coalitions and partnerships necessary to focus on our future.

When I opened my speech this afternoon, I talked about how well positioned we were to enter the next century. But in order for us to be well positioned, we had to develop policy, we had to engage in contentious debate and we had to seek alternatives. But at all times, we had the obligation to focus on the future. Our dream as an administration was "Don't focus on the moment. Don't cave into the immediate needs, but rather keep your eye on the long term." Think of what it will be like to walk by the Capitol 20 years from now and

to be able to say, 'Well, I remember back in 1993 we started this. And in 1992, we did this. And in 1996, we did that.'

And the truth is, if we have done our job right, then we can look back with a tremendous amount of joy and say, "I'm honored and delighted to have served."

To all of you, I can only say thank you. Thank you for your courtesies. Thank you for your kindness. I particularly want to thank the leadership. I know how much is expected of you. To those who have served in the past and those who serve today, I am told that some 70 percent of the members of this body were not here in 1991. Let me tell you, you did not miss much!

But to Speaker Carruthers, to President Spear, Majority Leader Moe, Minority Leader Senator Day, Minority Leader Steve Sviggum, and to all of the leadership that has served in prior years, I thank you so much for engaging and procuring. I can honestly say I think the people of Minnesota are extraordinarily well-served. Every community has the obligation to give us its best and its brightest. And we can simply act on that expectation. And I sincerely pray that we always keep our eyes on the future. And the future is our children.

My dream, my personal dream is that some day one of those young people, a young person in trouble, a young person who is helped with the hand on the shoulder, will be standing here as your Governor. Thank you very much!