

**Remarks of Governor Mark Dayton – As prepared for delivery
State of the State Address
Wednesday, April 30, 2014**

When I ran for Governor four years ago, I promised “A Better Minnesota.” Tonight, I can report that the state of our State is better – much better -- than before. It’s better for us, and it’s better for those who will inherit it from us. But the economic growth and social progress we have achieved, also reminds us of the work we still have left to do.

Becoming a parent introduces a longer-term perspective. We begin to consider the effects of our actions not only on our own lives, but also on lives that will extend beyond ours.

Becoming a grandparent, as I did a year-ago, thanks to my terrific son and wonderful daughter-in-law, Eric and Cory Dayton, who are in the gallery tonight, adds another generation to that timeline. It also raises the stakes.

Somewhere down the road, my grandson and his generation will assess the state of the state we have left to them. They will decide whether we, through our actions or inactions, made their lives better. Let’s keep them in mind, as we choose our state’s path.

In my first State of the State, three years ago, I said, “I know what we must do to create that better future for all of us. To progress, we have to invest.

“We have to invest in more jobs. Invest in better education. In improved transportation. In the health of our citizens, our communities, and our environment. In the transformation of government services.”

In other words, we have to invest in growth, quality, and effectiveness.

JOBS & ECONOMIC DEVELOPMENT

Well, we invested in jobs. Minnesota’s private sector and public sector both invested in jobs. We are blessed with so many outstanding businesses, located everywhere in our state, operating everywhere in the world – and who, during the past three years, rediscovered that they can be successful and profitable here in Minnesota. As a result, we have the 5th fastest growing economy in the country.

There are more than 2.8 million jobs in Minnesota today. More jobs than ever before in our state’s history. 150,000 more jobs than when I became Governor three years ago.

This economic growth is happening all over our state. A recent newspaper story was entitled, “Lots of jobs find a home on the prairie in southwestern Minnesota.” It said that, for example, Jackson County reported a 5 percent increase in jobs during 2013. The City of Jackson’s economic development coordinator is quoted saying that, “Everybody who is able to work, and

willing, is probably employed.”

Jackson’s largest employer, AGCO, has doubled its workforce to more than 1,300. Nearby, HitchDoc, which manufactures automotive and farm equipment for 300 customers, has grown from a dozen employees to 140. “And I’m looking for another 30,” said the company’s owner, Brad Mohns. “I’m turning down work, because I can’t find enough employees.”

Some people believe there is no role for government in private sector expansion and job creation. To see that they’re mistaken, just look around Minnesota.

There would not be a new stadium under construction in Minneapolis without the financial support of the City and the State of Minnesota. 7500 construction workers will have jobs building that stadium over the next couple years. Over one-third of them will be people of color.

Located right next to the stadium will be a \$400 million private sector development, the largest in a generation. It will provide office space for 5000 Wells Fargo employees, residential apartments, stores and shops, a hotel, and a new, two-block public park. Its construction will employ another 1000 Minnesotans. And that is just the beginning of the area’s revitalization.

Another new stadium is being constructed in downtown St. Paul. It would not have occurred without an investment by that City and the State of Minnesota. It will anchor the resurgence of the Lowertown Neighborhood in our Capitol City.

Perhaps the most transformative development project anywhere will occur in Rochester, thanks to the world-renowned Mayo Clinic’s decision to build its expanded Destination Medical Center there. Already Minnesota’s largest private employer, Mayo expects this multi-billion dollar expansion to double its employment over the next twenty years. The Center will be surrounded by new hotels, restaurants, stores, and recreational opportunities.

This project will enhance Rochester’s standing, as the premier health care center in the world. It will establish Minnesota as one of the world’s best locations for advanced medical research; the development of new medical treatments and technologies; and the thousands of good new jobs they will create. This project would not be happening without Mayo’s extraordinary commitment. It would not be happening here in Minnesota without the significant state investment approved by the legislature last year, along with investments by the City of Rochester and Olmsted County.

There are many more successes. Segetis in Hoyt Lakes, Price Mechanical in Maple Grove, AXIS Clinicals in Dilworth, Viracon in Owatonna, Shutterfly in Shakopee, AAR Corporation in Duluth, Toro in Bloomington, Baxter in Brooklyn Park, WFSI in Sauk Rapids, and 3M in Maplewood, all located or expanded their businesses and created jobs all over Minnesota, partly as a result of their financial partnerships with the state and local governments.

There will be many more, if we are smart enough to continue making those investments. But there won’t be as many, if we are not.

To illustrate, let's go to Luverne and Worthington, right next to the South Dakota and Iowa borders.

Both cities report opportunities to expand existing businesses and attract new ones. However, they desperately need more water. Without it, business growth is being stifled, new jobs are being lost, and residents are being forced to buy bottled water. Meanwhile, the solution to their water problems, the Lewis & Clark pipeline, is stalled at the Minnesota-South Dakota border, due to lack of public investment.

The federal government has essentially bailed on the project, despite the strenuous efforts of our Minnesota Congressional Delegation. The \$71 million needed to complete the pipeline's Minnesota leg must come mostly from us, or that region's growth in population, businesses, and jobs will suffer.

The harsh reality is that there is probably not enough room in an \$850 million bonding bill to fund the pipeline's construction all the way through Luverne, into Worthington, and on to the Iowa border. However, there could well be enough room in a larger bonding bill to complete the Minnesota segment and turn the water on in Luverne and Worthington. Otherwise, they will have to wait at least until the next bonding bill, one or two years from now.

Why am I for a \$1.2 Billion bonding bill? Because I'm for jobs. Our building this pipeline means jobs now and more jobs in the future. It means this region of our state will have the opportunity to grow and to prosper. Isn't that a purpose we can all support? I hope so.

There are other cities throughout Minnesota, which need the state's financial support to complete key projects that will bring them new businesses, new jobs, new people, and new economic growth. Those job-creating projects will either be funded in this year's bonding bill, or they will lose out again. That decision is yours in the legislature.

EDUCATION

Improving education is closely connected with good jobs and economic growth. It is also closely connected with our citizens' health and well-being. I am very pleased to report that we have made significant new investments in education, all the way from early childhood through post-secondary, and improved results are beginning to show.

We started in 2011, when, despite facing a projected \$6 Billion deficit, we increased K-12 education funding by \$223 million, reversing a decade of declining state support for our public schools.

The 2011 legislature also passed an Alternative Pathway for Teacher Licensure and a "Read Well by Third Grade" literacy initiative. It enacted comprehensive teacher and principal evaluations. Principal evaluations began last fall, and teacher evaluations will start state-wide this September.

Last year, the 2013 legislature made \$485 million of new investments in education. It increased the per-pupil aid formula as well as support for Special Education.

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State funding for early childhood education scholarships was increased to \$46 million last year, and the Senate wants to raise that amount this year. Early childhood education is real education reform.

The legislature also passed one of my consistent priorities; and state-funded, all-day kindergarten will begin this fall. Studies show that both early childhood and all-day kindergarten can make crucial differences in boosting students' performances and closing achievement gaps. So do nutritious hot school lunches. No child should be shamed because parents can't afford lunch. Hopefully, that funding will soon be enacted.

And, very significantly, during the past two-and-a-half years, we have repaid ALL of the \$2.8 Billion previously borrowed from our schools. Now, school districts can put their money into classrooms, not bank loans. Let us vow that no more will we balance state budgets by creating deficits in school budgets.

Just weeks ago, the legislature passed strong anti-bullying legislation. That is also important education reform. Children don't learn at school, if they are scared. Or made to feel bad about themselves.

Once, Minnesota students competed successfully not only with students around the country, but also with kids around the world. We are on our way to doing that again.

Testing by the Trends in International Math and Science Study ranks Minnesota #9 among world educational systems in Science and 6th in Mathematics.

Back home, in the most recent National Assessment of Educational Progress testing, Minnesota's 4th graders tested #1 in the nation in math. They ranked 10th best in reading, which was a big improvement from 22nd the year before. Very important was that the state's reading gap for African-American and Latino 4th graders closed by 10 points from 2009 to 2013.

Our 8th graders ranked 11th best in the nation in reading and 5th best in math.

We have had the highest ACT scores among seniors for 8 years running, and our graduation rate, nearly 80%, is the highest in a decade.

Regarding higher education, we have started to make progress, but we have quite a ways to go. In fiscal 2012, state support for higher education, in real, after-inflation dollars, fell to its lowest level since 1981. Last year's legislature began to reverse that trend, and increased state funding for higher education by a record \$248.5 million.

One result from that declining state funding had been the increased reliance on tuition revenues to fund our public colleges and universities. According to the College Board, in this school year

Minnesota has the 4th highest in-state tuition and fees for two-year public colleges and the 12th highest for four-year colleges and universities. Last year's legislature wisely imposed two-year freezes on tuitions at the University of Minnesota and the MnSCU colleges and universities.

In addition, the State Grant Program was expanded. As a result, over Minnesota 100,000 students have received increased state financial aid this year.

TRANSPORTATION

Improved transportation is also essential to support economic growth and a Better Minnesota. Unfortunately, Minnesota's highways, roads, bridges, and public transit systems have been underfunded for the past quarter-century. Federal funds, state gas tax revenues, license fees, and the other traditional sources of transportation funding have not kept pace with escalating project costs.

Every day, Minnesotans everywhere suffer the consequences of that serious underfunding. Congested freeways. Unsafe two-lane highways. Deteriorating roads and bridges. Inadequate public transit systems. Inadequate transportation systems stifle economic growth and cost jobs.

The future of transportation in Minnesota and the funding for it have to be among the 2015 legislative session's top priorities. Whatever is decided -- whether to do nothing, a little, or a lot -- will have an enormous impact on the lives of all Minnesotans -- for decades.

Some say that MnDOT should be looking to save money by becoming more efficient. Well, they have. \$50 million in construction savings have been identified that can now be used to advance other important projects, such as a much-needed third lane on Highway 494 in Plymouth.

MnDOT officials have also outlined one possible combination of funds, which could nearly raise the \$6 Billion of additional revenues needed over the next ten years to maintain, expand, and improve our state's transportation systems. Obviously, it would be very expensive. It would, however, cost less than doing nothing.

HEALTH & ENVIRONMENT

A better Minnesota also means a healthier Minnesota. We can take satisfaction in our national ranking as the third healthiest state. And the Commonwealth Fund has just announced that Minnesota ranks as the best state in the country for health system performance, which includes health care access, quality, costs, and outcomes.

I am especially proud that we've expanded access to affordable, high-quality health care, while at the same time reducing state health care costs. The Department of Human Services has saved taxpayers over \$1 Billion through more competitive contracts for our state health care programs.

Among the states, we have the fifth lowest percentage of citizens without health insurance coverage. 8 percent of our residents are uninsured, compared to the national average of 14.8

percent. And our state's entire health care network deserves credit for enabling MNsure to offer the lowest insurance rates of any Health Exchange.

These low rates have helped MNsure enroll over 206,000 Minnesotans in affordable health coverage — many for the first time. MNsure didn't start well, but it's gotten better, and it will keep on improving.

It's also important to remember that the federal Affordable Care Act provides all Minnesotans with some very important protections, whether they obtain their insurance through MNsure or not. No one can be denied coverage, because of pre-existing conditions. There can be no lifetime limit on a person's health care needs. Young adults are covered under their parents' health insurance plans until the age of 26. Certain screenings for cancer and other preventative procedures are free.

Here in Minnesota, we greatly enhanced the well-being of many of our citizens by passing into law last year's Marriage Equality legislation.

However, there is always more that we can do. Better school physical education programs will encourage children and youths to enjoy physical exercise and appreciate its benefits. The Statewide Health Improvement Program (SHIP) helps people of all ages to become healthy and to stay healthy.

Under SHIP, the Cities of Frazee and Fergus Falls have adopted "Complete Streets" policies, making it easier for residents to incorporate physical activity into their daily routines.

In Fairmont, SHIP has helped community leaders create Safe Routes to Schools. They have installed wider crosswalks, additional safety guards, pedestrian and bike safety education, and a "Walking Tuesday" program at four elementary schools.

Farm to school/ Healthier food programs have taken off under SHIP. In just four years, 29 percent of Minnesota's schools have implemented Farm to School strategies, providing access to locally grown fresh fruits and vegetables to more than 272,000 students.

In Kelliher, for example, SHIP has brought healthier food to the public schools with more fresh fruits and vegetables and more local foods. Kelliher's Superintendent reports that for the first time in 20 years, the school's hot breakfast and lunch budgets are in the black. Last year, at this time, they were between \$30,000 and \$40,000 in the red.

Healthier habits, lower costs and supporting local economies. That's what SHIP is about.

We also need to support caregivers who are taking care of aging parents. My proposed State Income Tax Credit for Child Care costs would apply equally to the costs of care for dependent, disabled, or elderly family members. I urge that this tax credit be included in the second tax bill.

TRANSFORMATION OF GOVERNMENT SERVICE

We must also work continuously to improve government services and provide Minnesotans with the quality and the efficiency they deserve. We have made real progress, and we have much more to do.

We've reduced environmental permitting times, as well as the time it takes the Department of Labor and Industry to license plumbers, electricians and other professionals. And DVS's car registration turnarounds have been slashed from 90 to 19 days.

The Department of Veterans Affairs completely reworked their website, allowing the 490,000 people who visit it each year to more easily access information about veterans' benefits and services. The Department of Natural Resources created a one-stop shop for all State Park camping reservations and license purchases. What used to take campers 11 clicks from the DNR home page to reserve a campsite online. Now it takes only two clicks.

Last year, I recommended that this year's legislative session be the "Unsession." The response has been tremendous! Thousands of Minnesota citizens offered ideas to improve state government at the State Fair, on-line, and in-person.

We also received terrific ideas and suggestions from hundreds of State employees. I thank them for their interest and participation. No one knows better how to improve government services than the people who work provide them. I also thank legislators, who added their own initiatives and who have taken valuable time during this short session to give consideration to the 1000 proposals submitted by my administration.

They all have one goal: to create a Better Government for a Better Minnesota. I have already signed 121 provisions into law. They include the first middle-class tax cut bill, which simplifies the preparation of federal and state taxes, saving one and one-half million Minnesota taxpayers time and money.

This work may not grab news headlines, but it is very important. It is what citizens should rightfully expect from their government. It is what I expect.

I ask the legislature tonight to continue this work and pass the remaining Unsession bills.

While we have made great progress toward a Better Minnesota, it should also serve as a reminder of the work left to do. The middle class is still struggling in our state and all over our country. There is still too much poverty and inequality. There is too much uncertainty and anxiety about the future. Of the 145,000 Minnesotans, who are unemployed, over one-fourth have been without jobs for more than 27 weeks. Nationally, that number is more than a third.

We need more jobs that pay enough to raise families; jobs that have good benefits; that offer retirement security; and keep pace with the cost of living. Too many Minnesotans have to work two or three jobs to try to make ends meet.

We took a very important step two weeks ago, when the legislature increased the state's minimum wage and indexed it to inflation. When fully in effect, 325,000 Minnesotans will earn almost \$500 million more every year.

At \$8.00 per hour effective this August, a worker's earnings will still be one-third below the federal poverty level for a family of four. At \$9.50 per hour in two more years, earnings will remain one-fifth below the poverty level.

Nevertheless, those increases will be enormously important to them and their families. They will use that money to give their children better lives. They will use it to buy necessities, and much will be spent quickly and locally. A higher minimum wage leads to more economic growth by rewarding hard work and improving workers' productivity.

In a couple weeks, I will be speaking for the fourth year at the Minnesota Prayer Breakfast. This year, the theme is "Unity." I am going to say that, unfortunately, where I work, unity in an election year is an oxymoron.

But the truth is . . . we're all in the same boat together. We're all in the same rough seas. We can affect much of what occurs here in Minnesota and improve our state. However, we are part of a very big world.

One which is ever more inter-connected and moving very fast.

Today, the U.S. economy comprises 22% of the entire world economy. In 1960, however, the U.S. share was almost 39%.

Other countries' standings in the global economy have also changed. In the last quarter century, Japan's share of the world's GDP has dropped to half of what it was. China's has increased seven times. Germany's share fell by almost half, while Brazil's more than doubled.

What does this mean? That the world economy is very dynamic, with big winners and losers over time. The U.S. economy is still dominant, but other countries are catching up to us. And they don't want to join us; they want to beat us.

The recent serious recession and slow recovery from it evidence a profound economic change. We used to make here most of what we bought here. And we made it better here than anywhere else in the world. That was our overwhelming competitive advantage, which drove our economic dominance and steadily raised the living standards of our growing middle-class.

In past years, it has shifted. The rest of the world now makes much of what we buy here. However, they cannot yet afford to buy enough of the goods and services we produce here, to replace the jobs that we have lost. And we have not created enough new ideas to launch enough new businesses to provide enough new jobs for everyone who wants and needs one.

This intensified global competition will dominate the rest of our lives, our children's and our

grandchildren's lives. How we respond will determine the quality of the lives we all live.

Here in Minnesota, we are better prepared than succeed in this new global economy – because of the ingenuity and productivity found everywhere in our state. From our farmers, who have made Minnesota the 4th largest agriculture exporting state in the nation, to our Iron Range mining companies, who have merged new technology with tried and true methods.

Farmers, steel workers, loggers, plant workers, construction crews, teachers, nurses, truck drivers, corporate executives, and public employees. They are living proof that we have always earned our success. By working harder. By managing better. By innovating smarter. By producing more efficiently. Per capita, we have the highest number of Fortune 500 companies headquartered here. 3M. General Mills. Target. United Health Group. They didn't move here. They started here.

Cargill. Marvin. Andersen. Carlson. Digi-Key. Toro. Schwan's. Polaris. Arctic Cat. Magnetation. Medtronic. Mayo. They, and too many others to mention, began with an entrepreneur with an idea. Which became a product or service. Which other industrious people built into other products and services. Which succeeded, because they were designed well, produced well, and serviced well, by well-educated, talented, and hard-working Minnesotans. Working together, they have produced success after success after success. And they have built a state, which reflects their values and virtues.

That was the key to our past success. It will also be the key to our future success. What we have to do for a better future is what we did for a better past. We have to invest. We have to invest in our people. We have to invest in economic growth. We have to invest in a Better Minnesota.

INVEST IN BETTER EDUCATION

We have to invest in better education. Education that teaches people what they will need to succeed in the world of the future, not the world of the past. We need to invest in their new ideas, in their new ways to solve problems. We need to invest in their better health. We need to invest in a cleaner environment to keep them healthier for longer. And we need to invest in the infrastructure they need to live productive lives: efficient transportation, reliable sewer and water systems, and high-speed world-communications.

We have begun that process by recognizing the critical importance of our investments in education, and reversing their decline. Increasing our commitment to early childhood education will be one key to closing the achievement gap and enabling all of our children to become successful adults. Let us all commit that by 2018, all three and four year olds in Minnesota will have access to quality, affordable early childhood education.

Then, from the beginning of their elementary school educations, we must teach our children how to think creatively. To learn how to learn. To learn to love to learn. Creative people develop new ideas, which start new enterprises, which provide new jobs. Creative people figure out how to do their work more efficiently and productively.

The excessive amounts of time and rote learning required by today's excessive school testing are counter-productive. They stifle teachers' abilities to not only impart information, but also to show kids how to use it. How to apply their knowledge to solve new problems in new areas. And to enjoy doing so.

This approach does not require abandoning testing, as a measure of each student's progress. It does require more efficient, more effective testing. A growing number of elementary schools in Minnesota are applying "one-minute, read-out-loud" tests, which can determine reading levels in just that one minute. Such tests can be repeated throughout the school year, as often as necessary, to measure students' progress and adjust learning strategies accordingly.

Compare that approach to the high-stakes, anxiety-provoking testing, which is now imposed on children in third grade – or even younger. Many children come to school terrified on test days; then go home demoralized. What purpose does it serve to send a third-grader home believing she has failed life, because she may have performed poorly on a test?

Last year, I'm very sorry to say, our state went backwards. More tests were mandated in the upper grade levels. I'm told some tests are required by state statute. Others are necessary to satisfy federal requirements. Still others are added by local school districts. They may make sense individually; but added all together, they do not.

I am asking our Department of Education to prepare for the 2015 legislative session an analysis all of the tests now required at each grade level. And to recommend which ones could be streamlined, combined, or eliminated. I urge next year's legislators to work with state and national experts to reduce the amount of school testing and allow dedicated teachers to spend their time teaching students what they will need for their future success.

Minnesota offers one of the fewest school days per school year in the country. The amount of time students spend in classrooms each day has also declined. Next year's legislature needs to re-evaluate those practices. The rigors of the school day and the school year are important ways to prepare young people for the far more competitive world they will enter.

We also need to consider what environments we offer young people, when they're not in school. It pains me to drive by a school in the early afternoon and see it closed, with its playground locked up. I always wonder, "Where are the kids, who are locked out of their schools? Where do they go, when they have nowhere to go?"

We need our schools to open earlier to offer their students nutritious breakfasts, and we need them to stay open later to provide safety, mentoring, tutoring, exercise, and new learning opportunities. These additional responsibilities would not be placed upon schools' regular teachers. Instead, a new group of adults would take over after regular hours.

Minnesota has the third highest labor force participation rate in the country: over 70 %. Too many of their sons and daughters have too little to do after school and no one watching them do it. Afternoon and evening programs at schools and recreational centers should be community

responsibilities. Ask local businesses to help pay for them. Ask major corporations to sponsor them. Ask adults to volunteer one day a week or a month to run them. Get everyone involved in the lives of our children.

Starting in Junior High School, our education system needs to make students aware of the real world opportunities and pitfalls in the world they will be entering. First and foremost, they need to hear again and again and again that continuing their educations will be absolutely essential to achieving the lives they want. Our schools need more guidance counselors, who are specially trained in career guidance, to help junior high and high school students better understand what their opportunities are and how to prepare for them.

Then we must better align our high school and college curricula with the world of the future, not the world of the past. This means we have to provide leading-edge instruction; in world-class schools, colleges, and universities; with state-of-the-art equipment and technology — all aligned with the good jobs that will be available for their graduates.

The need for this alignment is well-understood by our state's secondary and post-secondary education leaders. However, they need the resources to carry it out.

The State's current bonding levels do not adequately support the improvements that both MnSCU and the U of M must make in their existing physical plants, in new buildings, and in state-of-the-art equipment and technologies -- to continue to attract the best students and give them the best possible educations.

Higher education is by no means alone in suffering from inadequate capital investments. We need to find new revenues to finance.

I have given special emphasis to education, both because I believe it holds the key to our continued growth. I am convinced that whoever retools their education systems to align most effectively with the world their students will live in, and gives them the tools they will need to succeed in it, will prosper. Whoever doesn't, will lag behind.

INVEST IN JOBS

We also need to increase our investments in new jobs and better jobs throughout our state. Last year, the legislature made major new investments in the Department of Employment & Economic Development's job creating programs. I thank Speaker Thissen and Majority Leader Bakk for their excellent leadership, and I thank all the legislators of both parties who supported those new incentives.

They are already putting more Minnesotans to work. Since last July, the Minnesota Investment Fund has provided companies with low-interest loans totaling \$8.4 million, which have leveraged \$235 million in private investment.

In January, the new Minnesota Job Creation Fund was launched. It provides pay-for-performance incentives for businesses to locate or expand here. In its first four months, the program has

invested \$5 million in 10 different business expansion projects (five in Greater Minnesota and five in the Metro area). It has leveraged \$87 million of new, private investments, which have created 550 new jobs.

For this session, I proposed an expansion of our Angel Tax Credit program, our State's primary tool to attract private investments into promising business start-ups and growth. They have the potential to become Minnesota's next Fortune 500 companies. Whether they become large or remain small, their success will drive Minnesota's future economic growth.

As I will say at the Prayer Breakfast, Unity may be beyond our reach at the Capitol this year. I don't want to rule it out entirely, with second tax cut, supplemental budget, and bonding bills still ahead. We might surprise ourselves.

But while we may not find a Unity of Means, I believe we do share a Unity of Purpose. We all love this state. We all want to see it prosper. We want our International communities – there are now over 100 languages and dialects spoken in Minnesota – to retain their special identities; yet, also live together harmoniously and work together productively.

We want Minnesota to be the Best. To be the very best it can possibly be. Because we live here. Many of our children and grandchildren will live here. We want them to achieve the very best they can for themselves and for their families.

In his epic saga *Giants in the Earth*, O. E. Rolvaag wrote, "By attempting the impossible, they accomplished the unbelievable."

Unity of purpose might seem impossible. But if we try, it might just show up, when we really need it.