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GOVERNOR RUDY PERPICH

The State Of The State

**A Message To The
73rd Session Of The
Minnesota State Legislature
And The Citizens Of Minnesota**

January 5, 1983

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1983 STATE OF THE STATE ADDRESS

STATE OF MINNESOTA

GOVERNOR RUDY PERPICH

Mr. Speaker, Mr. President, Mr. Chief Justice, Associate Justices, Members of the 73rd State Legislature, Constitutional Officers, Governors, distinguished friends and fellow Minnesotans:

Let me first say a word of thanks to Governor Quie and his administration for their excellent cooperation during our transition period. The Governor and his staff did everything possible to help us in this hectic period between election and inauguration. Thank you very much, Governor.

I want to welcome Senator Dave Durenberger to these Chambers. He has worked in the office of a past governor and is well aware that our economic recovery will depend on federal -- as well as state -- actions. We look forward to working with him in establishing a strong state and federal partnership.

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As the 36th governor of Minnesota, I am today performing my constitutional duty by bringing you a report on the "State of the State."

The state of our state is not good.

But we are not here to dwell on problems. Rather, we are here to outline the steps that are needed to find solutions.

I have no slogans for this speech -- no new deal, fair deal or square deal.

But for those who want a capsule comment on where we are headed, let me suggest that the central goal of our administration will be economic recovery, and the basic method for achieving that goal will be a partnership between government and the people it serves.

I believe that creation of jobs and expansion of employment rests on these broad principles --

- We must nurture the startup and growth of small business as the key to the economic and social revitalization of Minnesota.
- The economic health of our farm economy is vital.
- We already have the human, financial, technological and natural resources to achieve this revitalization, but these resources are not being utilized to their utmost.
- The only practical way of tapping these resources is a genuine and broad-based public-private partnership that includes business, government, education, labor, agriculture, churches and all other segments of influence in our society. All of us must head in the same direction.
- We need more than a quick-fix. We need improved productivity in the workplace. We need quality in education, particularly in languages, math, science and computers.
- We need a long-range plan to visualize where Minnesota is headed 5, 10 and 20 years down the road.

Ladies and gentlemen of the Legislature, that is where we will begin today.

* * *

Let me talk first about the role of partnership in the process of economic recovery. The economic recovery of Minnesota requires a concerted and cooperative effort. It is the duty of this administration

to propose new solutions to the Legislature. It is the duty of the Legislature to review those ideas, alter or replace them if appropriate, and to enact them into law. It is our duty together to implement these new ideas.

What I am saying is remindful of another inaugural message -- by Governor Harold Stassen in 1939, when Minnesota was beginning to slowly edge out of the Great Depression. He spoke of cooperation and mutual respect. The words he used then are just as useful now. I quote Governor Stassen:

"It will be my policy in this message, and throughout this session of the Legislature, to respect your prerogative, to recognize the division of powers between the branches of government under the Constitution, and to ask you, frankly, for your help in reaching the objectives of our administration, and in fulfilling the desires of the people."

I intend to keep my list of proposals to you relatively short. I want you to know in advance that we will be concentrating on four key areas: Economic development, energy, agriculture and assistance to the needy.

I urgently request from you a genuine, open debate on these and other public policy issues. Take my proposals and air them fully. Hone them and perfect them. But let all the people of Minnesota see them debated and acted upon.

* * *

We should also look to others in addition to ourselves for new ideas.

I have been very pleased with the organizations and individuals who have submitted recommendations on ways to initiate our economic recovery. Business groups, organized labor, nonprofit organizations and

higher education have all set forth useful ideas for state initiatives. I urge you to consider them carefully.

I want to call your attention to the work of an individual seated here today. Last year Representative John Brandl published his proposal on "A Fiscal Agenda for Minnesota." He argued for substantial reform in the manner by which public services are delivered and the method used to finance them.*

In his words, "The way out of our fiscal swamp is not a mere compromise between spending and taxing, but a bold revamping of the ways we spend and tax."

Representative Brandl's main points are:

1. We must protect those who are needy with basic education, basic income and basic medical care.
2. We should provide money rather than services to the needy. Government itself need not produce services if people have money to procure them elsewhere.
3. Institutionalized people should be returned to a normal environment whenever and wherever possible.
4. We should foster self-help rather than dependence on government.
5. We can charge people for public service. If citizens have the money to pay, then charging the cost of a service is an inducement to provide those services economically, and to provide only those services for which people are willing to pay.
6. Service providers, including those in government, should be held accountable.

*For a full discussion of Representative Brandl's "Fiscal Agenda for Minnesota," see the June 1982 issue of Corporate Report.

Each of us could argue the merits of these ideas. But the point is, they are bold new directions. I am convinced that only bold new directions can solve our fiscal crisis, and I urge the Legislature to consider Representative Brandl's proposals as a starting point for this year's deliberations.

* * *

I have initiated the following steps to provide additional ideas on how best to work toward recovery:

First, within a few days we will be inviting all the former governors of Minnesota to a meeting at the Governor's residence. Each of these individuals is a special person, elected by Minnesotans to meet the particular needs of a particular time. Each has insights on what needs to be done and what can be done.

Second, I plan to establish a regular schedule of breakfast meetings with leaders of agriculture, business, education and labor. Together with government and the people of Minnesota, they will make our new partnership.

Third, last week I announced the appointment of Blue-Ribbon Economic Recovery Commissions in ten key growth sectors of the Minnesota economy. These groups will advise our administration on high technology, medical technology, tourism, agri-processing, wood products, minerals, film and graphic arts, international trade, banking and investment, and construction. I have asked these groups to bring me a fast track report by February 15 on how government can assist these key industries to grow and prosper.

Another special commission will make recommendations on what to do about our state planning functions. More than ever we need the capability to envision the Minnesota of the future.

Fourth, I have asked my staff and the commissioner of Finance to initiate a thorough review of the state budget. The recent special session of the Legislature forced us to delay our final budget planning by about three weeks, and I have asked your permission to submit my budget message on February 15.

* * *

Government will play a key role in the economic recovery partnership. Over the last three years we have asked state agencies, schools, and local government to absorb a substantial amount of budget cuts.

I would like to be able to tell you that the cutting is over, but I cannot. However, any additional reductions we make must be extremely selective.

We must try to consolidate governmental offices, agencies and institutions. We must also seek new options for providing public services.

State government reorganization is one way to make the delivery of services more efficient and cost-effective. Right now more than 30 agency heads report directly to me. Any good management plan would cut that number by one-half.

To start with, we are recommending a reorganization of the Commerce Department and a transfer of the Consumer Services function to the Office of the Attorney General. In addition, we are considering various options for the departments of Health, Public Welfare and Energy,

Planning and Development. I am also committed to substantially reducing the number of direct gubernatorial appointments to boards and commissions.

I respectfully request that constitutional offices and the Judicial and Legislative branches undergo the same self-evaluation now underway in the Executive Branch. With respect to the Legislature, I urge you to consider whether 201 individuals are necessary to represent the people of Minnesota. I suggest you consider reducing the size of the Legislature, with the reduction to become effective after the 1990 census.

* * *

This process of self-evaluation cannot be limited to state government. Schools, cities, counties and towns must accelerate their efforts to streamline their operations.

In my Inaugural Address on Monday, I said I was deeply concerned that past budget cuts in education have fallen far too hard on classroom teachers and not hard enough on the administration of schools. I am concerned that the teaching of languages, math and science is slipping. Minnesota students must be in the forefront of computer knowledge both for their own benefit and for the benefit of Minnesota-based industries, which will need them as workers.

The lack of computer education will intensify the divisions between the haves and have-nots in our society. We cannot allow this to happen.

I intend to speak out repeatedly on the subject of education and repeat my warning that we cannot retreat to a narrow teaching of the three Rs in an age of computers and lasers. We cannot afford to send our students into a high tech society with a low tech education.

* * *

How we raise money to finance government also will affect our recovery. It is time to initiate a major reexamination of how we finance the operation of government. As you know so well, for the past three years we have cut budgets and raised taxes repeatedly, and we have been forced into the use of shifts. That must stop.

As Governor, I never used or threatened vetoes. My philosophy is to have an early warning system, letting legislative sponsors know that changes in certain bills would be urged. That system has worked well, and I believe I have a good working relationship with the Legislature.

But let me say here that I will use the veto, if necessary, to avoid further dependence on shifts as a way of balancing the state budget.

* * *

Let me say a few words about my philosophy on revenue raising. I will save the details for my February 15 Budget Message, but I want you to know that I will be seeking tax reforms leading to a system that is stable, equitable, and simple.

To help us assure a stable system, we must appropriate a reasonable budget reserve. We will be using conservative estimates in our budget projections. But even so, we must have a budget cushion large enough to protect against unanticipated economic downturns. I will include a specific proposal for a reserve in my Budget Message.

Over two-thirds of what now is called "state spending" does not go for what usually is thought to be "state government." Seventy cents of every dollar spent by the state is returned to schools, local governments or directly to individuals in the form of "transfer payments." It is money collected by the state but channeled directly back to citizens and their cities, counties, towns and schools.

In recent years we have run into trouble because we have promised more in these transfer payments than we have been able to deliver. Local governments have justifiably complained; their budget planning has suffered as a result.

In February I will be proposing to you a system whereby schools and local governments will be asked to share the risk of state revenue collections. If the state revenues fall below our conservative projections, then the governmental recipients of these aid payments should be expected to bear a proportionate reduction in payments.

Without this flexible aid formula for schools and local government, and without a budget reserve, the only alternative is a series of special legislative sessions. No one benefits from special sessions; I am committed to avoiding them.

* * *

As you know, our credit rating has suffered as we have turned increasingly to short-term borrowing because of cash flow problems. Clearly, that must end. We must join in taking all necessary steps to restore our credit rating to Triple-A and MIG-1.

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Let me sum up my thoughts on fiscal matters. We must do more than merely cut budgets or raise taxes. We must reexamine both the size and nature of government expenditures. All levels of government must participate in this process, and all levels must share in the risk of economic down cycles. The state can no longer be looked to as the guarantor of aid levels to schools and cities.

* * *

Reducing the cost of government, and making government more efficient, will help our economic recovery. But government can also play a positive role; it can be the source of new initiatives and a prime mover in our new partnership.

An example of an opportunity for a positive role for government is reducing the cost of workers' compensation insurance. I am asking you to deal with this issue - and to solve it - in the 1983 session. To help in this effort, we can refer to various studies recently completed.

I am convinced that we can reduce the cost of workers' compensation insurance to the employers of the state without impairing benefits for injured workers. By making the system more efficient and more equitable, and building in the proper incentives for both workers and employers, we can remove this barrier to economic recovery.

* * *

I will soon be sending you a number of additional new initiatives designed to help put Minnesotans back to work and to get our economy moving again. I call my philosophy for these new initiatives "investment budgeting." By that I mean we must concentrate our limited resources in

those sectors of the economy where state assistance can do the most good and where one dollar of state investment will yield many dollars in increased economic activity.

Tourism is an excellent example. I have made a commitment to increase our tourism budget to \$6.2 million, about four times its present size. If past patterns hold true, that amount will produce over \$100 million in new revenues for Minnesota businesses and workers.

I have asked Marlene Johnson, our new Lieutenant Governor, to spearhead this tourism initiative. I cannot tell you how proud I am to have Marlene - the first woman Lieutenant Governor in the history of Minnesota - as a partner on our team.

We have other investment opportunities in the state, and I will give you more ideas on those in several weeks.

To fund these investments, we could use direct appropriations, sale of bonds, prudent use of invested funds; we could provide direct loans to businesses, loan guarantees, equity investments or participate in regional venture capital programs.

We'll be looking at dollar-stretching ideas -- leveraging state money to the maximum. We will look for prudent investments in ways that create opportunity and stimulate other investments. On January 24, I will deliver, to you, the investment budget with detailed recommendations.

* * *

We will not experience a full economic recovery until the depression on our farms has ended. Agriculture and related businesses are the backbone of the Minnesota economy. The current tragedy on our farms affects all of us, rural and city residents alike.

We have taken steps to resolve this problem, and I ask your help in searching for others.

To date, we have appointed a special trade representative for agriculture, we issued an Executive Order on the use of gasohol in state-owned vehicles, we have begun research on the full extent of farm mortgage foreclosures, and we are working with governors in eight nearby states on a minimum pricing bill.

* * *

Our economic recovery is also dependent on our ability to increase energy conservation programs and to develop alternative energy sources. Our climate and our lack of traditional fossil fuels pose a significant barrier to economic growth.

We must do more to weatherize our public buildings, residences and businesses. We must develop sources of alternative energy like peat, biomass, hydro, solar and wood residues. And we must provide incentives for the expansion of district heating systems.

Because energy is so important to our economic recovery, I will be delivering a separate message to the Legislature on that topic within several weeks.

* * *

Let me discuss our most pressing and most immediate need -- providing food, shelter and clothing for those Minnesotans who are out of work, and who have no other sources of support.

For too many Minnesotans, these are truly desperate times. While we speak of economic recovery in the future, they cry out for food and shelter now. Our churches, foundations, businesses, labor unions and individuals are struggling to meet the needs, but more must be done.

As Governor, I am in a unique position to bring together all of our state's major institutions to concentrate on this problem. Already I have instructed our state agencies to evaluate possible initiatives. We are looking into the possibility of using National Guard armories and other state facilities as possible shelters for the homeless this winter.

Even with our best efforts, government needs help to solve this pervasive problem. I am pleased at recent initiatives by the private sector. Within the past week, the McKnight Foundation, in partnership with the cities of Minneapolis and St. Paul, announced a major grant program that will put over 600 Minnesotans to work in the private sector. I extend my deep appreciation to the Foundation and to the mayors of the cities who worked so hard to put that program together.

We Minnesotans who have a job, or some source of income, must do our part to help alleviate the suffering of others. Various communities in the state have begun volunteer programs to help meet the food, clothing and shelter needs of the unemployed. We can learn from these examples.

I am asking every mayor and county commissioner to consider how their community can institute a volunteer program and to work with us in state government and the private sector.

To those of you without jobs, this is my message: I know of your problems; I have been through similar experiences before. Do not give up hope.

I am making a personal and heartfelt commitment to do what I can to help.

* * *

Two years ago the Legislature limited eligibility for persons on general assistance. Able-bodied persons with marketable skills were denied benefits. At the time this was done, the economy was not in the condition we find it today.

Those who are able and willing to work are having extreme difficulty in finding a job. The Potlach Corporation had 130 job openings for a new wood products plant opening March 1st in Cook, Minnesota. They have been accepting applications for two weeks and already had over 8,000 inquiries.

We cannot continue to penalize those persons who are suffering as a result of bad economic conditions. Eligibility for general assistance must be expanded or we must find other ways to help those who have no other sources of assistance available to them.

In the coming weeks I want to harness the compassion, the energy and the ideas of all Minnesotans into the greatest self-help operation this state has ever seen. We are a strong people, and we are a caring people. And we are one people. Together we can get over this recession and plant the seeds for a strong economic future.

* * *

Much of what I have talked about today has emphasized the need for a partnership between the public and private sectors in Minnesota. I want to stress that point one more time. Churches and nonprofit organizations alone cannot feed the hungry or house the homeless. Business and labor alone cannot turn the economy around. Government alone cannot

restore our crumbling infrastructure. It takes a concerted effort - an effort based on mutual trust and a willingness to compromise.

* * *

Let me sum up the eight major points I want to leave with you today.

1. The goal of our administration will be the economic recovery of Minnesota, and to achieve this goal we will rely on a strong partnership between government and the people it serves.
2. We must continue to reduce the cost of government by reevaluating how and why government taxes us and what it does with those tax revenues; we must look to government reorganization and consolidation as another way to reduce cost.
3. We must reform our tax system to make it more stable, more equitable and more simple.
4. We must better manage our state's finances: I will veto any further shifts, we will insist on a reasonable budget reserve, we will use conservative budget estimates, and we will reduce, to the extent possible, our reliance on short-term borrowing.
5. We will reevaluate the fiscal relationships between the state and our schools and local governments; the state can no longer be the guarantor of local finances.
6. We must maintain a forward-looking education system; we cannot afford to send our students into a high tech society with a low tech education.

7. We will do everything possible to create favorable opportunities for business growth in the state; we will recommend "investment budgeting" and we will strive hard for the passage of workers' compensation insurance reform.
8. And finally, we must not forget our duty to those Minnesotans who are out of work and without any sources of support.

I will close with these thoughts - we face a real crisis in the life of our state, because of the number of people out of work, and the problems of state revenues. Yet, I harbor the strong belief that in adversity people can be at their best.

This becomes clear when blizzards strike, like the one of last week. People did not despair, they pitched in and helped each other, and there was a bond that normally does not exist when times are good.

I hope that can happen, for however many months or years it takes, to pull us out of the economic "blizzard" we are now experiencing.

We have seen this cooperative spirit before. It has been evident in bad times, and we recovered.

Columnist Walter Lippman once put it this way: "You took the good things for granted. Now you must earn them again. It is written: 'For every right that you cherish, you have a duty which you must fulfill. For every hope that you entertain, you have a task you must perform. For every good that you wish could happen... You will have to sacrifice your comfort and ease. There is nothing for nothing any longer.'"

We have a lot to do. I need your help. Now let's get going!

Thank you.

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