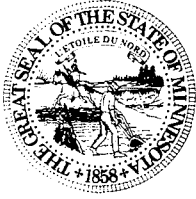


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The Future of Rural Minnesota

Remarks by Governor Arne H. Carlson
The Minnesota Press Club's
Agriculture Day
13 March 1991

The State of Minnesota is in the midst of a major financial crisis. If there's anything that bothers me it is that as a state we've lost sight of this problem, and we're pretending that we can go on with business as usual.

I got a call the night before the budget was put out asking 'Arne, what kind of a salary increase supplement are you going to put into the budget?' There was still no understanding whatsoever that we are approximately \$2 billion short of expected revenue.

Now there are many ways you can look at a financial crisis. One, you can look at it and curse it, complain about it, pick on anybody who holds up any positive solutions and then pray a lot that maybe there will be a solution forthcoming.

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Or you can say 'Wait a minute, if you look back at history, crises become transitions. Transitions of policy. And you can see it as an opportunity to change.' If we see this transition as an opportunity, I think we're going to do just fine. Because I think it bodes well for our financial future.

Minnesota is a strong state, its economy is vibrant, but it has some problems: We think that Minnesota and Minnesota alone possesses a good quality of life. We think that somehow we cross the border into Iowa, North Dakota, South Dakota, Wisconsin and fall off the face of the planet. Two, we attribute our quality of life to the enormously high cost of government.

Not true. We in government haven't created one lake as far as I can understand, or built one tree. Thirdly, we often take the attitude that there's somehow an invisible hand over us that basically says 'No matter what you do, its going to work out OK.'

The truth of the matter is we live in a different environment than this. All of our institutions, without exception, are going through the pain of making tough decisions. It is that kind of a transition. What are those tough decisions? They basically revolve around how we are going to reorganize our economy and making the kinds of policy decisions that we sincerely believe are in the best long-term interest of this state.

The first one that I have to put on the table is the financial future for this state. If we don't remove \$2 billion from our current spending system, we will have an additional shortfall of \$700 million by 1994 even with a 9 percent growth in our revenue.

We have worked ourselves into a situation where during the 1980's, government spending in Minnesota exceeded the rate of inflation by 57 percent. We were increasing spending 42 percent higher than the growth in our state's economy. And 35 percent higher than the growth in personal income.

Almost anybody could begin to understand that there is going to be a day of reckoning. And that day of reckoning just happened to coincide with my arrival in office.

So we are reorganizing and we are going to quietly start to figure out how we want to restructure, how do we want to reform, and what kind of a society do we want to be in Minnesota. I believe that we want a society that is competitive, a society that's caring, and a society that has its eyes toward the future.

Let me, if I may, focus on those two things. I grew up in Brooklyn. We didn't even know what grass was about. It is called the concrete jungle. We here in Minnesota do have an incredibly high quality of life. We have really the best work force in the United States. We have the second highest longevity of human life. South Dakota thinks it has, but that's only because its such a burdensome life over there; it seems longer. We are right behind Hawaii, by the way. That shows you how close we are to paradise.

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In Minnesota we have a productive society. We do respect, and are very much committed to the work ethic and we sincerely believe that if people work hard, they should benefit. We have all the tools here that we need for success -- providing we're willing to restructure and reform and to think a little differently.

One of the first objectives that my administration has is a rather shocking one. We do not want further growth in metropolitan Minnesota. Let me tell you why we don't want further growth. One, we cannot afford it. The kinds of problems that are developing in metropolitan Minnesota are those that can only be solved with what is frankly not available and not likely to be available.

One is mass transportation or some form of rapid transportation. It was not too many years ago when it would take you approximately 20 minutes to get from one side of town to the other. Today, it is closer to an hour and an incredible hassle. Twenty years ago nobody ever talked about a traffic jam. Now you begin to listen to the radio to find out where you can avert one.

We rip up every road all summer and fall; we look like a bombed out Berlin. And still we cannot drive on the roads in the winter. The truth is, the metro area is getting too big. We have one of the ten worst air quality sites in America in St. Paul on University Avenue. Is this the image that you have of Minnesota? You read a list of the ten most polluted areas in the country and BINGO, up shows St. Paul?

This is not the normal image we conjure up when we think of Minnesota. Our sewer systems are getting old, they need replacing. We are talking all about items that will go into the 100's of millions if not the billions of dollars. We have been talking about the possibility of a new airport site. We have run out of landfills for waste.

You can begin to see all of those problems accumulating. It is simply not good policy to encourage more growth in metropolitan Minnesota. The question becomes, 'How do you foster more growth in the non-metro. Minnesota is truly blessed in that area. We are blessed in the sense that we have a whole tier of cities that are central cities. They are prosperous and successful. Mankato, Rochester, St. Cloud, Duluth, Moorhead. Notice how they span the perimeter of Minnesota.

Then you have a series of secondary cities, ranging from Marshall, Worthington, over to Winona and going all the way up to East Grand Forks. And they are also reasonably strong regional centers. The problem is, we have not figured out how we are going to rethink how we distribute and organize our service delivery system.

We know, for instance, that agriculture accounts for approximately one fourth of all the economic activity in Minnesota. It really is the single largest engine that drives the Minnesota economy. So what is it we want?

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We want to integrate how we deliver services in the field of agriculture. Right now we have a book listing government services to agriculture that is that thick. I doubt that there are four human beings on this planet that know what is in that book. We have spun off too many programs. That is one of the problems with the legislative process... 'Elect me and I will pass a bill.' Before you know it, you've got a hodgepodge. We now have a hodgepodge in agriculture.

What Agriculture Commissioner Elton Redalen is attempting to do is to begin to consolidate those services so they have a focus and they have an understandability. By working with Commissioner Peter Gillette in the Department of Economic Development and with Deputy Commissioner David Leckey...Dave ran the Southwest Fund, the area that organized all the southwest region of Minnesota. We asked him if he would come on board and help us at the Department of Economic Development organize Greater Minnesota economic activity.

What he is doing is working with Commissioner Redalen, on a partnership basis, figuring out how we're going to consolidate our services, and make them more understandable, and how we are going to move our delivery system out of the metro area. So far the Pollution Control Agency is moving its services out, Economic Development is moving its services out, likewise the Department of Agriculture. Now that is going to have a positive impact around the state.

The second thing we are doing is beginning to put together a series of initiatives that revolves around the creation of a Rural Congress. Why? What we want to do is bring the rural communities together and very thoughtfully in a session, begin to figure out what direction do they want to move in. Not a session where everybody cries for something but rather where we start to plan where is it that we want to go: our transportation needs, our environmental needs, our needs relevant to research and development. Can we build partnerships, for instance, between the University of Minnesota, Mankato State, and Winona, etcetera? Or are we always going to have those systems work against each other and work apart from each other? There are ways that we can get them to integrate and cooperate.

But out of that Congress, we want to see some kind of a blueprint. And we want to know, for instance, what kind of regulatory and tax policies are conducive to economic growth. If there is anything that saddens me about the debate on my tax reform package it is how it has been presented as being anti-rural. The greatest oddity is that it is probably the best tax plan rural Minnesota has ever seen or will see.

Because what it does, for the first time that I can remember, is start to attack regional tax discrimination. What it gets to is providing property tax relief to families and not to local governments.

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That is why when you see these tax tables coming, you wonder 'why is my burden so much different then over there, etc. And nobody can figure it out. The reason is that if you live in one tax district and that district has high valued property, everybody in that district is treated as if they're rich.

If you live in another district where the property valuation is low, you are treated as if you are poor. The state's subsidies are then directed to the government, so if you are in, quote 'a poor district we give you lots of subsidy and if you're in the 'rich' district, we give you very little subsidy.

The problem is that in that rich district over there, they have lots of people that are not rich. They have people that are school teachers, that are janitors, that are waitresses, that work on maintenance crews, etc. But they have to pay enormously high taxes to subsidize everybody in the other group. And in this group, not everybody is poor. Matter of fact, some of them are really quite well to do.

So the result is if you live in that group and you make \$100,000 a year, it is possible that your property tax burden will be \$250. But if you are over in that group, and you are making \$20,000 per year, it is possible that your tax burden could be \$800 a year. And your \$800 goes to pay for that person making over \$100,000. Now if you represent [the rich] region, you think that's a wonderful policy. But if you represent [the poor] region, you say 'Hey wait a minute, I'm on the short end of the stick.'

So what we tried to do, and what we'll continue to try to do, is to direct our efforts to make property tax burden relate to income. Tremendously strong, particularly for rural Minnesota, which is not income rich. I would suggest that anyone who is a critic of the system begin to go through the tables and begin to see how we are making some shifts in our policy.

The other thing we are trying to do, that we are going to do to the extent resources are available -- and Elton Redalen will be releasing those initiatives -- relate to the promotion of ethanol; not because it is good for the corn farmers, not because it is a good use of dairy waste, but for a whole variety of reasons.

We have to start moving our system more toward the use of ethanol as a clean, environmentally sound fuel, but one also that is beneficial to the production of a variety of agricultural products. This is a marriage that benefits all concerned. But we also want to make sure that we have an actual market for it.

We may well come up with legislation that requires all motorists to use a certain percentage of ethanol provided we can produce a sufficient supply. What we are trying to do more than anything else is to recognize the importance of all of us in the human chain.

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Too much of the rhetoric in Minnesota is the 'We vs. Them.' The politics of the negative; the politics that set people apart from each other rather than realizing 'Hey, wait a minute, we are all in this together.'

If there is anything that unites us, it is an overall love of Minnesota. I went out with the basketball team to Canby, Minnesota. The whole town was there. Everybody was there at the game. I was back four months later and they were still talking about it.

That is how married we are to each other. The truth of the matter is what is good for the farmer, what's good for the ag industry, is really beneficial for the state as a whole. And may I say the reverse. We have serious urban problems, particularly in Minneapolis and St. Paul, and I plead for the rural interests to be very sensitive to those human concerns as well. Because, again, they too are part of the chain that brings us all together.

I think the initiatives that Commissioner Redalen has laid out are going to work. I want us to do more to bring the services of the University of Minnesota's Agricultural School outside the metro area. I cannot figure out why the ag school is located in the second largest city in the state. Obviously an accident of planning. But I think the University has to be sensitive to also participating in moving more of its facilities and activities to non-metropolitan Minnesota as well.

In transportation, we have to integrate our planning because Minnesota has one of the highest number of miles of roads in the United States on a per capita basis, and it is a expensive burden to carry. But at the same time, we want a strong transit link. When we put together our plans on mass transit, it is going to include linkages from Mankato, Worthington and elsewhere so that we do not have any one part of the state being left out of the central link. By the way, this the case as you go to Western Minnesota.

What we are trying to do in this administration is to bring all of these concerns together, always with the focus of -- not what is good for one region or one part -- but rather what is good for all of us. Toward that end, I want to thank you very much for all of your efforts. And rest assured that we will be receptive to your ideas, your solutions, and we will work with you.

Because we are forming a new partnership and one that I guarantee you will cause every single one of us to walk away from this saying in 1992 and 1993 that 'we're a whale of a lot stronger today than we were just fifteen months go.' This is our mission, this is our goal.

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