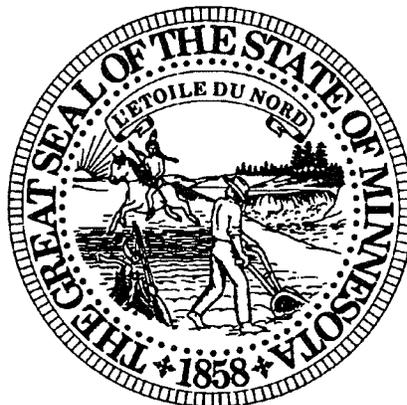


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State of the State Address

February 11, 1992

Hutchinson, Minnesota



Governor Arne H. Carlson

Lieutenant Governor Joannell M. Dyrstad



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ARNE H. CARLSON
Governor

STATE OF THE STATE ADDRESS

February 11, 1992

For two marvelous weeks in January, the eye of the world focused on Minnesota. They saw our metrodome, our ice palace, and felt the warmth and glow of our people.

We showed the world the special "can do" attitude of Minnesotans. Who else would celebrate winter by engaging in outdoor competitions of every kind, castle building, sculpture making, softball on ice, cross-country skiing, skating and snowmobiling.

That "can do" attitude was not born in 1992. It was forged in our earliest days when the first pioneers began to settle here. They built farms, mined ore, logged and fished. Minnesota was the rugged frontier that attracted those who understood the risk in opportunity and the hard work in success.

In 1847 a 30 year-old teacher and missionary named Harriet Bishop traveled alone from Vermont to create the first public school in St. Paul. She traveled by lake, land and river through the wilderness, and made the last leg of the trip up the Mississippi by canoe with two Dakota Indian women.

At that time, St. Paul was no more than a cluster of log huts along the Mississippi. Harriet Bishop's first school house was a former blacksmith shop in downtown Saint Paul. Rats and snakes plagued her mud plastered log schoolhouse and she had only a few school books.

She also started Minnesota's first Sunday school class. By the third Sunday she had attracted 25 children with such diverse backgrounds that an interpreter was needed who spoke English, Dakota and French.

At times Miss Bishop became discouraged with her new life on the frontier. She wondered whether her words were having the smallest effect on these young minds. Yet she persevered.

And her students, and the students of other pioneer teachers ultimately built the Minnesota we know today.

- They founded our first mills, our first companies and developed our farms
- They created our education system, our parks system and our transportation system.
- They built our network of working, successful communities.

The quality of life we enjoy today is the legacy of their efforts. And it is now time for us to decide what legacy we will pass on to our children and the generations of Minnesotans that will follow them. Instead of the challenge of the frontier, we are now facing the challenge of a world in change.

Today our immediate focus is on the recession. It has affected all of us. Many Minnesotans have lost jobs and families are stretching their days and their pocketbooks to make ends meet. You do not need to be told that Minnesota's economy has seen better days. You know the reality.

But as a people, we have overcome much greater obstacles in our history. Many of us lived through the Great Depression. I can recall the end of the Depression when my mother would collect bags of discarded flour to bake bread and cookies to sell so that our family could pay the rent. It was not an easy time, but because our faith was strong and our values true - all of us endured.

As recently as the early 1980s Minnesota weathered a recession even more severe than the one we face today. Tens of thousands more people were unemployed then, and farm income fell to the lowest level since the Great Depression. But

again we recovered, just as we will recover together from the hard times we are now facing.

This recession, like all recessions, will have limited duration. And we will recover because the fabric of our society is solid, our work ethic is strong, and we will stand together to make the sacrifices necessary to pull ourselves and our neighbors through. Tonight I will outline some of the actions we can take to attack the recession, and start putting Minnesotans back to work now.

But I am also convinced that we are facing a challenge much more significant than the recession. It is a challenge that goes to the heart of our tradition as an immigrant society.

For decades, the triumph of our lives has been the ability to give each new generation a better quality of life than the one we enjoyed. That ascending ladder has been a central part of the American experience. Today it is widely accepted that our children will be the first generation in American history to receive less from their parents than the generation before - the first generation to have fewer opportunities than we had when we were growing up.

More of our young people are worried about the future than ever before - 77%, according to one recent study. They worry because we have convinced them that they should. We lack confidence in the long-term future, and we are teaching our children to doubt.

Yet in our hearts we all believe the United States and Minnesota in particular are the best places in the world to live and raise a family. What we need to do is remind ourselves of a simple fact - the state of the state will be whatever we choose to make it.

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We can leave our children a state that is substantially stronger than the one we inherited - just as our parents did - if we are willing to draw upon the strength and integrity that have historically made this state and its people so exceptional. Children are our most important asset and we can measure our progress in the way our decisions affect their future.

The key to assuring that strength lies in identifying our objectives and making the decisions necessary to achieve them - no matter how tough those choices might be. It lies in recognizing that the good of Minnesota's people is more important than the good of any candidate or political party - and toning down political rhetoric so we can concentrate on the needs of our people.

Even amidst the rancor of the last legislative session, some very important things were accomplished:

- **We identified K-12 education and early learning as priorities and - despite the need to close a \$2 billion dollar shortfall - we increased funding for both of these programs.**
- **We passed the most comprehensive wetlands protection bill in the nation.**
- **We advanced the cause of children by increasing funding for early childhood programs by \$14 million.**
- **We increased funding for our children's health plan to allow coverage for 24,000 more children.**
- **We sent a signal to job creators by reducing commercial and industrial property tax rates.**
- **We adopted the nation's strongest grade crossing safety legislation.**
- **We began the difficult process of property tax reform by eliminating**

the 3% tax classification. And we had to do that because senior citizens on fixed incomes were literally being taxed out of their homes.

- And we solved a \$2 billion dollar shortfall without the strikes, massive lay-offs, shutdowns and costly special sessions that plagued so many other states.

To the members of the legislature who worked on those achievements, I say thank you for putting the future of Minnesota first.

The challenge of defining the Minnesota of the 90s is just beginning. Next week we start a legislative session that provides us with an eight week opportunity to look at our future and shape the state of the state on issues like health care access, education, and jobs. We can also squander the opportunity presented by that session with partisan rhetoric and political debate. It's our choice, and you and I need to work together to take the high road and make this session make a difference.

Nowhere can we make a more significant difference than by improving the quality of education.

When I was young, my immigrant parents told us education was the great leveling factor. They were right. Education brought my brothers and me out of poverty. It has brought generations of Americans out of poverty and it remains the single most reliable ticket to self-sufficiency and a rewarding life.

Among the fifty states, Minnesota's K-12 education system is universally recognized as an innovative leader. But unfortunately, being a leader in the nation is no longer good enough.

When our children graduate they will not compete simply with people from Iowa or North Dakota. Even if they never leave Minnesota - they will compete with

students from Asia, Europe, and Canada. And if we expect them to win, we are going to have to change, and make our education system competitive with any in the world.

Minnesota 2000 is a program designed to drive that change. It is a statewide campaign to get every aspect of every community involved in the education process. It was inspired by an African proverb that states: "It takes an entire village to educate one child." That philosophy is the foundation of Minnesota 2000. Simply put, our goal is to improve education by increasing the level of community involvement.

We have set six ambitious education goals for Minnesota. And we intend to achieve these goals by the year 2000.

- First, all children should start school ready to learn.
- Second, every high school in the state should have a 90 percent graduation rate.
- Third, our students should master challenging academic subjects including English, math, science and geography.
- Fourth, our students must be first in math and science achievement.
- Fifth, every adult should be literate and possess the skills necessary to compete in a global economy.
- And finally, we must remove drugs and violence from our schools.

Our aim is nothing less than raising achievement to world-class levels for all learners. Are these optimistic goals? You bet they are. But they are achievable.

Last fall, 200 teachers, administrators, social workers, clergy, businessmen and women, civic organizations, volunteers and parents assisted in the planning process for Minnesota 2000. Regional meetings will begin across Minnesota in April. I plan to attend, and I hope you will join me.

It is going to take this kind of effort to get education back where it should be - at the center of family and community life.

Minnesota 2000 defines an exciting vision. And that vision becomes more exciting when we blend it with the work of the children's commission I appointed one year ago.

Teachers tell us that increasing numbers of children are beginning their schooling unready to learn for reasons that have nothing to do with their learning abilities. More and more children are coming to school sick, hungry, tired distracted or abused. Too often TV has become the babysitter. And too often teachers and government are being asked to assume the role of a "parent".

Teachers cannot be expected to teach hungry children, and they cannot be expected to excite the mind of a child with low self-esteem. It's time to give teachers some help rather than blame them for problems over which they have no control.

We also have learned that bureaucracies - no matter how caring - cannot raise our children. We need to recognize that the challenge of learning readiness does not begin on the first day of school. It begins with the parent. We must develop an environment in which children can succeed in a value based system that reflects parental commitment.

Much of what we need to do is simple and accessible to every Minnesota family.

- We can make a point to spend quality time with each child
- We can turn off the TV and help our children explore the world of reading
- We can take our children to the zoo, the museum, the art gallery

It is as easy as taking a walk, going sledding or simply talking to one another.

While parents have an obligation to parent, we in government and in the community have an obligation to help responsible families succeed. And there is a great deal more we can do to help.

Minnesota is viewed as the leader in the nation when it comes to effective children's programs. We are not short on programs. We are not short on good programs. But we may be short on the coordination, flexibility and depth needed to turn children's lives around.

That is why we formed a children's commission last year - called Action for Children - to study the lives of young Minnesotans and make recommendations to help the state restructure programs and remove barriers to success for children and their families.

This commission will soon issue its first report which includes a broad range of recommendations, many of which deal with building bridges between programs, parents, children teachers and social workers.

Among the recommendations are:

- **Formation of a Children's Cabinet drawn from the state departments which affect children most. This group would assist in developing children's policies and budgeting children's programs.**
- **Integration of education, school, health and social services for children of all ages.**
- **Creation of an information system that is integrated across state agencies so that important information does not get lost when children move from program to program - and so that programs can coordinate their efforts.**

The first report from the Children's Commission offers many sound ideas ... but perhaps most important, it brings us to the realization that we cannot isolate education from other problems affecting children. If a child is doing poorly in school - it may have little to do with the child's intelligence and a lot to do with low self-esteem or a serious problem at home. The state of the family reflects the state of the state.

We have the capacity to improve. We can take advantage of innovative programs like Communities-in-Schools - a program that grants funding to schools who bring social service programs into the school setting. And we can transport that model all across Minnesota. It's about time we combined social services and education to help those who need special help while allowing others to pursue their education without distraction.

We can expand our early learning programs such as Head Start. Our objective should be that every child has access to a nutritious breakfast. We must also make certain that every child has access to affordable health care.

When we open doors for children today, we open doors for the remainder of their lives.

But unfortunately, as important as it is for us to provide each child with access to opportunity, these measures alone will not build a strong future for the state if our children have to leave Minnesota to find the kinds of jobs they have been trained for. And we cannot preserve the unique diversity of our society if children educated in Greater Minnesota are forced to migrate to the Twin Cities to find work.

The truth is that the issues of education and job climate are inseparable. And in Minnesota, our job climate is as weak as our educational system is strong. A recent analysis of the national business climate rated Minnesota the most desirable place in the nation to live. But that same publication rated us as one of the ten worst states in the nation for job growth because of our high taxes, high workers' compensation costs, and a difficult regulatory climate.

The job climate issue touches each of our lives because every month, every year, jobs leave this state and Minnesota companies undertake their expansions elsewhere. And no single factor has played a greater role in costing Minnesota jobs than our high workers' compensation costs.

Minnesota' workers compensation costs are 35 percent higher than those in Wisconsin, and 43 percent above costs in South Dakota - two of the principal states with which we compete. A major employer in South East Minnesota recently told me that he could save over \$300,000 a year simply by moving his company a few hundred yards across the river to Wisconsin. Another bewildered company owner in South West Minnesota showed me how he could cut his workers compensation costs by 70 percent if he moved across the border into Iowa. Fortunately, they chose to stay. Many others chose to leave.

There is no reason the workers' compensation problem cannot be fixed in this legislative session if we have the courage to make the choice. There is a bi-partisan proposal now before the legislature that would reform Minnesota's system and bring our costs into line with those of our principal competitors. It would no longer pay people more to stay home than to work. It controls medical costs without requiring additional state subsidies. And it makes the system easier to use and understand for workers who are injured on the job. I support that proposal.

In the late 1980s the legislature three times passed meaningful workers' compensation reform only to have it vetoed by the former Governor. I want to make it very plain that if the legislature passes the bi-partisan reform package, I will sign it. And with joblessness increasing across Minnesota, I cannot think of a reason for failing to act on the bill during this session. There is no more effective way to keep Minnesota jobs in Minnesota.

An equally strong priority for this legislative session is health care reform.

There are few needs as basic as the need for access to affordable health care. You and I are fortunate to live in a national health care center. People travel from around the world to access institutions like Rochester Mayo Clinic and St. Mary's

Medical Center. Minnesota's medical provider community is large and diverse and our emphasis on prevention has produced health insurance rates 18 - 23 percent below the national average.

But these advantages are meaningless to the nearly seven percent of Minnesotans who have no medical coverage of any kind. And with medical costs increasing between two and three times the rate of inflation each year, that seven percent figure is not likely to go down. Rising costs are pressuring Minnesota business at every level, and placing a growing burden on more than 17,000 self-employed farmers who lack legal authority to deduct more than a small percentage of their health insurance premiums.

I believe there is a national consensus in support of health care reform, and the time to begin that reform is now. Several months ago I prepared and legislative leaders introduced a plan called "HEART", which will phase in reforms designed to bring health care coverage within the financial reach of every Minnesota family. Other legislators, health providers and several business groups have offered similar, innovative proposals. The time has come for us to forget about pride of authorship, recognize that we are all working toward the same goal, and begin turning these proposals into reality.

The "health care crisis" is really two issues - assuring health care access, and controlling health care costs. I want the legislature to adopt legislation addressing both issues in the upcoming legislative session. At a minimum, that bill should:

- Provide every Minnesota child with access to affordable health care by removing financial barriers to health care coverage for Minnesota's 70,000 uninsured children.
- Give Minnesota farmers and other self-employed workers a fair shake by reforming the Tax Code to permit them to deduct 100% of their health insurance costs.
- Grant relief to small businesses by authorizing a basic health

coverage package free from the multiple state mandates that are driving insurance costs out of the reach of so many independent businesses.

- Provide mechanisms to increase access to basic health care services in rural Minnesota.
- Include meaningful and realistic cost containment provisions.

Finally, it is essential that the bill have a financing mechanism that will cover its costs without requiring us to cut back other programs like education or human services to pay for the health care plan.

The HEART proposal achieves every one of these objectives.

We all recognize that Minnesota lacks the financial resources to resolve the entire health care access issue in a single year. But that is not a reason to delay beginning the process of finding a solution.

We are already recognized as the national leader in the quality of our health care system. There is no reason why we cannot adopt a plan in this legislative session that will make us the national leader in assuring access to that system.

We can also make meaningful improvement in our quality of life by adopting thoughtful reforms in our violence prevention, correction and crime victims assistance programs.

Last year, the incidence of violent crime, hate crimes and domestic abuse in Minnesota increased substantially. That is out of character with our society, and we need to reverse this trend before the public safety in the Twin Cities deteriorates as it has in other growing metropolitan areas.

Yesterday a group of legislative leaders joined me in announcing a comprehensive public safety package. Included in that package of more than sixty recommendations are:

- **Greater protection for domestic assault victims.**
- **Truth in sentencing guidelines and strengthened penalties for DWI and crimes against people.**
- **Streamlined record-keeping systems to assist police in identifying and arresting suspects more quickly.**
- **Making sure that the sentence in any property related crime must include restitution of the losses of the victim.**

A society that lives in fear has no quality of life. The recommendations in this package can stem the trend toward violent crime before it changes our society. Differences among legislators on these issues are not unresolvable, and I expect the legislature to pass a public safety improvement package before it adjourns this spring.

But we cannot lose sight of the fact that the responsibility for a violence free Minnesota goes beyond the legislature. While legislators do their part, you and I must do ours. The root causes of violence in our society begin in the home, on the playgrounds and on neighborhood streets. We each contribute to the tolerance of violence in subtle ways. The most important thing we can do to break the cycle of violence is to change our own attitudes. That means rejecting actions as subtle as a cruel word spoken in the home, or as vicious as the hate mail being directed toward minority groups in the Minneapolis community. There is no place for either in our society, and we need to stand together and say it.

The effort to make Minnesota violence free cannot be limited to a single week. It is a lifetime effort, with success and failure resting in your hands and mine. In

crime as in so many other areas, the state of this state in future years is ours to shape - and I think we are equal to the challenge.

While we work together to achieve these long-term reforms, there are immediate needs in Minnesota that must be addressed.

The effects of the national recession are being felt in every corner of this state. By national standards, our problem is not severe; our unemployment rate is 30 percent below the national average. But by Minnesota standards the human impact of these numbers is not acceptable.

No one should be naive enough to believe that a state the size of Minnesota can single-handedly affect the course of the national economy. But we do have a moral obligation to do everything within our power to lessen the impact of recession on our people. Through some simple common sense actions, we can provide jobs for thousands of Minnesotans right now, when they are needed most. And taking those actions should be the legislature's first priority when it returns on February 18.

There are more than \$155 million dollars in labor intensive capital construction projects planned in Minnesota over the next two years. The need for those projects is not in dispute; many are already authorized. What we need to do is accelerate the construction schedule for these projects so they can begin now, when we need the jobs, rather than next year or the year after.

Although Minnesota's bonding authority is limited to three percent of revenues, we can also issue approximately \$75 million dollars in capital construction bonds for badly needed schools and public infrastructure projects without exceeding the 3 percent limit.

These actions, taken together, would immediately create between 6,000 and 8,000 jobs. And because they involve accelerating projects rather than new spending programs, they will not worsen the budget shortfall, and will not require us to cut back other programs.

I have already issued an Executive Order authorizing the acceleration of \$55 million dollars in labor intensive construction contracts. Those contracts will put approximately 2,000 Minnesota families to work. But I cannot implement the rest of the program without legislative approval.

This jobs bill is a fiscally sound way to create jobs for thousands of Minnesota families. It will pump tens of millions of dollars into our economy when our economy needs it most. I have made no secret of the fact that I am extremely disappointed that the legislature did not find time to act on this program during its January session. Families are hurting, and they need help now.

It's time for us to put politics and past disputes behind at least on this issue. When the legislature returns next week, let's work together to get this program adopted. We can all share the credit, as Minnesota's workers and their families share its benefits.

Unfortunately, while we pursue these opportunities we also have to face the difficult task of putting our own financial house in order.

Just as the recession has affected Minnesota workers, it has affected the state itself. Income tax revenues are running more than \$400 million dollars below projected levels, giving us a recession induced budget shortfall of approximately \$343 million dollars. And frankly, the shortfall could increase when the February 28 forecast is released. We have no choice but to close that shortfall.

Why? The simple answer is that Minnesota law does not permit the state to carry a shortfall into the next biennium. But even if we had that authority, we would have to close the shortfall because of the damage it would do to every one of us if we resorted to long term borrowing.

The borrowing necessary to close this shortfall would cost Minnesota taxpayers between \$100 and \$120 million dollars in interest between now and the end of the next biennium. That represents over \$100 million tax dollars that do not go to housing, do not go to education, and do not go to health care. They would instead be consumed in

interest payments to whoever is willing to loan several hundred million dollars to the state. That would be an indefensible use of taxpayer money.

It is also essential to remember that borrowing would lower Minnesota's bond rating - driving up the cost of schools, hospitals, highways and other capital improvements built with state bonds.

Failure to close the shortfall would make it more costly for Minnesota to maintain its social investments and its quality of life. It would also be the best way to ensure that our children will not have access to the same level of economic opportunity that we have enjoyed.

Unfortunately, there is no painless way to put the budget back in balance. There are only two ways to close the shortfall - spending reductions, or higher taxes. And I will do everything in my power to avoid a general tax increase.

I am going to have to propose remedies I do not want to propose, and the legislature will adopt spending cuts that it doesn't want to vote on. But as Harriet Bishop discovered a century and a half ago, building the future requires sacrifices, difficult decisions and the courage to make the right choices. And I am well aware that you did not elect any public official to make only the easy decisions. I will do everything I can to minimize the pain, but there will be pain. We will cut back not because we want to but because we have to. And I sincerely hope we can achieve that solution through a bipartisan agreement.

Recession response, health care reform, workers' compensation reform, educational improvement and a better crime prevention program. These are Minnesota's priorities, and they are all achievable in the next legislative session. We can also elect not to act, if that's our choice. The state of the state, and the quality of life in our society, will be whatever we chose to make them. But I have no doubt that we are equal to the challenge of providing our children an even better future and an even stronger state than the one we inherited.