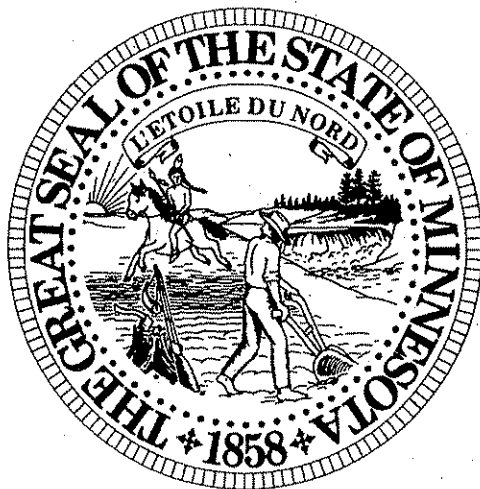




State of the State Address

The Honorable Tim Pawlenty
Governor of Minnesota

Delivered before a joint session of the
86th session of the Minnesota Legislature

February 11, 2010

House of Representatives Chamber
State Capitol, Saint Paul, Minnesota

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****Remarks as prepared for delivery.*

This state of the state address is not the most important thing that happened in Minnesota this week – not by a long shot.

The most important thing that happened this week is that our Red Bulls of the Minnesota National Guard came home.

Let me tell you what they did. This was the first time since World War II that a National Guard unit from any state was given complete command authority for such large military activities in a war zone.

They were given this awesome mission for one reason: they are the best.

If all of us as Minnesotans, in whatever our responsibilities, and whatever our challenges, can reflect even a fraction of their spirit, dedication, courage, and strength, Minnesota will continue to be one of the most remarkable places the world has ever known.

I'd also like to recognize and thank each public servant here today. Holding public office is a high honor. But honor has its sacrifices, which your families also bear.

To them and to you: thank you for serving the good people of Minnesota.

To those here today who hope to be Governor next year – I have a few tips for all of you.

First, schedule a monthly haircut to manage your mullet.

Second, try to make sure the person who is responsible for representing your positions in court, the Attorney General, is also not your re-election opponent.

Third, don't kiss an eelpout on the lips, even if the locals say it's for good luck.

Fourth, before you take the microphone at a Minnesota Wild game, carefully practice pronouncing the word "puck."

But seriously and most importantly, make sure you have a patient, kind-hearted, smart, and wonderfully supportive spouse. Ladies and gentlemen, please join me in recognizing and thanking the First Lady of Minnesota, Mary Pawlenty, for her great work on behalf of our state.

Today, the state of our state is challenged, but our spirit is resilient.

Way back in 1832, explorer Henry Schoolcraft completed his quest and discovered the true source of the Mississippi River.

As we gather here today, we're also on a quest. We're looking for the true source of economic recovery.

That's what I want to talk to you about today.

The true source is not bigger government, special interests, or political parties. The true source is good jobs for our people.

We all want to maintain Minnesota's quality of life. But the term "quality of life," and all that it implies, is an empty boast if people don't have jobs.

Today, many Minnesotans live with uncertainty and fear because of the historically awful economy.

Many have been robbed of their dreams by the mistakes or recklessness of others. They're not statistics; they're people dealing with heartbreaking misfortune.

As some of you know, I grew up in South St. Paul. It was a town that depended on mammoth meatpacking plants and the world's largest stockyards to provide good jobs.

But the meatpacking industry changed, and the plants shut down. The massive job loss and crushing impact on families and the community was

frightening, even to those of us who were just kids.

When I was still in high school, my mom died and a few years later my dad lost his job at a trucking company. At first, I was scared and confused.

I felt bad for my dad. He was a decent and hardworking guy who asked for nothing more than the chance to do right by his family.

Many Minnesota moms and dads, and their children, are experiencing those types of feelings now.

So, the most important question before us is this: how do we best grow good, private sector jobs in Minnesota?

The people who can best answer that question aren't in this room. They're not in Congress. They're not in the White House. They're not in bureaucracies. In fact, they're usually not in government or politics at all.

The people who best know how to create jobs are the people who have actually done it.

If government listens to them, this is what it'll hear loud and clear: "Get out of our way. Leave us alone. Make it easier, not harder."

The message is clear, so let's get to work. For starters, it's plainly obvious that Minnesota's tax system is not even close to competitive. It was established in a different era for a different economy by politicians that most likely couldn't envision the hypercompetitive world of today. It's almost pre-Sid Hartman thinking.

Thankfully, we've made some progress by achieving a decades-long goal of getting Minnesota out of the top ten states in taxes.

We've dramatically slowed down state government spending.

And even in this economy, we've seen Minnesota's GDP grow more than 25% during my time in office.

While our unemployment rate is too high, it's significantly below the national average.

But, the bad news is Minnesota's business tax climate is the 8th worst in the nation. That means 42 other states have a competitive edge on Minnesota.

We have the 3rd highest corporate tax rate in the developed world. Our personal income and sales tax rates are among the highest in the country, and Minnesota offers no preferential rate for capital gains.

We need to face the facts: Minnesota's tax system is costing us jobs, and our tax code needs to change to meet the challenges and opportunities of our time.

So, today, I urge the legislature to pass my Jobs Creation Bill that has six vital parts:

1. A 20% reduction in the corporate tax rate;
2. A 20% exclusion from taxation for small businesses;
3. An angel investment tax credit;
4. A supercharged research and development tax credit;
5. A capital gains exclusion for qualified investments; and
6. Incentives for companies to invest in Minnesota small businesses.

These steps will encourage job growth and send a strong signal that Minnesota is moving in a more pro-growth, pro-jobs direction.

These are important steps, but many more will be needed this year, and in the years to come, if Minnesota is going to be truly competitive in a changing economy.

One thing we can, and should do now, is improve and renew the JOBZ program. It's needed and it works.

Let me give you an example.

A few years ago, Minnesota Twist Drill in Chisholm was planning to leave the state. A few employees bought the company.

Using JOBZ and some other tools, they kept the company here and have more than doubled employment to 130 jobs in an area that desperately needs them.

We should also use a tool like this as part of an effort, along with local partners, to keep making cars or trucks in Saint Paul. Seven-hundred-fifty hardworking people at the Ford plant want to keep their jobs and we should do all we can to help them.

I am asking the legislature to pass my plan to create a "CARZ" zone at the Ford Plant that will offer tax incentives similar to the JOBZ program..

Here's the next thing: we need to reduce government spending because it leads to job-killing tax increases.

From 1960, the year I was born, until I became Governor in 2003, state government spending increased an average of 21% every two years. That's outrageous and unsustainable by any measure.

During my time as Governor, we've dramatically slowed down state government spending and we actually cut spending for the first time in Minnesota's history!

Most states outpacing Minnesota in job growth from 2003 to the crash of 2008 spent less, not more, per capita, on government. The few exceptions were states with sparse population or unique circumstances.

It's a no brainer. Companies make common sense decisions to grow and add jobs where it costs less.

Minnesota is accustomed to a very different model. For generations, most Minnesota politicians wanted more taxes because they wanted more government, and they got it.

They believed the presumed benefits of big government outweighed the big tax burdens placed on our citizens and job providers.

In Minnesota, this doesn't just apply to Democrats. Let's be fair about it. This approach has endured under the leadership of previous governors and legislators from all parties, with only modest exceptions, until now.

Many have argued that was a good approach and they believe the way forward is the way backwards. My friends, it's not.

We can't afford all of the spending that's been promised and expected, even if we return to normal economic growth.

Times have changed and there's no going back.

I know this will be debated here over the next few months, and the election this fall will settle the issue in the near term.

In the long term, however, competitive forces will decide this issue, as they always do. The future will demand that Minnesota compete or be left behind.

One thing we can do right now is fix Minnesota's budget process.

The way we budget today is backwards. Around here, we decide how much to spend before we know how much we'll take in.

That's why I am calling for a constitutional amendment to require that future spending commitments not exceed revenues currently collected.

We should spend only what we have, not what we hope to have.

That's a common sense approach understood at every kitchen table in Minnesota.

We also need to reduce spending at all levels of government, not just the state level. The property tax caps we passed a couple years ago are helping, but they expire after next year. Let's make those property tax caps permanent.

We also must balance the state's budget. Unlike the federal government, our constitution requires it. As difficult as it will be, we simply must make it happen.

As each day goes by, it becomes much harder because our options narrow dramatically. Think of this: The state spends about \$43 million from the general fund each day. At this point, we're spending \$2.3 million more per day than we receive in revenue.

We must act decisively and quickly.

I know the unallotments I made last summer are controversial. But, to bring needed certainty and stability to our budget during this epic crisis, I'm asking the legislature to ratify those decisions. Those unallotments simply cannot be restored at this point.

On Monday, you'll see my plan to solve the additional budget deficit identified in the November budget forecast. It will include very dramatic and painful spending reductions. While programs for the military, veterans, core public safety functions and K-12 classrooms will be protected, nearly all other areas will be proposed for reduction.

The reaction to my budget proposals from most of the people in this room will be predictable. Fair enough. I look forward to your alternative proposals.

Again, each day that goes by means more options are taken off the table, the hole is dug deeper and the problem gets much harder to solve. There may come a point where lack of action will make it nearly impossible to solve the problem if we don't act soon.

Beyond controlling government spending and reforming our tax code, we can do even more to improve Minnesota's economy and create jobs.

In business, time is money and delay impacts a company's ability to compete.

The good news is my administration has dramatically cut the wait time for environmental permits. But we can do more.

This week, I issued additional directives to state agencies that will streamline Minnesota's permitting process and speed things up even further.

Attracting new businesses and creating good jobs also depends on a well-educated and skilled workforce.

Many of our students are doing very well. But let's face the facts: too many are not. We've enacted nation-leading reforms to improve our schools, but we must do more.

Persistently low achieving schools need new leadership, new authority, and new teachers hired and assigned based on performance, not seniority.

These changes occur most frequently when mayors are in control of a large urban school districts or when alternative school models are used.

I support giving mayors the accountability and full control, and I mean full control, of the Minneapolis and St. Paul school districts. Short of that, however, I've directed the Department of Education to use existing authority to create an Office of Turnaround Schools and make the changes I've just described.

We also know the most important school-related factor in determining how a student will perform is the quality and preparedness of their teachers.

Now, I know the teacher unions don't like it, but I again plead with you to pass the "Teaching Transformation Act." It will dramatically improve teacher quality, training, and accountability for results.

I am also asking the legislature to reform teacher tenure.

Everybody knows the current tenure system is a public policy fossil. Tenure should be renewed every five years, and it should be based on evaluations linked to student performance.

Teaching is an honorable and indispensable profession. But we don't raise its value by lowering our standards.

We also know that we can't grow jobs if health care costs are pushing companies, families, and governments towards bankruptcy. The good news is that Minnesota has led the way in health care reform, and I'm proud we have.

Minnesota has become the most consumer-centered health care market in the country. We've taken the lead in providing consumers with information about health care costs and quality.

Minnesota is also leading the country in paying for better health outcomes rather than just the volume of procedures. We're moving from a system of "sick care" to a real "health care" system.

We also have the highest usage of health savings accounts of any state.

I ask the legislature to take yet another step toward improving the affordability and quality of our health care system.

Three plans control almost all the health care market in Minnesota. We have little real choice when selecting our health insurance.

We live in a world where we can buy almost anything from anywhere, anytime on the Internet. Why not health insurance?

I propose that state law be changed to give consumers the choice to buy health insurance across state lines.

We also need to overhaul our publicly subsidized health care system. Its costs are out of control.

Most Minnesotans who have private health insurance are rewarded for shopping smart for their health care. If it's expected for us as taxpayers, then the taxpayers should expect the same from those we help on public assistance.

I urge the legislature to pass our proposals to reform MinnesotaCare and Medical Assistance.

Beyond these important measures, we can make bipartisan progress on a number of other problems.

For example, we should improve public safety by cracking down on drunk drivers by enacting my proposal which makes it clear: "If you don't breathe, you don't leave."

We should get dangerous sexual predators off our streets by doubling their prison sentences.

We should improve our democratic process by ensuring our deployed military members can vote on time.

We should also enact a bonding bill, provided it's affordable, reasonable and

focused.

I look forward to working with the members of the legislature on these and other matters.

But, we should always remember our first priority is good jobs.

We've all experienced the so-called "Minnesota goodbye" – where the guest announces they're leaving multiple times before they actually do. It can often start at a table, move to the front door, then the front yard, and even move down the driveway with multiple hugs along the way. At its finest, it concludes with a goodbye shouted through a car window as the guest drives away.

I'll try to avoid that ritual as I leave this office in 11 months, but I do have just a few more things to say.

Minnesotans have our little quirks. But we count our blessings by what's really at our core – the character of our people and our magnificent natural splendor.

Visitors sometimes don't understand the love we have for this place. They think of it as cold, far from oceans, and a place that even airplane pilots can miss altogether.

But for those of us who live here, we understand the common sense and uncommon beauty that make our state something special.

Now, it's true, Minnesotans have to worry about such things as whether the ice will be off the lake in time for the fishing opener, kicking asteroid size ice chunks from the wheel well of our cars, and training the next generation to endure the ritual of falling madly in love with the Vikings, only to be dumped at the altar of the Super Bowl.

We get excited at the arrival of spring, when we can once again fire up the lawnmower and the grill.

We enjoy our summer trips to the Dairy Queen with the kids. We like bicycle rides around lakes and long, slow evenings next to a bonfire with family and friends.

But for all the reasons we love Minnesota, let's remember the real miracle of Minnesota is the goodness of our people.

Let me share an amazing example of this amazing Minnesota spirit: the St. Sauver family of Pierz, Minnesota.

Even for Joe Mauer it's a big deal to bat 5 for 5 in a ball game.

But the St. Sauver family has gone 6 for 6 in service to our state and country.

All six members of their family serve the military – and all of us – in some capacity.

Lt. Col. Scott St. Sauver leads the Minnesota National Guard's 151 Field Artillery Battalion currently deployed in Iraq. He is on his second tour in five years.

His wife, Deb, works at the Camp Ripley Family Assistance Center, where she helps Guard members and their families before, during, and after a Guard member is deployed.

Scott and Deb are incredibly proud of their four children and so are we. Chris, Anthony, Blake and Ashley all followed their father's example and each one of them joined the National Guard.

Service to a cause greater than themselves is a way of life for Minnesotans and the St. Sauver family. Every one of St. Sauvers insists there's nothing extraordinary about what they do.

I beg to differ.

Please join me in showing our appreciation to our veterans, military members and their families by recognizing Deb St. Sauver, and Staff Sergeant Anthony St. Sauver, who are seated in the gallery.

We govern in challenging times, but Minnesota has faced challenges before. Our state has seen it all and been through it all. And Minnesotans always rise to the challenge.

Let me give you an example: During the Great Depression, one of the great job creators in Minnesota's history emerged – Curt Carlson. He was a man of boundless energy and unquenchable enthusiasm. He had an amazing ability to see opportunity even in the most dire circumstances.

Curt Carlson started his career delivering newspapers and eventually created a Minnesota company that is now known and respected around the world. Today, Carlson Companies employ 3,500 people in our state and 150,000 globally.

His personal motto would be a great approach for all of us to take into the challenges we face. He said: "Whatever you do, do with integrity. Wherever you go, go as a leader. Whomever you serve, serve with caring. Whenever you dream, dream with your all. And never, ever, give up."

That's good advice, but above and beyond economic growth and jobs, we must always remember there's something even more important.

It's captured in the very first words of the Minnesota Constitution:

"We, the people of Minnesota, grateful to God for our civil and religious liberty, and desiring to perpetuate its blessings and secure the same to ourselves and our posterity, do ordain and establish this constitution."

These words were written by pioneers and adventurers who faced dangers and uncertainty far greater than our own.

Let's be thankful to God for our liberty.

Be grateful for His many blessings, especially in challenging times.

And continue to trust the goodness and the resilience of Minnesotans.

These truths will carry us forward to a better Minnesota.

They always have and they always will.

May God bless you and may God continue to bless the great State of Minnesota.