

Governor Mark Dayton's 2015 State of the State Address

April 09, 2015

Governor Mark Dayton's Final State of the State Remarks

Thursday, April 9, 2015

Today is the 150th anniversary of Confederate General Robert E. Lee's surrender at Appomattox Court House, which is marked as the end of the American Civil War. It is thus a fitting time to recognize the heroic service of over 24,000 Minnesotans, who fought in that war, and especially the over 2,200 of them, who lost their lives from their service in it.

In his book, entitled *The Last Full Measure*, Minnesota author, Richard Moe, portrayed soldiers in the First Minnesota Regiment, who sacrificed themselves heroically to protect the Union Army's position during the Battle of Gettysburg in 1863. He described them as: "Ordinary young men, who were called upon to do extraordinary young things."

They were called upon by President Abraham Lincoln to help "Save the Union." They left their families and homes, suffered unimaginable hardships and horrors, risked their lives, and some gave their lives, to preserve this country for the generations who followed.

We are not being called upon to make such extreme sacrifices. Yet, during the remaining five weeks of this legislative session, we will face our own moments of truth: Will we do what is easy, safe, and popular; or will we risk our political lives to preserve this great state for future generations?

May the First Minnesotan's courage inspire us. For right now, we have a rare moment of great opportunity. The state of our state is good. Not everywhere. Not for everyone. But overall, Minnesota is doing better than it has for some time, and Minnesota is doing better than most other states.

What we have been doing is working. Minnesota is working. Our unemployment rate is an unusually low 3.7%. In fact, according to Pew Trust's research, Minnesota is the only state in the nation, whose employment rate for 25-54 year-olds in 2014 exceeded its pre-recession level in 2007.

More Minnesota businesses are expanding. So, more Minnesotans are working. They are earning more money, which means they are paying more taxes.

It is that growth in employment, incomes, and profits, not tax increases, that has caused our state's biennial budget forecast to go from a \$6.2 billion deficit in 2011 to a \$1.9 billion surplus today. Income tax rates have remained the same for 98% of Minnesotans since I took office. 2 billion of the \$2.1 billion tax increase in 2013 was paid by the state's wealthiest 2% of citizens, large corporations, and by smokers. Those revenues went to cover a projected \$627 million deficit and to pay off the \$2.8 billion owed our school districts. Then, last year, 2 million Minnesotans received over \$500 million in tax cuts.

So, let me repeat: It is Minnesota's economic successes, not tax increases, that have produced our present budget surplus.

When it comes to economic success, Minnesota is unusual. In most states, a budget surplus is applauded. Going from a deficit to a surplus is seen as a sign that the state is heading in the right direction -- that policymakers are doing things right -- so keep it up.

But not in Minnesota. Here, some people say the reason we have a budget surplus is because we're doing things wrong.

They say things like: Taxes are too high. They are bloating state revenues, fueling excessive government spending, driving successful businesses and individuals away, and ruining our future.

I have heard that complaint many times, throughout the 38 years I have been involved in Minnesota government. If we have a budget deficit, it's because taxes are too high. If there's a surplus, taxes are too high. Whatever is wrong with Minnesota, taxes are always too high.

However, many national experts view our state's economic policies and results far more positively than do our in-state critics.

This year, Politico Magazine ranked Minnesota as "The Best American State."

Forbes Magazine ranked Minnesota second for “Quality of Life,” third for “Best Place to Make a Living” and the ninth “Best State for Business.”

Wallet-Hub ranked us the “best state for overall quality of government services”. It is a great tribute to the outstanding state employees who provide them.

A group called “Michigan Future,” led by some of that state’s top business and philanthropic leaders, issued a recent report: “State Policies Matter: How Minnesota’s Tax, Spending and Social Policies Help it Achieve the Best Economy Among Great Lakes States.”

The report concluded: “There is no question that Minnesota is a high-tax state. ... But it has largely invested that additional revenue in services and investments that matter in a knowledge-based economy. An educated workforce, efficient transportation systems, vibrant cities and metropolitan areas, and a secure safety net for those making the transition to a global economy, all matter in creating a prosperous state.”

Closer to home, recent state newspaper headlines have proclaimed:

“Manufacturing expansions in Minnesota are booming, creating jobs.

“More Minnesota manufacturers say they're 'thriving.'”

“New Product Orders, Hiring Surge in Minnesota.”

And, “Outstate economies are first to recover from the recession.”

As I have said before, the credit for this success belongs to the people of Minnesota. To the business owners and executives, who have chosen to locate and expand here, because they found it profitable to do so. To their hard-working, productive employees, who helped make those decisions successful. To the teachers, professors, and other educators, who provide, overall, the best educations to the most students of any state in the country, as proven again by our top ACT scores for the 9th straight year. To the doctors, nurses, state and local government workers, service providers, lawyers, accountants, computer science experts, and other professionals and their dedicated support staffs.

Unfortunately, our state's successes are seldom acknowledged inside this building. Its inhabitants are too preoccupied with assigning blame for real and imagined shortcomings. So, I want to take this opportunity to recognize the accomplishments of the people of Minnesota. And to say, "Thank You." You are remarkable citizens. You have achieved extraordinary successes, which have boosted our state to its place today. Thank you.

Besides reflecting the truth, a recognition of our state's overall success has other benefits. It puts in proper perspective the assessments of our shortcomings, inequities, and areas needing improvement. We still have an unacceptable gap in academic achievement among students of color. There is a widening disparity between the stagnant incomes of middle-class Minnesota families and the wealthiest. Our workplace policies are not giving families the flexibility they need to balance work responsibilities with family responsibilities. The number of people, who depend upon our public healthcare programs, and those programs' costs, continue to escalate. Both the quality and the capacity of our highway, road, bridge, and public transit systems continue to deteriorate.

There are also industries in our state, areas of our state, and groups of people with unmet needs. Over 1100 workers at two U.S. Steel plants on the Iron Range are facing imminent layoffs of unknown durations. Minnesota turkey growers have already lost several hundred thousand birds due to an unusual strain of Avian flu. Increasing numbers of our children lack adequate physical protections, emotional support, and alternative homes. They, and others, need and deserve our help. With a \$2 billion budget surplus, we can afford to help.

Acknowledging our state's overall success also provides more realistic guidance for future decisions, by reframing the debate. Refocused properly, it's not: What must we do to save our state from disaster? Rather, what can we do to create an even better future? As I said before, we have a unique opportunity right now, to dedicate our budget surplus to areas of continuing need or to areas that were previously overlooked.

By illustration, during my 2010 campaign, I proposed that our state fund all-day kindergarten for all Minnesota children. Some questioned school districts' interest in providing it; others questioned the need for it; and still others questioned its cost. Finally, in 2013, it passed the legislature, and I signed it into law. At the time, only 54 percent of Minnesota's five year-olds were enrolled in a free, all-day kindergarten program. For many of the rest, their parents were paying as much as \$4,200 a year to defray the cost. This year, thanks to state funding provided by you, 99.6% of Minnesota's five year olds are in all-day kindergarten classes, being offered in all but one of our state's 954 public elementary school sites.

I thank the school boards, superintendents, principals, teachers, and parents, who responded so enthusiastically and overwhelmingly to this opportunity. And I thank every legislator here tonight, who

voted two years ago to make it possible. I expect the reason you seek your job, as do I, is to make lasting improvements in the lives of the people you serve. Well, this time we did, in the lives of young Minnesotans, now and for years to come.

I am frequently asked, “What are my top priorities in this session?” My simple, straight answer is: “Everything.” Closing the Achievement Gap; Buffer Zones for Better Water Quality and Wildlife Habitat; Tougher Penalties on Poachers; The Increased Funding requested by the Chief Justice for the Judicial Branch; Completion of the Lewis & Clark pipeline; Final Capitol Restoration; funding for broadband, and all the rest. I would not have proposed any of them, if I didn’t believe they were important to a Better Minnesota.

At the very top, however, are education and transportation. They are most essential to our future. So, let me go back to education, where I just left off.

In my budget request for the next biennium, I have proposed spending an additional \$694.6 million above the February Forecast’s base amount for E-12 education in FY 16-17.

A question I hear about my budget proposal is, “More money for education? Why, we spent so much already.”

It’s true that we have significantly increased state funding for K-12 education, since I took office. And I emphasize the word, “WE.” In my first term, the legislature, under both Republican and DFL control, increased state funding for the Per-Pupil Aid Formula, for the Read by Third Grade initiative, for Special Education, for School Lunches and for the start of free Elementary School Breakfasts. ALL were enacted with strong bi-partisan support. Thank you. So, understandably, some people are asking, “Well, Haven’t we done enough?”

However, the most recent Census Bureau report on Public Education Finances ranks Minnesota 24th among the states in Per-Pupil Expenditures for K-12 Education. Our recent increases have lifted our standing compared to other states, but our financial commitment to educating our children is just average. Just average is not nearly good enough.

We have the 11th highest per-capita income among the states. A rank of 24th in per-pupil K-12 education expenditures by a state with the 11th highest per-capita income means that at least thirteen other states are making greater financial efforts than we are to educate our children.

The previous decade's cuts in education funding are still taking their toll. We can be proud of our bi-partisan improvements over the past four years; but it's not a reason to stand still. Or certainly not to slide backward.

I have also proposed a major new early childhood initiative to fund pre-kindergarten classes for all of our state's four year-olds. As well as bring significant increases in funding for childcare scholarships, elimination of the head start waiting list, ECFE, home visits, and expanded tax credits for parents for the cost of childcare. In total I am proposing \$372 million dollars in additional funding to care for and educate our children between the ages of 0 to 4 years old.

I strongly urge the groups now fighting over how that additional funding should be allocated to work cooperatively with the legislature to find the best solution given the funds that will finally be available. In my view, it's not either/or. It's both.

At the other end of the education continuum, higher education: the University of Minnesota, the MnSCU colleges, and universities, and state financial aid for students are equally deserving of increased support. In 2013, the legislature approved a \$249 million increase in higher education funding for the current biennium. That increase, however, only replaced the \$246 million reduction enacted in 2011.

In real, inflation-adjusted dollars, state support for higher education in FY 2012 dropped to its lowest level in over thirty years. No wonder tuitions have been forced higher and higher in both systems, causing Minnesota students to graduate with the fifth highest average debt loads in the country.

The tuition freezes we enacted for last year and this year at the MnSCU and U of M campuses were important steps toward reducing the hardships that high tuitions impose on Minnesota students and their families; but they were only first steps. I am proposing those tuition freezes be continued into the next two years. I also ask the legislature to support needed increases in the state's financial aid programs for Minnesota students.

In both my regular budget and bonding bill proposals, I am advocating for increased state support for upgrading the University's Medical School, its Veterinary Research, for new MnSCU programs, as well as \$70 million to each system for badly needed repairs on campuses throughout the state. We need those improvements to offer world-class postsecondary educations in world-class facilities. Without them, we won't be competitive in attracting the students we need for our state's future vitality.

I also urge legislators to work even more closely with the University's and MnSCU's boards, administrators, faculties, and my administration, to identify Minnesota employers' unmet needs for

graduates with specialized skills and determine how best to meet them. I ask each legislator to bring business leaders together with higher education administrators in her or his district; find out how well those campuses are providing the training needed for present and future workforces; and bring solutions to this and future legislative sessions.

The Chief Executive Officers of so many companies have told me that the number one reason why they chose to expand here rather than in other states was the quality of Minnesota's workforce, which is also directly related to the quality of their educations. However, the future superiority of our workforce and their productivity is in no way guaranteed. It must be continuously improved.

These and other education initiatives are critically important for many reasons. The quality of our state is, and will be, determined primarily by the quality of our citizens, which will be influenced strongly by the quality of their educations.

All sorts of social measures – from better health, to higher productivity, to lower crime rates – are strongly correlated with levels of educational attainment. The amount of legislative funding for improved education, all the way from early childhood through postsecondary, will measure your commitments to our state's future.

My second top priority for this legislative session is to begin to improve our state's aging and inadequate transportation systems, by increasing investments in better highways, roads, bridges, and public transit. For the past twenty-five years, those investments lagged behind what was needed to maintain them, much less to improve them.

I am very pleased that both the Senate and the House have recognized the necessity to make these critically important improvements. However, we still need to reach agreements on the amounts of those investments and how to assure they will continue reliably over the next decade.

It is tempting to allocate a significant amount of the current surplus to fund transportation projects. However, we are unlikely to see surpluses of this magnitude in future years, given the slower pace of this national economic recovery and its vulnerability to unforeseeable world events. Whatever future national economic growth does occur, will likely be less than that experienced in the post-World War II decades, before the Great Recession.

There are other needed infrastructure improvements throughout our state. Our budget surplus provides us with opportunities to invest in better public buildings; community centers; athletic and cultural facilities; advanced communication networks; water quality and wildlife habitat improvements;

and state parks and trails, all of which make vital contributions to our state's quality of life. They enhance our appeal to current retirees, Baby Boomer near-retirees, Generation Xers, Millennials, and generations still unnamed -- all of whom will ask themselves: What does this state offer to me? To my family? My career success? My recreation? My safety? And so much more.

Talented, successful people can choose where they want to live. We are in competition for them with the rest of our country and the rest of the world. It would be, as the old saying goes: "Penny Wise and Pound Foolish," not to increase our investments in a Better Minnesota by passing a bonding bill this year.

Some people are telling us to "Just wait until next year" for my \$842 million bonding bill. That just doesn't make sense. Interest rates remain low; we have capacity for the debt service within existing guidelines; and many of those and other important improvements are urgently needed.

How can we tell the citizens and businesses in Worthington to "just wait another year" for a reliable supply of safe drinking water? Or tell people in Willmar to "wait another year" before rerouting rail cars with volatile fuels away from their city; or St. Cloud area residents to "wait another year" for public safety improvements to the nearby correctional facility?

The legislature has passed a bonding bill in 31 of the past 32 sessions -- in both even- and odd-numbered years. Waiting now, for another year, is inexplicable and should be unacceptable.

I am also unwilling to wait another year -- or longer -- for legislation that will significantly improve Minnesota's water. Some lakes, rivers, and streams all over our state have become dangerously polluted -- so bad that fish can't live in them and people shouldn't swim in them. One Minnesotan living in a town providing free bottled water to its residents after its water treatment plant malfunctioned, said, "that's just the way it is, living here."

I disagree. Unhealthy water should not be "just the way it is," for people living anywhere in Minnesota. No one person or industry is responsible for our state's deteriorating water quality; but every one of us is responsible for improving it.

Yet, the headline in this week's Outdoor News reads: "Buffer Bill has No Future" in this legislative session. I find that hard to believe and impossible to accept. You, our state 201 legislators, ARE the bill's future. Passing it is your responsibility.

If all the interest groups, who oppose my bill, spent half as much time improving it as they do criticizing it, the bill would have passed already. My initial proposal is condemned for being “One size fits all.” Well then, tell us how many sizes, in what shapes, as determined by whom, will fit all?

Everyone professes to want clean water. Too many, however, don’t want to do what’s necessary to get it. And everyone means not just farmers, but also municipalities, industries, landowners, and everyone else. All of us. It’s time for us to work together to pass a bill this session that will protect our citizens from ever increasingly polluted water.

In closing, Minnesota’s challenges and opportunities can’t wait for next year. They are before us right now. We will be judged by what we do or don’t do. This is our moment of truth. Minnesota’s future is now in our hands. How will future generations judge our wisdom, our innovation, and our courage? I believe that they will judge us the same way we, as parents, judge ourselves: have we passed onto our children the opportunities for a better life? Are we leaving them a better Minnesota— a state with more opportunities, better infrastructure and natural resources, and an education that ensures everyone will have a real chance for success? I want our answers to those questions to be “yes – we are leaving all of our citizens the best possible Minnesota. Thank you.