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**GOVERNOR
ALBERT H. QUIE**

State of the State Address

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1980 State of the State Address

State of Minnesota

Governor Albert H. Quie

Mr. President, Mr. Speaker, Mr. Chief Justice, Associate Justices, Members of the 71st Minnesota State Legislature, Fellow Constitutional Officers, Governors, distinguished guests and good friends.

As I have thought about your return to the Capitol and the beginning of this second session of the 71st Minnesota Legislature, I have tried to sort out the significance of the work we begin.

When we have Russia perched on the border of Iran --

When we have worldwide apprehensions about a shaky economic future --

When night after night for 81 consecutive nights, we have heard the television report that begins "America held hostage."

In a world seemingly caught up in fear and hate and greed, what is the meaning of our actions over the next few months? Do they even matter? Do they have any lasting significance? Do they make any difference at all?

I would guess there are some lonely moments when each of you have asked yourself the same haunting questions and maybe there are times when the answers do not come clearly or don't come at all.

But upon some genuine soul searching, I have come to see that what we do in the days ahead is the very heart of all the international issues. In a very real sense, this is the battleground -- No, I am not talking about our partisan disputes -- the skirmishes between the House and Senate, Republican and Democrat, the legislative and executive -- these squabbles pale in the light of the larger concern. No, this is the battleground where we test, where we prove that a self-governing society is worth the sacrifice. Here is where we demonstrate that a free people have the discipline, the drive, the sense of purpose

to solve their problems. As I think about the importance of our work over the next few months, John Gardner's words keep coming back to me: "This free society begins with us. It must not end with us."

It will not, if we act responsibly, if we take control of our lives, if each of us realizes that we have tasks to perform, whether we be in government, business, education, civic organizations or within our families. The problems that confront this nation and this state do not fall exclusively on government or solely to the private sector. The issues on our agenda call on every person, every institution -- without exception.

Nowhere is that more apparent than in the energy issue. Just look at what Minnesotans are doing.

The Twin City Carpenters District Council, with the support of the Minnesota AFL-CIO, has volunteered to amend its rules on the apprentice-journeyman relationship so they can help the state's effort in weatherizing homes. With labor's help and CETA's workers, we can vastly increase the rate at which we weatherize our homes.

The Minnesota Business Partnership, an organization of the 50 largest companies in the state, representing over 10% of our employees, is promoting ridesharing, vanpooling and other transit options as a means of getting employees to and from work conveniently at less cost to the worker and greater savings for all.

According to a sample of its members, the Minnesota Association of Commerce and Industry reports that nearly one-half of the firms have made extensive conservation efforts.

Public affairs organizations, such as the Citizens League, the Upper Midwest Council and the Urban Coalition all are contributing to the development of new ideas.

Local governments in Minnesota have taken some dramatic initiatives. That is clearly evident here in St. Paul. Moorhead has developed a comprehensive energy policy for municipal government operations. New Ulm is planning a campaign to distribute conservation literature to every household in the city. Nine Iron Range communities and

the Arrowhead Economic Opportunity Agency are cooperating on a waste-elmwood program to debark elmwood and to distribute it for home heating fuel.

Hosts of individuals have silently done their part to conserve, as well.

This is the kind of spirit that lives in a free, creative, dynamic self-governing society. This is the kind of resilience Americans have. While there may be those on foreign shores who predict that the energy crisis will be our downfall, I predict it will be the issue that demonstrates to all the world the deep strength and true endurance of the American people.

Energy

We in state government also have a part to play. As I see it, the state has seven responsibilities in dealing with the energy issue.

First, it has to set an example. We cannot squander if we expect others to save.

Last spring, I asked state agencies to reduce over the next year the business miles driven by state employees by 10%. And we will meet that goal -- a reduction of four million miles. By buying smaller cars we improve our mileage anywhere from 11% to 28%.

You set aside \$4 million for retrofitting state buildings. This session, I am asking for another \$2.7 million. This \$6.7 million investment will more than pay for itself in five years.

Second, the state should influence federal priorities.

If the federal government attempts to heat southern swimming pools rather than northern homes, we must protest. If the federal government uses a system of energy aid which dispenses checks automatically, regardless of need for fuel assistance, we must protest. If these checks provide fuel assistance to those in prison, in nursing homes and on tropical islands, we must protest. If we have learned anything from the federal government's recent fiasco, it is that this state government

cannot afford -- either in terms of dollars or public confidence -- to enter into a statewide system of energy support which automatically dispenses money, regardless of energy needs and without an individualized and personalized review.

While Minnesota received approximately \$79 million this year from the federal government, we may receive well over \$100 million next year.

Consequently, my energy proposals are designed to take care of the unique needs of Minnesotans and at the same time capitalize on the infusion of expected federal dollars which should make a permanent state program unnecessary or at least greatly reduce it in scope.

In the upcoming months, as these federal programs start to take shape, we will develop a state plan for the expenditure of those dollars, a plan which will be due in October or November 1980. This session we should realize that developing a coordinated energy program with federal and local government will be an evolving process.

Third, the state in cooperation with the federal government must help our needy citizens meet their energy costs.

Federal programs this winter will assist those with incomes up to 125% of poverty. Minnesota can and should do more.

We should assist those with incomes between 125 and 150% of poverty -- and do so on a sliding scale.

I know some legislators believe we should extend the state's help to those with higher incomes. No matter where we draw the line, it will no doubt seem unfair to those just beyond it. We must be wise enough to strike the delicate balance between providing assistance to those who need it and recognizing the circumstances of those who not only have to pay their own costs but have to be taxed to assist others.

I propose that we continue the state crisis fuel program operating since October. This program gives the opportunity to obtain fuel to anyone who needs it but has no liquid assets to purchase fuel.

To meet the rising costs of fuel faced by school districts, I am recommending an additional \$12.4 million for transportation aid in 1980 and 1981. This item will be financed by the projected cancellations under the foundation aid formula.

Fourth, the state must encourage everyone to undertake conservation efforts. One of the first places to start is in the home.

We've all heard the figure that approximately 30% of the heat in a home can be lost through the roof because of inadequate insulation. A 1979 survey indicated that 12% of Minnesota homes did not have any insulation at all and another 55% had less than 6 inches, or half the recommended level. Weatherizing these homes would result in significant energy savings.

I am proposing \$11 million for additional weatherization grants. This proposal is in addition to the \$45 million in loans for home improvements which will be available from February 1 to December 31. This program administered by the Housing Finance Agency is, I understand, the largest loan program in any state.

Besides our homes, another place we can encourage conservation is in our neighborhoods. Some of this is already beginning. In St. Paul, I know, there are neighborhoods where people are cooperating as a neighborhood organization to arrange for plowing of alleys, collecting of refuse and repairing or insulating of homes. I believe that inventive people could also find new ways in neighborhoods to arrange for the delivery of other services that relate to energy conservation.

Certainly if there were a major crisis in oil supply, we would depend heavily on people to work out cooperative ways where they live to get each other to work, to the store and to church.

I hope that city councils and mayors will cooperate with these neighborhood efforts and encourage them.

The state itself can cooperate with cities in other ways.

I am requesting that the state participate with St. Paul and Northern States Power Company in a proposed district heating program. This could well serve as a model for other Minnesota communities. I have requested that you appropriate \$2.7 million for our share of the initial capital costs.

Furthermore, I believe that local government should be authorized to levy one-mill over levy limits specifically for energy conservation.

One of the most promising energy conservation measures the state can promote is ridesharing and vanpooling. We must encourage a more limited reliance on the single occupant car, especially for trips to and from work. For example, in the metropolitan area the MTC does a good job in feeding the central cities, but more than half of the jobs in the metro area are located in places that are not and could not realistically be provided for by bus system.

Because of the great potential for substantial energy savings in ridesharing and vanpooling, I am recommending \$1.5 million which will provide us with a 15% tax credit for employer-sponsored vanpools, an expansion of the state fleet, an expansion of ridesharing and an increased enforcement of the 55 mile-per-hour speed limit. These actions could save Minnesota an estimated 52 million gallons of gas every year.

Fifth, the state government must seek to assure an uninterrupted supply of fuel. This is particularly critical for us because 60% of the crude oil used by the state's four refineries comes from Canada which is planning to phase out its crude oil exports to the United States. New crude pipelines are needed quickly -- one from the west and one from the south, and we will continue to push for them.

The sixth responsibility the state has is to encourage alternative energy sources. Minnesota has many possibilities to increase our use of renewable resources. I have asked for \$1.3 million for this purpose next year.

This proposal provides for a gasohol demonstration program for farmscale production operated by the University of Minnesota Department of Agricultural Engineering, a fuelwood management program, and a state alternative energy contingency account to provide state participation in wind resources, biomass-wetlands agriculture, and agricultural residue projects when non-state funds are committed for the demonstration projects.

The final obligation of the state is to inform the public about our choices. Government obviously cannot do this alone and I want to note in particular the excellent work the media in Minnesota has done in helping the people understand the energy problem. A good job. The state must expand its efforts in public information, energy education and encouraging community support. I am requesting \$1.3 million to be invested in this effort.

The energy program I have outlined includes assistance to our people, our schools and our cities. In addition, the state itself will require \$9 million to cover its increased fuel costs. Together, these recommendations total \$56.6 million.

During the past several months, I have traveled extensively and listened carefully to our people. I have attempted to prepare an energy package which has their support. As our energy ideas are discussed in these halls, I would anticipate much agreement. There may be different views as to how the state should integrate its efforts with the federal government, but we should not let our differences overshadow our common goals.

On the wall of the Senate Majority Leader's office hangs a sign with a Will Rogers' quote: "If we need wood, we chop down a tree. If we need oil, we dig a hole. If we want steam, we dig for coal. When we run out of these, we'll find out how good we are."

I think we are good -- good enough to conserve, to innovate, to adapt and -- yes -- good enough to cooperate to get the job done.

Highway Financing

It is paradoxical that at the same time we ask people to reduce their travel and use less gas, the state is hurt by such action through its loss of revenue from the gas tax.

The costs of maintaining and constructing our roads have increased dramatically. The receipts to fund these programs have gone down. As a result, 61 highway projects totaling \$122 million have already been deferred. If nothing is done this session, another \$150 million in deferrals is possible. It is further projected that we will have a shortfall in revenues amounting to \$300 million in 1982-83 and \$450 million for 1984-85.

The choice is simple.

We can either invest now and protect the \$16 billion we have put into our road system, or we can allow the deterioration of that network which will ultimately impair the economic future of Minnesota.

Over the past months, I have explored many options to fund our transportation network. I have sought to develop a balanced proposal to raise the necessary revenues. The highway funding package that I submit to you has four basic elements.

First, I propose a 4% sales tax on gasoline, the same percentage as our general sales tax. The tax would be on the pump price of gas less existing state and federal taxes.

The second part of my proposal is to cut the existing 9 cents per gallon state tax on gasoline to 7 cents. The combination of these two actions will make the overall tax more inflation sensitive.

Let me stop here a moment to try to clear up some confusion which has surrounded this proposal. Some have asked how is this recommendation consistent with my long standing commitment to indexing. I am extremely proud of the indexing we accomplished last session.

But indexing does not prevent the income tax you pay from rising with inflation, it simply prevents your tax payments from rising faster than inflation. Likewise, the revenues from Minnesota's 4% sales tax rise with inflation.

The third element of my proposal would authorize \$150 million in general obligation bonds to be used over the next five years for the state's share of interstate highway funding. Interstate construction is funded 90% by the federal government. Minnesota's failure to raise the remaining 10% would result in our forfeiting the federal share.

The last element of my proposal is to shift the 4% excise tax on motor vehicle sales from the general fund to the highway fund. This transfer would begin on July 1 of 1981 and would begin with 25% of the excise tax being allocated to highways. In each of the succeeding three years an additional 25% would be transferred from the general fund, reaching 100% in 1984.

If we are to keep jobs in Minnesota, we must keep up our roads.

Environment

We've talked about conserving energy in Minnesota, conserving and maintaining our roads -- but equally as important is conserving our natural resources.

Stewardship of our natural environment is a God-given responsibility. Again the responsibility falls on each one of us as you will see in the following initiatives:

-- I will call a State Environmental Conference this year to allow maximum public participation in a comprehensive review that I want undertaken. This review will focus on the state's role in environmental matters which is spread over some 85 programs.

-- I have prepared five bills for your consideration which will help focus the work of the Environmental Quality Board on the more significant issues and streamline the process of environmental reviews. There are too many delays and burdensome paperwork requirements now involved in the process.

-- I will support legislation to continue the work begun by the Water Planning Board when its legislative authority again terminates at the end of this fiscal year by incorporating those responsibilities under the Environmental Quality Board.

-- I have asked our state agencies to pursue with mining interests and the citizens most affected, how best to manage the development of our huge potential in copper and nickel and to address uranium exploration -- doing all of that while staying within sound environmental guidelines.

-- I have determined that an independent assessment of the safety of Minnesota's nuclear power plants should be undertaken. Thus, I have appointed a Nuclear Safety Committee. They have begun a comprehensive review of the safety of nuclear power plants and will, by April 1980, report to me their recommendations.

-- I will work in harmony with the Joint Legislative Committee on Solid and Hazardous Waste to discover answers to the safe disposal of an estimated 128,000 tons of hazardous waste per year. My preference is that those companies producing the waste should assume the primary responsibility for disposing it. If government action is necessary, the counties involved should next get into the act. Then, only if required, the State should enter the disposal siting picture and look first at the suitability of land already owned by the State. Throughout this process of locating and using disposal sites, regardless of sponsorship, the State will monitor the environmental impacts.

-- In the area of solid waste, I will support legislation that places the responsibility of planning and siting waste disposal areas at the county level. Equally important, the legislation must be tied closely to resource recovery programs.

Three weeks ago, I transmitted to the Legislature a Report on Environmental Quality. This report will allow everyone to see the wide range, complexity and urgency of dozens of environmental challenges facing Minnesota.

I will continue to work with you on the many environmental issues which we now know will be a constant public concern for as long as we inhabit this earth.

As I look at the priorities before us -- energy, transportation, environment -- I am optimistic that this can be a productive legislative session -- and hopefully a short one.

To that end, I have purposely limited my address today to major issues.

Other Issues

My concerns go beyond these limited number of issues. My legislative proposals, covering numerous topics from aid to the hearing impaired to agricultural promotion, are drafted in bill form, being readied for introduction.

You will also be receiving a statement on community development on February 7.

Today, you will receive the detailed description of my energy proposals for the 1980 session.

Budget

You will also receive later today my supplemental budget recommendations. Let me simply summarize the budget highlights.

The Department of Finance has projected a general fund balance of \$84.7 million. \$6.9 million will be used for salary increases due to the automatic cost of living increases. \$4 million is dedicated to the capital budget. Proposed legislation accounts for \$2.8 million and budget supplements amount to \$10.1 million. My energy proposals will use \$44.2 million from the projected balance plus \$12.4 million of projected cancellations which I mentioned earlier for a total of \$56.6 million for energy related assistance.

This will leave us \$21 million as a protection against our income projections not being realized. For a \$7.4 billion-dollar biennial budget, that measure of protection represents only 3/10ths of 1%. It is prudent to maintain such a reserve

for there are no attractive alternatives for cutting state spending in the final months of a fiscal year.

I believe the state can make substantial progress on these key issues within those budget constraints. Such progress would be a good record for any legislative session but this time, in this session, the people expect more from us. They care about this system of government and they want to see it work -- and if it can, they want to see it work better.

Constitutional Amendments

There are improvements needed in state government. Improvements that have the overwhelming support of the people of this state. And because of that, they cannot be ignored.

Therefore, I am proposing that the Legislature approve four constitutional amendments.

Since I have spoken out on these proposals extensively in the last month, I will not elaborate on them now. I am conscious of the fact that one should not begin what is hoped to be a very short session with a very long speech.

First, I am proposing an amendment for initiative and referendum. Because I believe so strongly that citizens ought to be enabled to participate directly in the passage and repeal of laws, I made initiative and referendum the subject of my first campaign position paper in March of 1978. The proposal has been drafted in a manner which ensures that any petition would first have to have substantial support of citizens in all counties before it would come before the voters.

Second, I propose an amendment to require a 60% vote of both houses of the Legislature to increase taxes. In the past, taxes have been increased without adequate attention having been given to their effects. An increase in taxation should require a stronger consensus of the Legislature than is now necessary as is the case with bonding decisions.

Third, I propose an amendment to limit increases in state spending. By limiting increases in state spending to the rate of growth in non-farm personal income, we can impose a discipline on state spending, and protect the people from the threat of government taking an ever larger share of their earnings. Over the past 10 years, state spending has increased 200% while non-farm personal income increased 106%. This amendment includes a provision that allows a two-thirds vote of both houses to override the spending limit in times of emergency.

There is a provision in this amendment which also requires that the state pay for programs it mandates for local government.

Fourth, I propose an amendment to create a bipartisan reapportionment committee. It is time that we remove reapportionment from the political arena. The people of Minnesota deserve a system which is free from partisanship. Our legislative and congressional district boundaries should be drawn to satisfy the best interests of the people, not for the advantage

of any one political party. And I want to commend this Legislature for having passed this bill for a bipartisan commission in both houses in the last session.

In conclusion, we live in a world filled with strife and controversy. We have quite enough tension. Yet, there seems to be great expectation by some that the next few months of this legislative session may well add to what presently exists.

It need not be so. That which binds us is vastly more enduring than that which divides us.

Let us approach the issues before us with the sense of commitment that serious issues demand if they are to be resolved.

-- With a touch of humility that gives us perspective on our own limits and others' strengths, something which may not come easily

-- With the understanding that the public good must prevail over individual advantage . . .

-- With the courage to lead at a time when leadership may be painful . . .

-- With the strength to persevere even when success may be uncertain . . .

With this kind of spirit we can do what must be done. And having done it, should that question come back before us, "Did our contributions have any lasting significance, any enduring value?" We will be able to say "Yes, yes we have made a difference."