



3 0307 00056 6532

810154



GOVERNOR ALBERT H. QUIE

LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA

State of the State Address

January 7, 1981

J
87
.M62
1981
Ja.
7

1981 State of the State Address

State of Minnesota

Governor Albert H. Quie

Mr. President, Mr. Speaker, Mr. Chief Justice, Associate Justices,
Members of the 72nd State Legislature, Fellow Constitutional Officers,
Governors, distinguished guests, friends and fellow Minnesotans,

Welcome back. I am looking forward to this legislative session--
as I'm sure you are. We have many decisions to make. They will not be easy--
they never are. But they will have a lasting impact on the future of this
state.

This year the State of the State message cannot be given without
looking at the state of the nation. We are gathering at a time of great
uncertainty and unrest. Daily we watch the indicators . . . how deep is the
recession? when will we start coming out of it? . . . how fast? We try to
read the signs. We remain fundamentally hopeful--but realistically cautious,
for we are still feeling the pain of a great economy struggling for new life.

We've seen prime interest rates soar to more than 20 percent, a major
auto manufacturer facing bankruptcy, a sharp rise in unemployment, a decline in
average weekly earnings, a continued rise in the Consumer Price Index, and
drastic declines in new housing.

The Middle East crisis again threatens our oil supplies.

Petroleum prices are increasing.

Energy rich states beckon industries from the energy poor states.

The recession has also hurt state and local governments.

Two years ago, state and local governments across the nation had an annual surplus of \$4.2 billion. Now, just two years later, it is predicted their combined deficits will exceed \$15 billion.

Minnesota has not been spared the effects of this recession.

Since we met, just nine months ago, many of our people have been through difficult times--and it's not over yet.

I found it necessary, because of falling revenue receipts, to cut back state spending by \$195 million for this fiscal year. If a majority of you in the Legislature can come up with a different way to handle the shortfall, I will be glad to work with you to find an amicable solution for the good of the people, since we still have six months until the end of the biennium.

This recession has meant our citizens have had to tighten their belts and live within their means. Is it any wonder that they expect the federal government, the state government and local government to do the same?

That is why the most important message that can come in this State of the State and the most important accomplishment of this legislative session would be this guarantee:

--No action by this Legislature which will increase the income or sales tax rates.

--No action which will cause property taxes to rise faster than the rate of inflation over the biennium.

Let me tell you why I so firmly believe that we must make this commitment to our people.

First, this recession has hurt. When people are working hard just to meet the house payments and pay the grocery bills, it is not the time to increase their taxes.

Keep in mind that if we compare the fall of 1979 with the fall of 1980, the actual number of jobs available was down 1.3 percent. Keep in mind that Minnesota is 19th among states in per capita income but eighth in the nation for its total tax burden, and 45th when comparing personal income remaining

after state and local taxes. We have the third highest personal income tax (before indexing), and fourth highest corporate income tax.

Before 1979, before we indexed our state income tax, Minnesotans' income taxes went up more than a third faster than their income. Money came into the state coffers so fast that in the 1978-79 biennium Minnesota's state government spending grew by twice the rate of inflation. Such a practice had to stop or Minnesota state government spending would continue growing at an astronomical rate--we should bear in mind that in the last 14 years, state spending has doubled three times.

That is why I made indexing the income tax one of the priorities of my campaign. That is why I continue to believe that adoption of indexing was one of the most important tax reforms in Minnesota's history. That is why I will resist any efforts to abandon indexing. This mechanism spreads the income tax brackets so that people whose incomes go up at the rate of inflation stay within the same brackets.

Now, when confronted with requests for new programs, we have to make the choice openly. Do we want to raise taxes and expand services? Or do we not raise taxes and basically let government spending grow at the rate of inflation?

We face that decision this session. It will not be an easy one.

There are still decisions to be made on the budget. I will announce those in my budget message in three weeks.

In the meantime, there are many optimistic signs for Minnesota's future that should encourage us. We need a larger view of our state's future than one which looks only at the next budget period.

Consider agriculture which accounts for about 45 percent of Minnesota's gross state production. We have a tremendous future as demand throughout the world increases for food and fiber.

One of the areas of concern for agriculture is transportation. If we produce food, and the world needs it, no one will benefit if we can't transport goods over highways, rail and water.

I have appointed a Task Force on Highways for Economic Vitality to review transportation needs and funding. It has finished its work and will soon send its report to me. I'm also waiting for a report from your Legislative Select Committee on Transportation. As soon as your task force has reported, I will call the two groups together to resolve any differences and then make my recommendation to you.

Minnesota's future also holds bright prospects for dramatic growth of our high technology industries.

Futurists predict that we are moving to an "information" society based on very sophisticated or "high" technology. As one informed observer recently said: "The United States is rapidly shifting from a mass industrial society to an information society, and the final impact will be more profound than the 19th Century shift from an agricultural to an industrial society."

Minnesota's computer industry will have a key role in the development of the information society. In several technologies--not just computers--Minnesota may also grow as a national and international leader.

Technology intensive industries provide the state with a broad and resilient economic base of high quality jobs for its citizens. Minnesota is generating small technology industries a rate two to three times the national average. These not only produce exciting jobs for Minnesotans but will assure America its position as the leader in technology production.

Throughout the United States we see five technological centers--Boston, the Washington-Baltimore corridor, the triangle area in North Carolina, Dallas and Houston, San Francisco. In the Midwest, there is no such center. With our industries, with the great research and teaching resources of the University of Minnesota Institute of Technology, we can become that center in the Midwest.

We have a tremendous opportunity for new jobs in high technology industries. And significantly, as we seek to meet our social responsibilities, we should remember that these companies have shown they can serve the central cities and reach minorities and the disadvantaged.

Minnesota's timber resources also give us great cause for optimism for the future.

More than 17 million acres in our state are wooded. That's fully a third of all the land in Minnesota. Almost 14 million acres are commercial forests, administered privately and by the state, federal or county governments.

Timber production and subsequent harvests can be substantially increased with improved timber management. According to the University of Minnesota School of Forestry, Minnesota forest production can be increased 25 to 40 percent.

I will be recommending significant steps to improve forest management. I want to commend the Legislature for the important steps taken by your Legislative Commission on Minnesota Resources. Because of your efforts we are ready for the next step in expanding the production, the harvest, the use, the jobs that will come with development of our timber resources.

As we take a broader look at Minnesota's future let us also remember that we are one of the most minerally rich states in the Union.

Minnesota has 25 percent of the nation's known copper resources and 12 percent of the world's known nickel reserves. Our mines produce 70 percent of the United States' taconite and iron ore. Minnesota has the only known cobalt deposit in the nation.

Even though Northeastern Minnesota has recently had economic difficulties because of a slowing in demand for steel, think what the problems would be without the research of Dr. E. W. Davis of the Mineral Resources Research Center, who developed the process for utilizing taconite. For a decade we have neglected mineral research; we must reverse that neglect and again support adequate minerals research.

Just as the creation of a taconite tax policy helped create that major Minnesota industry, we need tax policies for other minerals, particularly for mining of copper and nickel.

The development of our mineral resources can be of dramatic benefit to the people of our state, but we must extract and process those minerals in a manner which protects the high quality of our environment.

Maintaining the quality of life will also help to keep strong another key industry--tourism--which depends on the great natural beauty of our state.

In 1980, tourism contributed \$2 billion to our economy, employed 120,000 Minnesotans and gave us \$130 million in tax revenues. We should not forget the contributions of this industry. Our Department of Economic Development will maintain strong support for tourism.

I mentioned petroleum prices and supplies earlier, but there are some points of optimism about energy.

A crude oil pipeline from the south, adequate for our needs, is being constructed now and will be completed by this fall. If Canadian oil is cut off in the future we will have a means of bringing crude oil into Minnesota.

We have been successful in maintaining first priority for Canadian oil.

Money is coming in for development of alternative fuel.

We will be making headway in district heating.

Conservation efforts are paying off both in heating and in transportation: demand for gasoline is down 7 percent and demand for fuel oil has been reduced 12 percent.

Let me also note that as we continue to be concerned about the potential problem of industry leaving Minnesota for the energy rich Western states, we should not forget that the Western states are short of water. Minnesota is blessed with an abundant supply of good water. That should give us special incentive to make certain our water is conserved and kept clean.

Finally, we must never neglect our most valuable resources--our children--or forget the state's responsibility for their education.

As I have said before, one of the most difficult decisions I have had to make during my administration was to cut state aid to elementary and secondary schools when our revenues fell last summer.

The impact of that cutback was, however, cushioned substantially by the fact that most schools could draw on reserves that they had accumulated. When the \$89 million cutback was announced, it was estimated that school districts had \$285 million in reserves. These were, of course, accumulated in varying amounts by district. It should be kept in mind that the average amount of the recision equaled \$97 per pupil unit. However, 83 percent of the school districts, with over 91 percent of the students, had reserves in excess of \$100 per pupil unit.

Frankly, the main concern I heard when I announced the cutback was not just the impact of the cut this year, but its potential impact in future years. Let me repeat my pledge: I will recommend that we restore the base to the level before the cutback in each year of the next biennium.

I will recommend that we increase the state's share of aid to education by the rate of inflation.

These recommendations will give education the largest dollar increase in the history of the state.

Furthermore, the actions of the last legislative session reduced the local effort in Fiscal Year 1982 from 26 percent of the cost of education to 19.3 percent. In other words, the local property taxes for operating schools raised \$412 million in Fiscal Year 1981 and will be reduced to \$331 million in Fiscal Year 1982. This means the state will pay 80 percent of the cost of education and local property taxes will fund 20 percent. This funding relationship goes well beyond the intent of the Minnesota Miracle to have the state share 70 percent of education costs. We must review this funding relationship in the context of a commitment not to increase the income or sales tax rates and not to have property taxes rise faster than the rate of inflation.

With this obligation there is not room to fund my proposal to improve education in the kindergarten through third grade. Explicit state funding for that concept will have to wait, but I will continue to urge:

--That parents and teachers become stronger partners in the child's learning process.

--That schools hold class size down in the early years to provide for more individual instruction.

--That we continue to seek environments free from disruptions which impair students' learning.

As we now begin this 72nd session of the Minnesota Legislature, we take up the task of shaping the future of our great state. Let us be mindful of our past. Let us remember our forefathers who worked to build this great state. They farmed the land, laid out the roads, built the ports, mined the ores, developed the technology. They have given us a great state, strong, diverse, able to provide good jobs for our people.

True, we are in troubled times but we know our parents and grandparents suffered hardships far greater than we have now. Their material goods were less; for most, the physical work was harder, their lives shortened by disease.

We must also remember that during those same years, men and women have come to these halls, setting aside personal gain to seek the public interest. They have given us an outstanding school system, an extensive park system, a broad transportation system, compassionate social services and a national reputation for good government.

The challenge before this legislative session is to respect the contributions over the past century made by millions of private citizens and thousands of public servants and to build on their heritage.

That is an awesome, never-ending task. One that calls forth the best in all of us. Do we have what it takes? Are we equal to it?

Can there be any other answer worthy of us but yes?

Yes, we can do it--

If we have faith in ourselves, faith in our fellowman, faith in our God.

Yes, we can do it if we aspire to work at it, aspire to fulfill our responsibility, aspire to achieve our ideals.

Yes, we can do it if we care--care for those who are different, those less fortunate; care for the impact our actions have on our own families and our children's children.

Yes, we have what it takes if we care enough to work together to get it done.