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THE  
STATE OF THE STATE  
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*Minnesota*  
PREPARING FOR THE 1990'S

GOVERNOR RUDY PERPICH

A REPORT TO THE  
PEOPLE OF MINNESOTA  
FEBRUARY 9, 1988

## STATE OF THE STATE SPEECH

Mr. Speaker, Mr. President, Mr. Chief Justice, Members of the Court, Constitutional Officers, Members of the Legislature, and my fellow Minnesotans:

Five years ago I stood before you as a newly elected governor and told you that the state of our state was not good. My message at that time was basic — we needed to form partnerships, create jobs and balance our budget. I also said that Minnesota needed a long-range plan to see where we were headed five, ten and twenty years down the road.

We are now five years down that road. Tonight I stand before you to report that the state of our state is good and will continue to get better. We have paid off our debts by forming the partnerships that have put 306,000 people back to work. I'm really proud of that. And we have a long-range plan — a blueprint for job creation — to carry us into the 21st century on the strength of brainpower.

Our blueprint is faithful to Minnesota's heritage of action through partnerships. It does not include any quick fixes or free rides. It concentrates on hard work, homework, teamwork and — above all — meaningful work for every Minnesotan.

We are moving ahead with the blueprint on four main fronts.

First, we are improving our system of educational excellence so that our children can become the most creative and talented workforce in the world.

Second, we are expanding our applied research and development programs to transform fresh ideas from the classrooms into high technology jobs for our economy.

Third, we are reforming our tax system and making our government services more efficient. We are balancing our taxing and spending so that our businesses are profitable and all of our people are given the opportunities that they deserve.

And fourth, we are continuing Minnesota's tradition of strong environmental protection that is so basic to our health and quality of life.

Already, this blueprint for job creation has helped us to **act** before we have to **react**. We have replaced budget deficits with a budget reserve that insures us against financial uncertainty. We have dropped Minnesota's tax rate out of the top 10 in every category of personal income tax. After years of being in debt, our Unemployment Compensation Fund is at \$145,000,000. Our unemployment tax rate is down to twenty-first in the nation and is lower than three of our neighboring states.

The main reason for this improvement is that we have put people back to work. In the past year alone we created over **70,000** jobs in Minnesota. Over one-half of those jobs, I'm very happy to report to you, were created in Greater Minnesota.

And we have saved jobs, by tackling the tough issues during the most difficult times.

In the midst of the farm crisis we created the first — and the best — farm mediation program in the country. It helped thousands of Minnesota farmers to survive and reap last fall's record harvests. When the federal government saw that Minnesota had the lowest rate of farm bankruptcies among agricultural states, they adopted our mediation program as a national model.

The same thing with mining — partnerships saved jobs.

We joined with organized labor, Minnesota Power and Light and the taconite companies to make our taconite industry more competitive in world markets.

This year, **every one** of our six plants will be at full production, producing 40,000,000 tons of taconite, our highest output in seven years.

Yet another success is our wood products and timber industry, where the private sector has invested over one billion dollars over the past five years and plans to invest \$1,400,000,000 in the next five years.

Our share of the national jobs in wood products jumped from 7 percent to 14 percent and our use of wood fuel saved Minnesota consumers \$740,000,000.

As we rebuild farming, mining and wood products, our job growth continues in the high technology industries such as computers and health care.

It adds up to a strong, robust economy throughout Minnesota.

But there is still plenty of work that needs to be done. The people of Minnesota expect me to back up my beliefs with personal leadership and programs of substance.

That is exactly what I will continue to do.

The legislative proposals I present tonight are bold, but they are not surprising. They continue the familiar theme of jobs, jobs, and more jobs.

Jobs through educational excellence, jobs through applied research and economic development, jobs through tax reform and jobs through a clean environment.

That is the blueprint. Here are the details.

I begin with education because education lays the foundation for everything we do in Minnesota. It consumes nearly one-half of our state budget. But every cent we invest in education produces dividends in our future economy.

I am proposing a series of reforms to improve what is already the lowest dropout rate in the nation. Our goal is "96 by 96," a 96 percent graduation rate by the year 1996.

To help our young children who have learning difficulties, I propose that local school districts be given the opportunity to invest in Early Childhood Education programs. We will also increase funding for our Head Start programs. Each dollar we invest in Early Childhood Education saves us nearly five dollars in spending later on.

I also propose that we offer Extended School Day programs in our schools from dawn until dusk. These programs will lower the dropout rate and help bridge the time gap between a normal school day and a normal work day.

In public hearings around the state, I have heard the anguish in the voices of working parents. I've heard this time and time again as they describe the choice between going on welfare and leaving their children alone because they cannot find affordable childcare.

The choice is even more tragic when the parent is in high school. Teenage pregnancy is one reason why one-half of the long-term users of Public Assistance in Minnesota are dropouts.

I am determined to break this cycle of poverty.

Beginning July 1st, school-aged welfare recipients must stay in school to be eligible for full benefits in Minnesota. For this plan to work responsibly, we need childcare for our high schools.

I have visited the childcare facilities in the Technical Institutes. For as long as I have been in public service, nothing has made me feel better than watching the students eat lunch with their child or children, return to class and then go home with their children at the end of the day.

Finally, I propose that state aid be extended to any adult who wants to come back and finish high school.

This package of reforms will deliver the message that it is never too early or never too late to learn in Minnesota. It will confirm that we do not drop people out of our school systems; we keep people in and bring people back so they can earn a diploma and a decent living for themselves and their families.

We will also challenge our students to set higher standards for themselves. So I propose a voluntary Governor's Scholarship Test at the 6th and 10th grade levels. Students who score at the top 25 percent on their test will receive a certificate as a Governor's Scholar. The top two achievers from each school district will be awarded a free quarter of college tuition when they graduate from high school.

I'm sure you can imagine with me the appetite for learning among 6th grade students who have already earned a stake in their post-secondary education!

To match that competitive enthusiasm with a sense of civic duty, I also propose naming Governor's Scholars for community service in each school district. By tutoring their classmates and promoting literacy in their neighborhoods, these students would receive the same tuition incentives as the academic scholars.

While visiting Marshall High School in Duluth last fall, I saw for myself the beauty of the best and the brightest students teaching their peers. A gleam of excitement and gratitude was in everybody's eyes. It was contagious. This kind of teamwork continues Minnesota's great heritage of action through partnerships.

It is the kind of teamwork we need if we are to compete effectively in the world economy. The information age has taken over the workplace. The jobs of the future rely more and more on applied research and the refinement of ideas.

It used to be that you learned a trade and that was your job security. But today, high-technology jobs are being restructured at least every seven years. Our workers require constant re-education and training to keep pace with our changing technology.

To protect and prepare our working people, I propose a Minnesota Employment and Training Fund.

This fund would help retrain workers who have been laid-off from long-term employment due to plant closings and other severe shifts in the economy.

It would inspire more Minnesotans like Marilyn Wolfe of Bemidji to discover new skills. In the summer of 1982, Marilyn was a 39-year old single parent of two who had been laid off from her job at U.S. Steel's Minntac Plant at Mountain Iron, Minnesota. She made the courageous decision to go back to school.

Marilyn sold her possessions and took a series of part-time jobs in order to attend the Technical Institute of Eveleth. After transferring to Bemidji State, she got straight A's on her first report card. She decided she wanted to maintain that record for four years, and believe it or not she did — a straight 4.0 — all A's!

Last summer Marilyn went to Harvard.

This year she is attending the Yale University School of Organization and Management.

Who knows what this remarkable woman will do next?

I'd like to present to you Marilyn Wolfe!

There is much more that could be said. Her son went back as a mechanical engineer. Her son-in-law, who also had lost his job, will be an electrical engineer. So, from a blue collar family she's creating a family of people all going to college with college degrees. Isn't that wonderful?

I appointed Marilyn to the Minnesota State Board of Vocational Technical Education in 1983. During her two years on the board she constantly worked at finding ways to help non-traditional students to cope with the problems of getting an education.

The Employment and Training Fund is a response to her advocacy and a tribute to her determined spirit, a spirit that should be encouraged in every Minnesotan.

Retraining our workers is one piece of the partnership we need to succeed in the world economy. The other pieces are a first-rate post-secondary educational system and a program for applied research and development. -

We have begun the Commitment to Focus at the University of Minnesota, an important investment in our economic future. As we streamline the University's focus, we must establish our community colleges, our state universities, and our technical institutes as magnets for regional high-technology business growth.

That is why I have come to Winona this evening. This campus, this city and this region are a perfect example of how partnerships between business and education can stimulate economic development.

Under the outstanding leadership of President Tom Stark, Winona State is an active participant in a county where the unemployment rate is under five percent.

Thousands of people in this city are designing, manufacturing and selling the high-technology products that shape our future.

The Watlow Company is a world leader in the design of environmental test chambers.

The Fiberite Company makes heat shields for NASA rockets that endure temperatures up to 6,000 degrees.

Both companies are expanding in Winona — creating more high-paying jobs to anchor the community.

Winona State's new engineering program is specifically designed to provide these companies with skilled workers from among the local residents. These community partnerships form the essence of our blueprint for job creation.

We can see it in the training provided by the Winona Technical Institute. We can see it in the proposed expansion of the Rochester Center just west of here, where high-tech companies like the Mayo Clinic and IBM will invest in the education of local students to create quality jobs in that community.

At the government level, we must back up our support for these partnerships with bricks and mortar. Higher student enrollments are bulging the seams of our campus facilities at Mankato, Winona, St. Cloud and many other campuses. We must expand to meet the demand. We must develop creative programs like the proposed Agricultural Research Institute and the International Language Villages at Concordia College, which help us to think globally and act locally.

We must accommodate and channel the brainpower that is crackling in every corner and community of Minnesota.

Our public-private partnerships are joined together by the Greater Minnesota Corporation, which paves a path for innovation from the classroom to the marketplace.

The GMC is the most strategic long-term job growth effort ever launched in Minnesota. It is a public corporation that operates like a business.

To protect itself from politics and swings in the economy, the GMC has invested its seed money. It will operate only on the interest and profits from that investment.

Let me give you just one example of how an applied research program like the Greater Minnesota Corporation can help create jobs in Minnesota.

University researchers in England and an agricultural lab in Illinois have come up with a way to produce biodegradable plastic bags using cornstarch. Consider the possible benefits from this single product.

A new market for millions of bushels of corn from Minnesota farmers.

New jobs for people who produce, market and distribute the bags.

Most important, a product that is compatible with Minnesota's tradition of environmental preservation.

The GMC will speed up the process that turns ideas into jobs.

No wonder former Governor Elmer Anderson has said:

"In launching the Greater Minnesota Corporation, we may have an agency that will be hailed fifty or one hundred years from now as having generated a new level of prosperity and growth for our state.

"The Greater Minnesota Corporation comes at a strategic moment in the state's history, and can make an enormous contribution in the future."

Governor Anderson is right. To develop the products of tomorrow we need the Greater Minnesota Corporation.

There has been talk of raiding the GMC treasury to finance short-term programs in need of funding. This would be like burning our clothes to stay warm, or, as Senate Majority Leader Roger Moe has said, "It's like eating our seed corn." It's short-term thinking that

would shortchange our efforts to revitalize Greater Minnesota.

Another element of our blueprint for job creation is tax reform.

I have pledged to you that we will have a tax system that is competitive, fair, simple and job-creating, and I have held myself to that pledge despite the pressure of special interest groups.

Let me be specific.

Our competitive tax system cut personal income taxes by 26 percent. We dropped our income tax rate from 4th highest in the nation to 16th.

We cut the corporate tax rate from 12 to 9.5 percent, dropping the rate from the highest in the nation to 9th.

We cut our inheritance taxes down to the lowest in the nation.

And just last week, the Minnesota Taxpayers Association lowered Minnesota from 6th to 12th in total state and local tax collections per capita, the lowest ranking we've had in 17 years.

Last year, our Fair Tax System closed loopholes and special tax preferences. We required 8,000 corporate taxpayers to begin paying corporate taxes. We dropped 125,000 low-income Minnesotans from the tax rolls.

As a result, three out of four Minnesotans will be paying the **same tax or less tax** in 1988 than they were in 1986.

We simplified the tax system which allows two-thirds of Minnesota's taxpayers to fill out a tax form that has been reduced from 46 lines to nine lines.

That's right, from 46 lines to nine lines.

On the other side of the coin, we have increased the efficiency of our government services. We deliver quality services in state government while ranking 47th in the number of state employees on a per capita basis.

Our award-winning STEP program has come up with more than fifty ways to save money and improve services.

STEP is currently the subject of a case study at Harvard. It has quietly made a big impact on our state government and I am very, very proud of the people that are involved.

We will continue to improve government efficiency and reform our tax system.

This year I am proposing a major reform in our property taxes. We will reduce the number of property tax classifications from 68 to 4 and cut our Commercial/Industrial property tax rate by ten percent.

This continues our effort to produce a tax system that is competitive, fair, and simple; a tax system that helps create jobs in Minnesota.

I am confident about our economy, and our ability to create jobs. But the stock market crash on Wall Street and the huge deficits in Washington show us that we must be careful with our money. This means keeping our budget reserve at its current level of \$345,000,000.

Last but certainly not least, our blueprint for job creation requires respect for our environment. We are a state of clean air, sparkling blue water, golden prairies and vast green forests. The beauty of our physical environment is Minnesota's blessing. The preservation and maintenance of that beauty is Minnesota's duty and a noble part of its heritage.

We had the nation's first — and strongest — acid rain standards. More recently, our Reinvest in Minnesota program helped farmers transform acres of fragile and marginal lands into habitat for our fish and wildlife. But we must continue to be vigilant and take steps to protect our resources **before** they become endangered.

It is in that spirit that I propose a Comprehensive Waste Reduction and Recycling Act. This Act will help us regulate what goes into our landfills and prevent the contamination of our precious groundwater.

For every 100 bottles and cans we use, we recycle only three of them. The 12.5 million cubic yards of solid waste that we generate each year could fill up the Metrodome a hundred times, or about twice a week. You can see why our landfills are overloaded and why we need to do something about it.

The Recycling Act would coordinate our local recycling programs and give them enough money to be effective.

This money would come from a small deposit on beverage containers and a fee on non-degradable plastics that can't be recycled. Every Minnesotan should have the opportunity to recycle and to protect our groundwater. Passing this Recycling Act will give us that opportunity.

The final proposal I will make tonight will correct a basic flaw in our Environmental Protection Plan — the lack of a long-term funding source. Piecemeal funding for our environment is not enough. The truth is, adjusting for inflation, the money we spend to protect our natural resources has not grown over the past twelve years.

This is why I propose a Minnesota Environment and Natural Resources Trust Fund. This trust fund will provide the stable, long-term source of money needed for the care of our land, our air and our water.

The great Minnesota Naturalist Sigurd Olson has said:

“Our most important goal is preservation of the land which is our home. To survive, we must be eternally vigilant and embrace the broad concept of an environmental ethic.”

The Minnesota Environment and Natural Resource Trust Fund would establish that environmental ethic so necessary to the survival of our children and grandchildren.

To fund this long-term initiative, I propose that the Legislature put the question of a state lottery on the ballot for the people to decide. And if the people approve the lottery, I propose that half of the proceeds be earmarked for the Environmental Trust Fund, and that the other

half go for the Greater Minnesota Corporation. This would provide us with tremendous environmental and job-creating benefits for decades to come.

A common thread has run through the proposals I have made this evening. They each represent durable policy, and focus on creating jobs both now and in the future.

From our “96 by 96” reforms and our bonding bill for education to our Employment and Training Fund. . . .

To the Greater Minnesota Corporation . . .

To comprehensive tax reform . . .

Up to our Environmental Trust Fund . . .

The components of our blueprint for job creation prepare us for a secure and prosperous life — both now and in the 21st century.

We have worked long and hard to get to this point. We have carved out a program for educational excellence that has become a national model. We have established a public corporation for economic development that has the savvy, the flexibility and the clout to create jobs in Minnesota.

We have totally overhauled our tax system. We have used the resources of our environment with a healthy respect for the consequences.

Now we are poised and determined to follow through on our blueprint for job creation. I look forward to working with the Legislature to enact this blueprint, forming the legislative partnership that expresses the will of our people.

I will tell you quite simply that I love the land and the people of Minnesota with all my heart. I am proud of the heritage that is Minnesota. And I will do everything in my power to uphold that heritage.

Thank you and good night.