

**Governor Tim Pawlenty  
State of the State Address  
Rochester, MN  
January 18, 2005**

At 1:00 this morning, a dozen huge garage doors behind me flew open and this facility came alive as more than 15,000 blood and tissue samples began arriving from across the country and around the world. They're unloaded, processed and prepared for analysis - before noon!

That happens every day here because the Mayo organization of Rochester, Minnesota, does it better and faster than any place on the planet.

But, 19 months ago, this building was empty and dark.

The company that had built it just a few years earlier at great cost, moved its business and over 800 good jobs out of the country.

It was a major blow to the Rochester area and the entire state.

Today, almost 700 jobs have returned with more on the way! It's a great *Minnesota* comeback story.

So, what can *we* learn from it?

It tells us that Minnesota needs to be a global competitor.

It reminds us that excellence matters and has a magnetic impact.

It tells us again that science and technology are really important in the modern economy.

It reinforces the importance of doing things fast.

It again shows us the incredible value of an educated, innovative and productive workforce.

It reminds us of the importance of public-private partnerships. This site was enrolled in our JOBZ program *the very first day* the program became available.

And finally, it highlights the vast number of jobs that big economic engines like the Mayo Clinic produce – they're Minnesota's booster rockets.

We all need to grasp the importance of the Rochester model. They're a successful global competitor. Why? Because they have seamlessly integrated science, technology, infrastructure, entrepreneurship, a partnering role for government, and lots and lots of hard work. Global competitiveness is Minnesota's strategic objective. We have lots of work to do to get us there.

We've faced a lot of challenges -- the recession, the war, the ongoing threat of terrorism. But despite all that, Minnesota has tackled some tough problems and together, we've made progress.

When I became Governor, Minnesota had a mammoth \$4.5 billion budget deficit and zero reserves.

We'll end the current budget cycle with the books balanced and our reserve and cash flow accounts restored.

For sure, more budget work needs to be done, but we've made tremendous progress.

We're now requiring our students to be measured against clear and workable education standards.

We've taken major steps to rebuild our roads and bridges and to protect our environment.

We're the first state in the nation to launch a program to help needy seniors obtain safe and lower-cost prescription medicines from Canada. And I will continue to urge the folks in Washington to open their eyes and fully open our doors to these needed medicines.

We've launched the Smart Buy purchasing alliance that will show the nation how the health care market can be transformed to save costs and improve quality.

Our traditional economic engines of agriculture, mining, timber and manufacturing are all displaying new signs of growth, opportunity and renewed vitality.

And, through our JOBZ program and other means, we're adding jobs and growing the economy across the state.

That last point is important because our progress needs to be measured by how much the *private sector* economy is growing, not how fast *government* is growing.

High paying jobs are the key to our quality of life. Good jobs give our citizens the ability to take care of their families and freedom to enjoy life as they choose.

The main credit for our recovery belongs to our job creators and working families, not government.

This is not the first time that the importance of job growth has been emphasized in a State of the State address. You might remember that Governor Arne Carlson presented the State of the State address here in Rochester in 1994. Let me quote exactly what he said in that speech about the connection between jobs and taxes:

"If we care about jobs, we must take a long-term *pledge* not to raise taxes – not now and not for years to come. *Government can and must live within its means.*"

Amen to that, Governor Carlson!

A great deal has been said about my commitment not to raise taxes. It's a core value -- it's common sense -- it's important to keeping and growing jobs -- and it's mainstream!

If you have any doubts about whether taxes are a competitive issue, look at nearby states. The *Democrat* Governors in the Midwestern states of Iowa, Michigan, Wisconsin and Illinois are all tackling their budget challenges while pledging not to raise taxes. They're joined by *Democrat* Governors in other job-seeking states such as New Mexico and Oregon.

And while every state is different, Minnesota hasn't exactly been tight-fisted in the last ten years. Since Governor Carlson gave his State of the State Speech here in 1994, state spending has nearly doubled.

Inflation and population grew nowhere near that fast. I say again, we don't have a tax problem, we have a spending problem.

Keeping a lid on taxes is not just good for the taxpayer. It's a powerful way to force government to be more accountable, set priorities and spend smarter. Let me repeat that: more accountable, set priorities and spend smarter—that's what we need to be about.

But, there's much more to preparing Minnesota to become a global leader than just that, and we need to get moving.

A hyper-competitive, fast-changing world demands that we approach things anew -- or we'll be passed by.

Minnesota has more exposure to this risk than you might think. Our past success sometimes gives us a complacent attitude about change and the need to try new things.

But listen to the words of visionary organizational leader Peter Drucker. He says this about the future:

"The things that got us *here*, will not get us *there*."

The strategic mentality of too many of our public leaders today can be summed up as, "but this is the way we've always done it."

We need to embrace change. We need to be bold.

And, most importantly, we need to get moving.

The people of Minnesota are ready for action.

To the leaders in the room and to the leaders across Minnesota, I ask the question: are you ready for action?

I say--Let's go Minnesota. Let's get moving. We've got work to do.

It starts with setting priorities.

Let me introduce you to Sara Gray. She's a senior in high school from Columbia Heights. She's 17. On the outside, she looks like a typical Minnesota teenager. She gets good grades. She was a cheerleader. She works at the Taco Bell. But she's more than that. She's a soldier in the United States military.

I met her at a battalion meeting recently. I asked her why she signed up. I'll never forget her answer. She told me, "Governor, I want to serve my country. I want to give back what this country has given to me: freedom and protection." Our freedom and safety are in good hands with people like Sara and all of the men and women in our military. Join me in thanking Sara and all the people who serve.

Minnesota's military members need more than our words. They need our help and support. That's why I'm asking the legislature to pass and fund additional financial incentives for service in the Minnesota National Guard as one of this session's top priorities.

Next, we need to improve the way we educate our children. Minnesota has a right to be proud. But, our system of education was designed a long time ago. It needs to be updated and modernized.

Last week, I announced my K-12 school funding plan. It will increase average per-pupil funding by 5.4 percent.

My proposal offers even more incentives to school districts and unions who agree that teachers will be paid for performance, not just seniority.

Minnesota is filled with many wonderful teachers, but the way we pay them is outdated. It's not geared towards accountability for results, and it doesn't treat teachers like professionals.

You get what you pay for. If we pay for results, that's what we'll get. It's common sense -- it will help kids learn, and it will work.

We also need big changes in our high schools. Too many of our 11<sup>th</sup> and 12<sup>th</sup> graders have academically "checked out."

Our "Get Ready, Get Credit" initiative will give them and their parents a powerful incentive to check back in. We propose to allow *every* high school student to earn college credits without ever leaving their high school building.

Under our proposal, a student who takes college preparatory classes and passes an exam -- paid for by the State, by the way -- will receive college credits as if the student had taken and passed the class in college.

Our students will learn more, spend less time in college, and save mom and dad and themselves lots of money. They'll go further, accomplish more and do it all more quickly.

Our need to improve education is not limited to K-12. Higher education is not changing as rapidly as the marketplace or demographics in certain parts of the state.

A prime example of that is here in Rochester. The Rochester area is projected to grow 70 percent in the next twenty five years, and its economic vitality is growing even faster. Rochester needs a strong higher education leadership structure with the responsibility and authority for decision-making, and commitment to focus, coordination and planning for the future.

That's why today I'm announcing a proposal for the Rochester area to take greater control over its own higher education destiny. Today, I propose that we create a university here in Rochester.

The first step in this process will be to create a legal and governing entity that will be responsible for all current operations at the University Center -- with the exception of the technical college which will remain untouched by this proposal.

The governing entity would have the option of maintaining current operations and courses or changing the focus to better serve the needs of students and the community. In the future, it might choose to become part of an existing institution of higher education. My budget announcement next week will include more than three million dollars to get this new University leadership structure started.

We also need to encourage other institutions of higher learning to try new things as part of an effort to better serve their students and Minnesota. Specifically, campuses are trying to be everything to everybody. Our resources would be better utilized if we moved towards a Center of Excellence model.

Winona State University President Darrell Krueger is living proof that the words "entrepreneur" and "educator" can go in the same sentence.

He recently announced his retirement. As he did so, he proposed a bold new direction for Winona State. He calls his proposal "Do more, with more."

He proposed increasing tuition at Winona State and using the additional resources to create a center of excellence in Winona. I'm pleased to support his exciting, innovative approach. While it may not be the right model for all our campuses, it's definitely worth a try at Winona.

I'm also intrigued by the changes made in Colorado recently. They'll now send about two-thirds of their total state higher education appropriation directly to students rather than funding higher education institutions and bureaucracies. This will empower the customers -- students and their parents -- to make choices that best suit their needs.

I've asked Susan Heegaard, Director of HESO, to work with stakeholders to create a plan which would move Minnesota further toward funding public higher education students rather than institutions. Of course, accommodations will need to be made for high cost programs or colleges located in sparsely populated areas. I've directed her to have this plan ready for presentation during the 2006 session of the Legislature and for implementation in the 2008-09 State budget.

Under this approach, colleges will need to be more accountable to their customers, more responsive to the marketplace and more accountable for results to succeed.

Next, we need to make new investments that will make Minnesota more globally competitive. The list of investments to be made is long but let me focus on one as an example.

Minnesota is the home of two world-leading medical research institutions located 90 miles apart. Historically, the University of Minnesota and the Mayo Clinic have been competitors.

Two years ago, I was here in Rochester to announce they are now going to work together. This historic partnership will leverage the power of these two great institutions beyond what they could accomplish individually.

The strength of their coming together will be an awesome force in the world's medical research marketplace, and it will bring great benefit to Minnesota.

The partnership I announced two years ago had two key components. The first is construction of a new Mayo-U Genomics Lab here in Rochester. It was in my bonding bill proposal last year, and it's in my bonding bill proposal this year. I thank Speaker Sviggum and the House for passing a bonding bill last year with the project in it. I'm hoping both the House and the Senate will do the same this year.

But, I want to be perfectly clear on this point: I won't sign a bonding bill this year without this project in it.

The second part of my partnership plan is operating funds for research. We allocated a few million dollars last budget cycle as part for a pilot project to test the partnership and its effectiveness. It worked really well. Today, we're making the next installment payment and committing 20 million dollars more in funding for research. Fifteen million dollars will come from the State.

And, I'm really pleased to announce that private sector partners are willing to help. The first partner to step up is Medica. Today, Medica is announcing a commitment of five million dollars. Please join me in recognizing and thanking David Tilford, CEO of Medica, who is with us today and whose foundation has committed the first legacy gift. I'm also excited to tell you that other partners will soon be joining and the total research amount will likely be well over the 20 million we're announcing today.

Next, if Minnesota is going to be an effective global competitor, we need to reform and improve our health care system.

We have two main challenges in this area:

The first is that families and employers are being squeezed by health care premium increases they can't keep up with.

They need relief. That's why we've formed the Smart Buy purchasing alliance to leverage the bulk purchasing power of sixty percent of Minnesota consumers to demand better health care at a better price.

We are also proposing to empower consumers by expanding and encouraging the use of Health Savings Accounts, which are like IRAs and 401Ks, except they're for health care.

They put consumers in charge and provide more health care choice and flexibility.

The other big challenge is that our government welfare health care system is out of control and growing at a rate that will consume almost all of the state's budget within 15 years. If we don't get this under control, it will bankrupt the state and strangle our ability to fund our other priorities such as schools and roads.

The long-term viability of those programs – and the state budget as a whole – demand responsible decisions now.

Some will argue that we should raise taxes rather than slow the growth in these programs. That is simply unrealistic. Income tax revenues would have to double every eight years to pay for these programs at their current rate of growth.

We must restrain the growth in these programs to sustainable levels by wisely and humanely changing them so they are comparable to surrounding states, and more focused on those with the fewest resources and the greatest needs.

Next, Minnesota can lead the way globally by being the “renewable fuel capitol of America.”

We are already well on our way, and this year we will cement our lead when the Legislature passes my initiative to double the amount of ethanol in gasoline sold in Minnesota. Utilizing homegrown renewable fuels is good for our farmers, it's good for rural economic development, it's good for national security, and it's good for the environment.

I would much rather have the fuel in our cars come from the Midwest than from the Middle East. Let's make Minnesota the Saudi Arabia of Renewable Fuels.

Next, if Minnesota is going to be a successful global competitor, our government needs to be more dynamic, more responsive, and more accountable to the people. When it comes to spending the people's money, we shouldn't be afraid of the people. Today, I'm proposing what I call "Turbocharged -- Truth in Taxation."

When each Minnesota taxpayer receives their annual "Truth in Taxation Form" in the mail, there will be something else in that envelope: three postcards -- one each for the county, city-or-township, and school district -- the postcards will be called the Taxpayer Satisfaction Survey.

The postcard would enable taxpayers to mail in a "no" vote if they think a levy increase goes beyond a reasonable level.

If significant dissatisfaction is registered, a levy referendum on the amount of increase above a certain level will be triggered.

We've got to trust the people. So once again, I also ask the Legislature to pass a carefully drawn and limited form of Initiative and Referendum.

We need to allow the people the chance to directly speak on the major issues of the day.

There are many other issues facing Minnesota. Let me address just a few more.

In my address last year, I spoke on the issue of gaming. My preference then is my preference now: to keep gaming within its existing contours, but to explore a better deal for all Minnesotans.

My hope was that tribes with large casino gaming interests would make a fair payment to the state in exchange for being granted a monopoly and other benefits. It appears they're not interested in such an agreement.

As a result, we're left to explore other alternatives. We'll have more to say about this in the coming weeks. I will note that we are pleased with our discussions with the Tribes in Northern Minnesota that represent 85 per cent of Native Americans in our state.

We also have critical work to do to improve our public safety.

Methamphetamine addiction is an epidemic, a crime wave and a social tragedy rolled into one. We need new BCA agents, new penalties, new jails, new treatment options and new clean-up standards to deal with this new and deadly drug.

We also need to better track, convict and lock up sex offenders for as long as possible. I urge the passage of legislation that accomplishes this as soon as possible.

In addition to public safety, we need to make progress in protecting and improving our beautiful natural resources. Our world leading quality of life depends in part, upon the enjoyment Minnesotans get from the great outdoors and our beautiful natural resources.

My bonding proposal includes significant funding to improve the environment and our natural resources, including the next round of CREP funding. It's imperative that we secure funding for that initiative this year. We also urge the Legislature to pass our proposal to create a new Conservation Heritage Foundation and pass a Constitutional Amendment to further dedicate funding for natural resources and the environment.

We all know that in a fast-changing, hypercompetitive world, we can't compete if we don't change.

But change we must.

Minnesota loves disproving those who say "it can't be done."

Can't be done?

Right here in Rochester, we have both the world's best hospital and the world's fastest computer – in a town of 85,000 people. Go figure.

We have the highest graduation rates, the broadest health care access, and the greatest level of home ownership and workforce participation in the country.

And we did it all with a small population in a cold state that coastal big shots refer to as “fly-over land.”

Minnesota prides itself on overcoming that stereotype.

We know that creating jobs, educating kids and the other important work of government, takes brains, guts, speed, leadership and action.

So, what is the state of our state? The state of the state is good, but not good enough. So we’d better get to work.

We need to get bold. We need to get together. We need to get moving. And we need to do it now. Join me and let’s go!