

STATE OF THE STATE ADDRESS
Governor Tim Pawlenty
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Saint Paul, Minnesota

Not far from here is a Saint Paul city park called “Swede Hollow.” For decades it was a disadvantaged area of the city. There were none of the normal comforts. Phalen Creek was their sewage system.

In the 1930s, the Sanchelli family lived there. They were new to America and they worked hard. The Dad in the family was Tony. He would come home after his shift and stand on the bridge over the creek. In a wonderful voice, he would sing out over the Hollow: “America the Beautiful.” You know the words... for spacious skies...and amber waves of grain... God shed his grace on thee.

When moms would try to put their kids to bed, children wouldn’t go to sleep until they’d heard Tony sing. The lesson is, that even back then, and even for folks like Tony who didn’t have much, Minnesota has always been a land of great opportunity and beauty.

We here serve a caring, creative, and hard- working people. A state of innovators. Their energy and compassion are writing a beautiful new chapter in Minnesota’s history.

Thank you all for your warm welcome and your enthusiastic spirit of service.

All elected officials have a challenging job. On behalf of all Minnesota, I’m grateful for your service, and for the sacrifices your families make that allow you to serve.

I particularly want to thank the four people who know me best... but love me anyway: my wife Mary, my daughters Anna and Mara, and especially my mother-in-law, Beulah Anderson. Thank you for your love and support.

Today the state of our state is strong, hopeful, and prosperous.

- Our people are working.
- Our students are learning.
- And our citizens are healthy.

Despite challenges all around us, our success abounds:

- We’re America’s healthiest state.
- We have just about the lowest poverty rate in America.
- We have one of the lowest unemployment rates in the country.

- We have the highest performing students.
- We lead the nation in the percentage of our citizens who have health insurance.
- And we're nationally recognized for our water, great outdoors, renewable energy, and quality of life.

All of us who have been called to serve in this awesome building have a spectacular opportunity. Every one of us comes to this place with ideas and a passion to make things better. Let's turn that potential into results and show the country how it's done.

While it hasn't always been pretty, we've accomplished a great deal together:

- We've completed the biggest financial turnaround in Minnesota history, going from a 4.5 billion dollar deficit to a billion dollar surplus.
- We regained our status as the nation's innovators in education by becoming the first state to adopt performance pay for teachers.
- We tossed the Profile of Learning and instituted clear, relevant educational standards.
- We started to change high school so students can make better use of their time and earn college credit.
- We laid the groundwork for a world-class higher education institution in Rochester.
- We developed report cards so parents can evaluate schools and senior citizens can evaluate nursing homes.
- We delivered a zero percent increase in premiums for state employees in our award-winning Minnesota Advantage program, because labor and management worked together to control costs.
- We launched an historic partnership between the University of Minnesota and the Mayo Clinic to advance human health, genomics, and the biosciences.
- We fought back against meth dealers and sex offenders.
- We implemented the largest transportation funding package in modern history. I thank Lt. Governor Molnau for her strong leadership on this and so many other issues.
- We provided funding for the vital Northstar commuter rail line from Big Lake to Minneapolis, and I'm delighted that we've received final design approval from the federal government just yesterday.
- We created the JOB-Z program to bring thousands of needed jobs and millions in capital investment to greater Minnesota.
- We focused on the key role livestock producers play in our agriculture economy and are helping them to innovate for the future.
- We doubled our ethanol standard, increased wind power, and implemented America's first biodiesel requirement.
- We're reforming and streamlining state government through our "Drive to Excellence" effort. And it's producing results.

- And we were the first state in the nation to implement a program so our citizens can buy safe, affordable prescription medicine from Canada.

But there's more to do.

My goal as governor is to make Minnesota the best state in which to live, work, and raise a family.

But we can't succeed unless we prosper economically.

All of us crave security.

But in this viciously competitive world, there is no security without real prosperity. And there is no future prosperity without innovation.

Look at General Motors. Look at the airline industry. Look at the stagnant economies of Western Europe. They all made promises they can't keep because they can't back them up with real prosperity.

In a changing world, our future success depends on our ability to innovate. That's great news, because innovation is what Minnesota does best.

Let me tell you about what's happening in a really innovative town I've visited several times: Benson, Minnesota, population of about 3,300.

Anytime you create something everyone needs from something nobody wants, you're getting somewhere.

On one side of town, they're building an energy plant that creates electricity from turkey droppings. With over 46 million turkeys, Minnesota has a lot of droppings.

Nearby, they make over 45 million gallons of ethanol at the Chippewa Valley Ethanol Company.

To expand their operation, they started making vodka out of wheat and rye.

Now, in order to make their business more efficient, they're beginning to use biomass energy--burning corn stalks and husks--to replace their use of natural gas.

They have another company in town called Future Products, which is using corn to make everything from plastic containers to tee shirts.

Benson, Minnesota, a little town on the prairie, beat winning author Thomas Friedman to the punch. He says: America can win the coming global economic battle because America is “the world’s dream machine.”

Let’s lift up Minnesota as America’s dream machine, the nation’s leader in innovation.

A few years back a couple of Minnesota brothers, Ron and Dan Shimek, dreamed of a new way to heat homes--a fireplace that had no chimney, that ran on gas. They built a prototype in their garage.

And the first time they flipped the switch, it blew up the living room. But they didn’t give up. They tried again. Fifteen patents later, they were the largest maker of gas fireplaces in the world!

Minnesota is successful, but our future isn’t guaranteed. We have to go out and win it in a hypercompetitive, global economy.

Nostalgia is not a strategic plan. And as Bill Gates says, “Success is a lousy teacher. It seduces smart people into thinking they can’t lose.” The challenges we face are big, different, real, and they are here.

One of our modern icons is the iPod. It entertains us with music and video. But it’s a reflection of the world we live in now.

Technology today gives almost everybody access to almost everything, everywhere, at any time. It gives people previously unimaginable freedom and choice.

Government must do the same. We must innovate and offer our people a new level of freedom, choice, and opportunity. If we don’t, government will become less effective. Or worse, a wet blanket on progress.

As we embark on this adventure, we should be inspired by the words of John Kennedy. He said, “Time and the world do not stand still. Change is the law of life. And those who look only to the past or the present are certain to miss the future.”

Now, let’s chart our course to the future.

Let’s describe and declare the kind of Minnesota we want to live in a decade from now. It should be:

- A Minnesota whose education system is not only nation-leading, but world-leading, and we have the test scores to prove it.
- A Minnesota where healthcare is available and affordable to everyone with consumers in the driver’s seat.

- A Minnesota that is the best place in America to start and grow innovative businesses and jobs.
- A Minnesota that is the safest place in the nation to live.
- A Minnesota that has solved its racial disparities in education, housing, and healthcare.
- A Minnesota that has conquered chronic homelessness; doubled its use of renewable energy; and has a modern, efficient, and energy-saving transportation system.
- A Minnesota where water pollution only appears in the history books.
- And...a Minnesota where the traditional family structure is revitalized and life is protected and respected.

All of these goals will require innovation. We can make progress towards some of these goals this year. Others will take longer.

We're great innovators because we're free to dream. The ultimate protectors of our freedom are the men and women who serve in the United States military.

However, we all know that freedom isn't free. But we also know that not everybody pays the same price. All pay something, some pay a little more, some pay a lot, and some...pay with the ultimate measure of their service.

In six days, I'll be traveling to Camp Shelby, Mississippi, to say thanks and farewell for now to 2,600 Minnesotans who will be shipping out to Iraq. Some of those soldiers are watching us today via the internet. Let's look at the camera at the back of the chamber and give them our best wishes for a safe and successful mission.

I'd also like to recognize three people to whom we owe a debt of gratitude and who symbolize the selfless service of our military:

Merilee and Daniel Carlson lost their son Michael in Iraq last year. One of our own here in the Capitol endures the same grief, and carries the same burden of sacrifice. Senator Becky Lourey lost her son Matthew in Iraq last May.

Please join me in showing our appreciation for the tremendous sacrifice of the Loureys, Carlsons, others who have been lost, all the men and women who proudly wear the uniform, and their families.

We need to give them more than our applause. I've put forward a package of proposals to further support members of our military and veterans. It includes an income tax exemption for military retirement pay and other assistance programs.

Please pass this legislation as soon as possible.

Now, to the other work that lies before us in this short, non-budget session.

There are four things that will make the biggest difference in creating Minnesota's future: education, healthcare, natural resources, and growing jobs.

Education made Minnesota what it is today, and education will make us what we will become tomorrow.

I read about a new Saint Paul school teacher the other day. She walked into her classroom and found that there were great needs. She realized her students spoke five different languages. Her name--Harriet Bishop, Minnesota's first school teacher. The year: 1847. She overcame great difficulties and succeeded. We honor her as the founder of Minnesota education. She rose to the challenges of her time. Let's rise to the challenges of our time.

I ask that you pass the early childhood education initiatives I announced this week to help make sure our youngest get a better start in the education race.

We also need to make sure that more of our resources get where they matter most. Let's require that at least 70 percent of school funding actually reaches the classroom.

We also need to realize that science and math are the currency of our new economy. We need more rigor in these areas.

We should upgrade our school standards to require Algebra One by eighth grade and Algebra Two and Chemistry to graduate from high school.

And while we're at it, let's bring a lesson from the game room into the classroom, by including digital literacy as part of our school standards so that our kids know how to access and use technology as a basic skill.

Advanced Placement and International Baccalaureate programs provide the rigor and relevance we need to prepare our students for the future. But they're not available to most of them.

I'm proposing that we provide seven million dollars in financial incentives for at least ten pioneering districts to use AP or IB for all students, in all grades.

In addition, we need to transform our high schools so we are better preparing our young people for the economy of the future. Academic progress in our secondary schools has flattened out.

Let's provide funding so up to five pioneering high schools can show the way by fundamentally overhauling their structure to focus on college preparedness or technical training that is relevant and rigorous for all students.

And if we want to further capitalize on the vastly growing Chinese market, more of us will need to speak their language. I'm directing the Department of Education to develop model Chinese language curriculum so it's available to every school district.

Success for Minnesota in a global economy also demands that we develop the potential of all our citizens. Disparities in graduation rates and academic performance between white students and students of color continue to be a moral, social, and economic crisis.

But, there are rays of hope.

Anderson Open, a K-8 school in the Phillips Neighborhood of Minneapolis, is an example of a school that is beating the odds through innovation, hard work, and high expectations for everybody.

Ninety-three percent of the students at Anderson Open are disadvantaged and 53 percent come from homes where English is not the first language. Last year, the school joined the Teacher Advancement Program and it's now part of Q Comp.

Teachers are paid for performance, meaningful professional development is provided for staff, and rigorous evaluation of instruction is conducted.

The results are remarkable. In just over one year, the students have improved on every measurement. The number of students passing the Basic Skills Test went from 38 percent to 62 percent!

This is possible because of the strong teaching staff and the strong leadership of the school's principal, Mark Bonine. Mark's message is clear: He sets high expectations for all students and all teachers.

Let's thank Mark, who is with us today, his staff, and all of Minnesota's great educators for their hard work and dedication.

While progress is being made, we can do more.

I've proposed school choice as an alternative for poor, failing or disabled children. The legislature should pass school choice as an alternative for at least our most disadvantaged students.

In the meantime, we should pursue other new and innovative approaches that produce results, such as the The Knowledge is Power Program, or KIPP schools.

These are rigorous, public, college prep schools where disadvantaged students develop the knowledge, skills, and character needed to succeed in top quality high schools, colleges, and the competitive world beyond.

I'm directing our Department of Education to seek out and authorize KIPP charter schools in Minnesota, focusing on areas where our needs are the greatest.

In addition to improving our education system, our future success also depends on innovating and improving our healthcare system.

People currently excluded from health insurance tend to be the working poor.

Basic health insurance is available for less than 200 dollars per month. We need to direct our HMOs and insurance companies to raise awareness and get more uninsured people to use these plans. We may also need to consider incentives or requirements for uninsured citizens to have health insurance coverage.

Let's also measure and pay for better healthcare outcomes. What gets measured and paid for, gets done.

We can start by focusing on chronic conditions like childhood obesity and diabetes, which are significant problems in our society.

There are clear best practice measurements for treating these diseases that will save lives and save money. We should begin to reward providers for meeting these performance measurements right away.

Today I'm directing the Department of Employee Relations to incorporate "pay for performance" into the state's health plan and will ask the Legislature to expand this approach to all public programs.

We must also control other healthcare costs. Every business can tell you how much they charge for their service. Healthcare providers should be able to do the same.

Last year, we required some healthcare providers to supply some cost information. Now it's time to require it from all providers and for more procedures.

We must also focus on reducing administrative costs in healthcare.

Say your grandma goes to a new doctor. They hand her that annoying, long form, with all the questions she's had to answer ten other times in ten other offices. The doctor asks her what medicines she takes, and all of us have trouble remembering the names and the dosages. Maybe the physicians can't treat her until her medical file has been transferred

from across town. And then the providers, patients, and the insurers engage in a paper war over what to pay for.

In the meantime, grandma's mailbox fills up with paper that says, "THIS IS NOT A BILL."

We need to help healthcare administration enter the 21st century. We need electronic medical records.

I am proposing a 12 million dollar program to help small healthcare providers make the transition to an interconnected electronic medical record system so that medical errors are reduced and healthcare is improved. Today I am also challenging the providers and healthcare plans to match this amount so we can make progress more quickly.

Finally on the issue of health, Minnesota is recognized for our public health and emergency response systems. But as we face the threat of a worldwide bird flu pandemic, we need to be even better prepared. I propose we bolster our efforts with an immediate ten million dollar infusion of funds to further strengthen our defenses against this threat.

While we work on the health of our people, we must also work on the health of our natural resources. They help define our quality of life in this beautiful state.

The threat to our natural resources is growing faster than our ability to protect them.

But to do so properly, we need a plan. I am grateful for the recent efforts to reform the governance of the great outdoors and the use of the Environmental Trust Fund. Please pass these reforms this year. But let's also take the next step, and fund the development of a long-term, statewide strategic plan for conservation.

I also urge you to pass a Constitutional Amendment to dedicate funding for conservation and clean water. Don't water it down, don't make it too broad. Just pass it.

In the land of 10,000 lakes, water matters a lot to all of us. Too many of our lakes are in trouble and they need our help.

So while we're waiting for the Constitutional Amendment to pass, let's make a 20 million dollar investment, right now, for Clean Water Legacy funding.

I also urge you to approve my bonding request for 200 million dollars for conservation, the outdoors, and parks.

Likewise, let's pass my proposal to achieve a 90 percent reduction of mercury emissions to keep the air and water clean for our kids.

We can also help our environment, and gain economic advantage, by leading further innovation in renewable energy. The world demand for fossil fuels is exploding but the supply is flat. That's a big problem, which needs to be addressed.

Let's face it. Washington has been slow to lead on this issue. But we can't afford to wait for them. Let's lead the way and set a strategic goal of "25-by-25"--so that 25 percent of all types of our energy will come from renewable sources by 2025.

To accomplish this goal, we need to make big progress with our cars.

In Brazil, cars run on fuel with 20 to 100 percent ethanol. Yet, U.S. automakers say they can't provide us with these cars because there are not enough ethanol pumps to service them.

Let's fix that.

Currently, most gas stations offer three octane levels. It's time we change one of those to E85.

In 2004, I signed an executive order that requires the state to purchase renewable fuel vehicles. Today, I've signed an executive order to require state employees to actually use E85 in our state vehicles.

Many of the proposals I've outlined in education, healthcare, and natural resources will take money.

But adding unnecessary economic burdens won't help.

In the Boeing assembly plant, while they're building the planes, they hang big, yellow weights on the wings until the engines arrive. On the weights is written: 8,000 POUNDS. REMOVE BEFORE FLIGHT. If we expect our economy to fly, we need to remove some of the weight we hang on it.

In a hyper-competitive economy, raising taxes is a bad strategy, especially in an already highly-taxed state.

Fortunately, we don't need to raise taxes. Our strong economy has generated double digit revenue increases this biennium. The best way to generate revenue is to keep our job providers growing.

In strategic ways, we must reduce the burdens that government places on job providers and taxpayers in order to spur economic growth.

So, in this short session, let's focus on a few key priorities in this area.

Let's put a cap on property taxes.

Let's accelerate the move toward a single sales factor corporate tax so we don't punish job creation and plant expansion in Minnesota.

Let's encourage our dairy producers to innovate by passing a dairy investment tax credit.

And here's a no-brainer: Let's eliminate the marriage penalty in our tax code.

One of the most important roles of government is to protect its citizens. Sometimes that means protecting them from their own government. I urge us to come together to pass meaningful and responsible reforms to Minnesota's eminent domain laws.

Finally, let's not be afraid to debate and take action on issues which make some in this building nervous, but that are supported by most Minnesotans.

Let's walk the walk and hold ourselves more accountable by passing performance pay for politicians.

Let's encourage and welcome legal immigration, but make sure we're not looking the other way on immigration that's illegal.

And let's make sure that courts can't throw out our defense of marriage laws in Minnesota, like they have in other states. Let's define marriage in our Constitution as being between a man and a woman.

We shouldn't be afraid of rational and robust debates about these issues. This building was built for just such debates and the foundation and the walls are strong.

One of Minnesota's most recognizable symbols is the Split Rock Light House on the North Shore of Lake Superior. It was built a hundred years ago to help ships find their way to safety on the world's biggest, and most unpredictable lake.

Minnesota is and always has been a "lighthouse" state. We are a beacon of hope, optimism, and the innovative spirit to get things done.

Harriet Bishop was a lighthouse, bringing education to the frontier.

Dred Scott, a one-time Minnesota resident, was a lighthouse of freedom for those forced to be slaves.

Sister Kenney was a lighthouse of healing for the victims of polio.

Norman Borlaug was a lighthouse, finding new ways to feed the world.

Minnesota's corn growers, who began the ethanol revolution, were a lighthouse--showing the way to a better energy future.

The Mayo Clinic is a lighthouse of medicine, shining its beacon across the whole world.

And in his own way, as a ball player, Kirby Puckett was a lighthouse, showing that passion could defy gravity...with a smile.

A lighthouse works because it rises above the circumstances to do its job and shines its light a long, long way off.

I want this historic building to be a lighthouse again. For that to happen...we all need to rise above the circumstances of politics and personality and look to the future.

John Kennedy put it best when he said, "In the final analysis, our most basic, common link is that we all inhabit this small planet. We all breathe the same air. We all cherish our children's future. And we are all mortal"

He's describing us.

Years from now, the configuration of politics and personalities currently in this place will matter little.

What will matter is how we lived, how we served, and how we made things better.

May God open our eyes to our common purpose, guide our service in this time and place, and continue to richly bless all the people of Minnesota.

Thank you all.