

The news, it seems, just keeps getting worse.

First, our legislature produces an irresponsible budget bill and second, the February forecast shows an even slower economic recovery.

The Senate and the House are celebrating the fact that they got together and produced a budget bill in record time. For that I am grateful.

But the bad news is the bill comes up short on balance, its cuts are haphazard and it has consequences that even legislative leaders are not aware of.

There are a lot of reasons that this bill concerns me but the most important ones are that it uses every last bit of our savings and doesn't replace them-- leaving the state flat broke going into the next budgeting cycle.

Undoubtedly this bill will impact our credit rating and long term borrowing--which would in turn impact the credit health and borrowing capacity of local governments.

This bill does very little to close the gap between money in and out--even this year--let alone in the future. Unless we raise very significant revenues, or in the alternative, make drastic cuts to education and local government in the so-called second phase,' it sets us up for an even more severe crisis next year.

Additionally, this compromise bill between the House and Senate is seriously deficient because it ignores the fact that the House of Representatives has threatened to not ratify the labor contracts negotiated and agreed upon last fall.

I believe it is irresponsible to move forward without addressing this issue and leave the potential for a government crisis if the unions react by going back out on strike.

Because legislators did not spread out the effects of the recession to all levels of government and focused solely on state government, there is great potential that a strike, along with hundreds of millions in cuts to state government services, could lead to a chaotic situation.

The Legislature has passed a bill that cuts \$157 million dollars from state government, but offers very little direction in what should be specifically cut.

They simply do not have the stomach to identify specific cuts for fear that they will have to stand up to the public and be honest. But I will.

Some examples of cuts to services that would be the result of this bill becoming law are:



- The loss of an estimated \$11 million dollars a year because it reduces the ability of our Department of Revenue to audit and collect taxes. This is the worst possible time to make such cuts.
- This bill will make our prisons unsafe. Cuts to the Department of Corrections could be in excess of \$40 million dollars for the biennium. At a time when prison populations are increasing by 400 prisoners annually, the legislature is considering bills that provide longer prison sentences for certain criminals. This large of a cut could result in dangerous situations in our state prisons.
- One in 8 manufacturing jobs in the state is directly related to exports. This budget bill severely harms the very tools needed to turn around our state's economy by cutting the Minnesota Trade Office by 30 percent. This is totally irrational.
- Incredibly, payments to veterans and their families, who are at risk of being homeless, would be delayed. And most importantly, not funding the deficiency at the Veterans Home is completely unacceptable.
- We all know that tourism was hit hard as the result of September 11. This is a \$9 billion dollar industry that employs 130,000 people in our state. The legislature, in a move that seems completely irresponsible, cut the Office of Tourism by 23 percent.
- On top of all the cuts to important services to the citizens of Minnesota, this bill does not cut the legislature's reserve funds, it doesn't cut the legislature itself in any significant way and it doesn't cut city or county government at all.

They would reduce state agency budgets by up to 25 percent but only cut the legislature's operating budget by 3 percent.

Their cuts could cause over 1000 state employees to lose their jobs, but they are taking every political advantage they can to make sure that their own jobs are secure.

They ignore the fact that inflationary increases will no doubt cause even more services to be cut in the next budget cycle. Yet they're counting on inflation to increase future tax revenues. They can't have it both ways.

By ignoring inflation they are turning a blind eye to the truth. For example, state revenues will not grow enough to cover skyrocketing health care costs.

By taking this approach, legislators have banded together to save themselves while risking the long-term economic security of our state.

If I had faith that the legislature would fix the problems in this bill and solve the long-term problem, I may have signed this bill. But in reality it doesn't take a rocket scientist to figure out



that this bill is a political fix and there is a good chance the next bill will be a political fix as well. And that's assuming that they can agree and get a bill to my desk to begin with.

The consequences of letting politics drive this process could be one of the biggest single mistakes that any legislature has ever made.

Past and present leaders have worked hard to make Minnesota one of the most well managed states in America.

In a recent article that appeared in The Bond Buyer, the Minnesota analyst for Moody's Investors Service said: "--with a triple A state we think that there is less tolerance in the rating to use all the reserves if there is not a long term plan in place."

Note that this is Wall Street talking--and not a political consultant from Washington D.C.

Consider that the day after this bill was passed; radio ads paid for by a political campaign committee bragged that the budget problem was fixed and fixed without raising taxes.

The timing of the passage of this bill, the running of the political ad and other political activity that prevented leaders from meeting throughout the weekend clearly suggests that politics, not public service or patriotism, is the driving force behind this bill.

These politicians did not fix this budget deficit. They made things worse by putting a contaminated band-aid on a wounded economy.

Ladies and gentlemen, last fall the Al Qaeda directed a devastating blow to the American economy. Without that attack I believe that we could have weathered this recession with relative ease. Unfortunately we now not only have a recession, but we are at war and it is causing our state to recover more slowly.

We must fight this war against terrorism and we must fight to restore the damage that the war has caused our state's economy.

The challenge is great.

But I accept the challenge and if that means I have to break a promise to fight a war--I'll break that promise.

I don't want to raise taxes. That's the last thing I want to do. But sometimes you have to summon the courage to do things you don't want to do.

I've done that. I have led the way in the effort to rebuild our war-torn economy. I know that the weapons of 'one time' money, accounting shifts, and budget reserves are inadequate.



This is a time for personal sacrifice. During World War II our parents' generation sacrificed greatly. They survived rationing of food products and gasoline. I think our legislators underestimate the patriotism of Minnesotans.

Our citizens were there for New York in the immediate aftermath of September 11 and I believe they will be willing to sacrifice now to counter the long-term effects of the war on the Minnesota state economy.

While our parents rationed gas, all we are asking is for citizens to pay a nickel a gallon more.

Unfortunately, our legislators do not seem to understand that taxes and personal sacrifice are the price we pay for freedom.

This war on our economy is tough and it will take bigger guns than what the legislature has shown us so far to solve it.

And so, in light of the new forecast, and the clear inadequacies of this bill, I am vetoing House File 351.

I am asking that the legislature go back to work and attack this war-wounded economy without regard to their political ambitions, but with the courage of a patriot and the honesty of a public servant.

For the good of our country and for the good of our state, put politics aside and do the right thing.

Thank you.