

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND TWENTY-SECOND LEGISLATURE

SECOND SPECIAL SESSION
July 29, 2005

SECOND REGULAR SESSION
January 4, 2006 to May 24, 2006

THE GENERAL EFFECTIVE DATE FOR
SECOND SPECIAL SESSION
NON-EMERGENCY LAWS IS
OCTOBER 28, 2005

THE GENERAL EFFECTIVE DATE FOR
SECOND REGULAR SESSION
NON-EMERGENCY LAWS IS
AUGUST 23, 2006

PUBLISHED BY THE REVISOR OF STATUTES
IN ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,
TITLE 3, SECTION 163-A, SUBSECTION 4.

Penmor Lithographers
Lewiston, Maine
2006

**STATE OF THE STATE ADDRESS
OF
GOVERNOR JOHN ELIAS BALDACCI
JANUARY 18, 2006**

Madam President, Mr. Speaker, Madam Chief Justice, members of the Legislature and distinguished guests.

Good evening my fellow citizens.

Tonight, I am proud to report that the state of this State is strong, secure and healthy.

*More people are working than ever before.

*More of our children are going to college.

*More families are healthier and have health care.

*More families are getting tax relief.

And – Empire Falls won two Golden Globes.

That's some of the good news.

But this past year, in fact the past three years, have not been short on challenges.

*When I took office, we inherited a \$1.2 billion revenue shortfall - that's 20 percent of the state budget.

*The rainy day fund had a zero balance.

*When I came into office, we were borrowing \$275 million to pay bills from one year to the next.

And on top of that, several paper companies announced they were going to foreclose - and that my friends, was the first day.

I recalled what my mother used to say about hard work growing up in a small business family. She said "It never hurt any of us to work hard and it instilled good values."

When Mainers face challenges, we work hard together to get it done. We balanced the budget without raising a broad-based sales or income tax, and we've continued to do this every year since.

We've reduced our borrowing by more than half.

Today, with my proposed supplemental budget we save another \$35 million to put in the rainy day fund,

growing our reserves from zero to over 100 million dollars in just three years.

During my Administration, we have cut the size of State Government by more than 600 positions.

I want to thank State workers who went without a pay raise for two years to help balance the budget. It helped us move the state in the right direction. I want to thank them for their high quality work and dedication to the people of Maine.

In Penobscot County more than 1,400 Mainers whose jobs were threatened by bankruptcy are still working at paper mills in Lincoln, Millinocket and Old Town. That's \$75 million in direct payroll - with a ripple effect that reaches across central and northern Maine. And for the mill that didn't re-open in Brewer, this budget appropriates 500 thousand dollars to redevelop that site to make it a job generator once again.

Together we successfully took on the Department of Defense when they tried to close our three military bases. We saved 4,800 jobs in Kittery and almost doubled the jobs in Limestone.

Joining us tonight in the gallery are representatives from these two places, Paul O'Connor and Dave Schofield from the Kittery Metal Trades Union and Carl Flora representing Limestone workers. I ask that they please rise and accept the greetings of the chamber.

I stand before you tonight to let you know that Maine's finances are healthier.

In fact, over the past four years State Government spending has grown at just over three percent. That's the lowest increase in spending in over thirty years.

In fact, the Maine state budget growth is the eighth lowest of all fifty states according to a survey by the National Governors Association.

In addition, we put spending caps at the local, county and state level. LD 1 increased direct property tax payments to Maine residents; 225,000 people are now eligible for direct property tax rebates.

While keeping spending down, we were able to invest almost \$300 million additional dollars in local education.

Evidence shows that in many towns LD 1's increased education funding resulted in property tax relief.

Over the next three years, millions of additional state dollars will flow to schools and towns. But there is even more progress to make.

I will support legislation to provide property tax relief as LD 1 is fully implemented to require that 90 percent of that full funding be returned directly to Maine taxpayers in the form of lower property taxes. We can do this while continuing our tradition of excellence in education.

We must do more. Tax rates are only part of the problem. The other is the assessed value of your property. I don't think anybody should be taxed out of their home because someone paid an outrageous price for the house next door. That's why I've proposed a constitutional amendment that will put in place a fair and workable way to value property and keep taxes low.

Maine's economy is healthy. And that is because of Maine people.

Increasing every Mainer's opportunity for a good paying job continues to be my top priority.

People are the most important resource in my economic plan. We are moving toward a knowledge-based economy. In that economy, Maine people are our new economic engines. Today we have more people in our community colleges, more investments in research and development, and more technology for businesses and people. We are getting our children ready for school with early child care, increasing the number of students in college with loans, and training our adult workers with new skills and creativity.

Maine will triumph in global competition if we continue to invest in our citizens. We need to give people the tools to maximize their full potential and realize their dreams. Every young person should have the option to stay in Maine to build a career and a family.

We kept our mills and bases open because of the quality of our people – the quality of our workers.

Chairman Principi of the BRAC Commission called Maine workers the "gold standard".

We must do more to train our workers and upgrade their skills. We must to more to reward work and workers. Maine men and women should be able to earn a living wage so they can support their families. There is no safety net better than a job with benefits and training.

Our minimum wage should not lag behind other states in our region. I ask for your support to increase Maine's minimum wage over the next two years to keep pace with the cost of living.

The Milken Institute, a non-partisan research organization, says Maine was one of five states last year who did the most to reduce the cost of doing business. In fact, it now costs less to do business in Maine than any state in the northeast.

Maine's unemployment taxes are among the lowest in the nation.

And, Maine's workers' compensation costs have gone from among the highest in the nation in the 1990's to within the national average today.

When we compete nationally we can win and attract Fortune 100 companies.

In a Pine Tree Zone in Oakland, T-Mobile is hiring nearly 800 new workers with health care benefits.

T.D. BankNorth just last week announced the addition of more than 100 new jobs in Lewiston at the Bates Mill Complex bringing their total in Maine to over 2,700. They could have grown anywhere in the Northeast, but they chose Maine.

Over the past three years, over fourteen hundred new small businesses were launched in Maine and small businesses created nearly five thousand new jobs.

In Patten, Maine, Anderson Hardwood Flooring is opening a plant that will employ forty to fifty people.

The Jackson Labs in Bar Harbor is announcing that they will be adding several hundred new jobs over the next five years.

Tomorrow I will announce that Idexx Laboratories in Westbrook will begin a multi-million dollar expansion resulting in several hundred new jobs over the next few years.

While our economic plan is working, the rising tide of our economy must reach every corner of the state. If we stay the course of our plan with investments and hard work, we will grow 25,000 new jobs in Maine in the next five years.

As part of my economic plan, last fall I presented the State Science and Technology Plan that calls for Maine's annual investment in research and development, including both private and public funding, to reach \$1 billion by 2010. Maine currently ranks tenth in the nation in non-profit R&D activity, but we need to do more to compete. My budget includes a down-payment – matching money for marine research in the Gulf of Maine and for new businesses launched by the University of Maine.

Now more than ever, we must continue strategic investments in research & development and infrastructure. After today, I'll be proposing additional investment tools.

My Pine Tree Zone economic program is creating more than 3,000 jobs throughout the state.

Tonight I ask for your support in expanding Pine Tree Zone eligibility in Washington County, and designating Pine Tree Zones in the Midcoast to redevelop Brunswick Naval Air Station once it's closed.

My budget also provides a military retirement tax exemption. This exemption will benefit the military men and women of the Brunswick Naval Air Station who want to stay in Maine, and will attract other high skilled military retirees returning from overseas.

Thank you Speaker Richardson and President Edmonds for your leadership in Midcoast redevelopment efforts.

In the Gallery are other leaders helping us in the Midcoast - Bill Babin, union President, a member of my Advisory Council. They are excited about the future of the Midcoast. They have accepted the challenge of leadership. I ask that they please rise and accept the greetings of the Chamber.

In Skowhegan and Waterville, novelist Richard Russo and the award winning film "Empire Falls" brought \$34 million to our economy. We have a growing number of media production firms in studios all across Maine. My budget fully funds the "Maine Attraction" Film Tax Incentive.

To further support the creative economy, I am also proposing an investment, one-half million dollars in community grants, to preserve and grow our cultural heritage.

Job growth also depends upon sound tax policy. It is time now to eliminate the personal property tax on new business investments. It is time. I appreciate the bipartisan leadership effort to make it happen.

Last year I came to you with a bold proposal to "Connect Maine" – to serve 100% of Maine communities with cell phone coverage by 2008, and 90% of Maine homes and businesses with broadband by 2010.

We're ahead of schedule on both and will meet the broadband goal later this year. We've made a lot of progress, but there is more to do.

Later this month, I will submit "Connect Maine" legislation to further expand the availability and quality of broadband and wireless phone service throughout the state.

Speaking of infrastructure, I ask for your support as we rebuild our roads and bridges. Facing reduced federal funds and inflation, the Department of Transportation was forced to postpone \$130 million in road and bridge projects which would support more than 1000 construction jobs. Thank you Senators Damon and Savage and others for your hard work on a task force to restore these projects.

Maine's educational system is healthy.

We know that the success of each Maine person matters. Skills and knowledge will define our ability to compete in the new economy.

If you want to succeed – if you want your children to succeed - education is the foundation of that success.

Maine's schools and teachers are truly exceptional.

*Our reading and science scores are among the nation's best.

*Our math scores are up and more of our students are going to college.

*In February, the College Board will recognize Maine's success for increasing the number of high school students taking college level placement courses.

With the help of educators and Legislators, we've done much over the last three years to support education at all levels.

We've adopted new early childhood education standards to focus young children in all parts of Maine.

People who have quality early childcare and education have a better shot succeeding.

Many people have worked long and hard to promote care and education during early childhood. Tonight, I want to recognize two people for their contributions.

The First Lady is a champion for youngsters. I want to thank her for her work on behalf of children. Steve Rowe, our Attorney General also knows from his job, in the courts, what a difference early quality childcare can have in a youngster's life.

I ask that they accept the greetings of the chamber.

I'm further directing the addition of a child care development expert to the Brunswick Naval Air Station re-use planning groups.

Quality care requires qualified caretakers. That's why my budget will include \$1.5 million of increased scholarship funding for students who enter child care professions.

As any working parent will tell you...finding quality, affordable child care is one of the biggest obstacles they face. Tonight I'm asking the Legislature to join me in supporting an expansion of the Child Care Tax Credit. This half-million dollar investment will provide immediate relief for Maine's working families.

I support bringing together child care, Head Start, health, counseling, adult education and other services into one location. I commend Bucksport for its model, the Bay Area Early Childhood Network.

I want to give all places in Maine, especially in rural Maine, opportunities to make schools centers of their communities in new ways. Tonight, I am directing the Commissioner of Education to recommend school construction that includes these regional resource hubs.

I understand that sustaining small schools is vital to many communities. That's why I am including in my

budget an additional \$3 million to support high performing small schools.

Right now we're leading the nation in investing education dollars in the classroom. Only two states - Maine and New York - put more than 65% of their education budgets into instruction. We need to continue that effort.

It's already happening in Maine with the Western Maine Collaborative, The Penobscot River Partnership, The Sebago Alliance and The Casco Bay Alliance.

To help further that, I am restoring \$1 million for the Fund for Efficient Delivery of Educational Services and \$1 million for the similar Fund for Local and Regional Services to help our schools and towns.

Quality education also requires excellent teachers. Teachers are our students' most valuable resource. I appreciate the outstanding job these dedicated hard-working professionals do every day to teach the next generation of Maine citizens.

We ask, and expect, a lot from our teachers. In return, we must support their work.

The average teacher salary in Maine is under \$27,000. For our students, we must recruit and retain the best and the brightest. My budget proposes raising starting teacher salaries to \$30,000 starting next year.

We must also be careful that emphasis on testing doesn't overwhelm teachers' time and ability to educate and giving teachers time to teach. We must be accountable and report on student achievement, but we can meet that obligation in new ways.

The Commissioner of Education has modified the Maine Educational Assessment to reporting requirements at all levels. This will reduce the need for more testing at the local level.

Therefore, I've directed the Commissioner to submit to the Legislature a moratorium on our current local assessment.

Three years ago we transformed higher education in Maine by establishing the Maine Community College System. It has been a great success.

Enrollment has increased 42%.

The Early College for ME program has helped many first generation college students make the transition to a community college. One parent said this program: “gave our daughter the chance her father and I never had.” Tonight I’m proposing to add another \$500,000 for college level courses for high school students.

Saving for college has also been a barrier for too many Maine families. I’m pleased to announce tonight that the Next Generation Program is going to give every baby born in Maine this year a \$50 grant to open that first college savings account.

And to make college more affordable, I am also proposing we expand the student loan deduction.

And it will open the doors of education wider than ever before.

Learning never ends. Maine must support the educational aspirations of our seniors. The Osher Lifelong Learning Institute at the University of Southern Maine provides educational opportunities for nearly 5,000 Maine adults, ages 50 and older. The Foundation named the Institute as a “National Center” for 73 such programs throughout the country. My budget provides financial assistance for USM to take on this new role.

From early childhood to our senior years, Maine people want and need educational opportunities. I’m pleased with all we’ve done. Maine must not only be prepared, but with these initiatives, we will be prepared.

Maine people are healthier.

Accessible, affordable, quality healthcare is critical to the health of our citizens and health of our economy. That’s why I brought forward a comprehensive package in Dirigo Health Reform.

Dirigo is more than just an insurance product. It’s about improving the quality of our health. It’s about reducing healthcare costs and making Maine the healthiest State in the nation.

Despite budget challenges we faced early on, we have retained our commitment to our tobacco settlement funds, spending them for critical preventive services. We also supported grassroots efforts through our Healthy Maine Partnerships and Community Health Coalitions.

Our investments in tobacco prevention are showing results. Last week, Maine was named number one in the country and received straight A’s from the national lung association for our success in reducing teenage smoking. We’ve cut smoking by teenagers in half since 1997.

This will pay huge dividends, not just for the teens themselves, but in lower health care costs down the road. That’s why I’ll ask the Legislature to provide \$4.6 million to the Fund for a Healthy Maine to assure our ability to continue important prevention services critical to our efforts.

We have made great strides in other areas of healthcare as well.

Accessing critical health and social services in the communities we live in is about to become a whole lot easier. Maine will become the 15th state to offer statewide 2-1-1 services.

By just dialing 2-1-1 or going online you will be connected to over 5,500 local crisis centers, employment support, and other health and social services. A pilot program will start next month in Washington and Cumberland Counties.

The State of Maine recently joined Maine’s ten United Ways and various non-profit and corporate supporters, to provide the resources necessary to take 2-1-1 Statewide by July of this year.

And I just want to take a moment and recognize the incredible and demanding work performed by those in the healthcare field. These are not easy times whether you are a State trying to meet costs or whether you are on the frontlines of providing health care.

We recognize there is a high demand for health care professional education in Maine. My budget provides \$750,000 to educate more nurses at both the University of Maine and the Community College System.

Healthcare continues to push itself to the forefront. Recently, we stepped in to assure that all Maine seniors are protected and they get the drugs they need during the difficult transition to the Federal Medicare Part D drug program. Maine was the first state in the nation to take action and today over 20 states have joined us.

The problems have been very real for our seniors.

Within hours of this new program taking effect, my phone rang and on the other end was a woman who couldn't get her medication for kidney dialysis because the Feds had signed her up for the wrong plan. With our help she got what she needed. But she and the thousands of other Mainers who were in similar situations should never have to face that crisis to begin with.

We are going to make sure the Federal Government meets its obligations to all Maine people.

But no matter how much we invest in public health and prevention the simple fact remains - without health coverage people wait too long to get care, show up too late in costly emergency rooms, and pay the highest price for that care. The cost of being uninsured in human terms is great—people end up suffering from illnesses and disabilities that could have been avoided, and the financial cost is real and paid by all of us.

Each year we spend over \$175 million on bad debt and charity care—that means each of us who has health insurance is picking up the cost.

That's something we could avoid if all of us had health insurance. And that is the goal of Dirigo.

A recent report by the Kaiser Family Foundation tells us that Maine is one of only 11 states, and the only one in New England, that reduced the rate of people without insurance in the last four years.

Our answer is two fold - Dirigo works and Dirigo saves money.

Today over 10,000 Maine people and 2,000 businesses across the state have enrolled in Dirigo Health. We're expanding to cover more Maine families.

Dirigo saves money. Rate increases for small business are half what they cost last year.

The Superintendent of Insurance identified nearly \$44 million in savings in the healthcare system because of Dirigo. Those are real savings that belong in your pocket, not in the pocket of an insurance company. Therefore, I intend to support legislation to require insurance companies to pass those savings back.

But that is not enough. We need to create transparency in the health insurance market so you know what you are paying for.

Health reform is really hard work, and it takes time. But, already we are seeing success not only in the DirigoChoice product, but in the broader Dirigo reforms.

Dirigo is about innovation – doing whatever needs to be done to expand coverage to more working families. We will build on our success and take the next important step.

We were successful a decade ago in creating a new solution to deliver workers' compensation—The Maine Employers Mutual Insurance Company. Tonight I am starting the process to make sure Dirigo can expand affordable coverage for more Maine citizens.

I have asked Steve Tringale, a nationally respected health insurance expert, to work with my health care team. They will begin to examine if and how Dirigo can build a new model to deliver health insurance in Maine – a model of Maine, by Maine, for Maine.

When it comes to affordable healthcare for Maine families and businesses, I will leave no stone unturned.

When it comes to the health and wellbeing of our people, our economy and our state, we must also protect and preserve our natural resources.

We are working towards cleaner air for all Mainers. We have placed stringent standards on vehicle emissions.

We are in the forefront of state and regional efforts to reverse global warming through reductions in greenhouse gas emissions.

And we are taking toxic materials out of our environment through the nation's first program to recycle old computers and televisions, and through new measures to reduce the amount of toxic mercury and lead in our land, air and water.

Maine leads in conserving and protecting land for our children and for future generations. In the last three years, we completed land conservation projects totaling more than 700,000 acres.

Maine is a leader in sustainable forestry. More than 7 million acres, or 40 percent of our working forest is certified as sustainably managed.....and that's good for the environment and the economy.

When I took office the subject of energy wasn't a hot button issue. Even so, I created the Office of Energy Independence and Security. I knew that increasing our independence and efficiency along with tapping into our renewable energy resources would be good for Maine.

Today energy costs are on everyone's mind. As the first order of business in 2006, this Legislature in a bipartisan effort joined with me to provide \$5 million to help people who needed help paying their fuel bills. My Administration negotiated with Citgo so that millions of gallons of heating oil, at a discounted rate, could be delivered quickly and efficiently to those most in need.

My goal is to keep people safe, warm and secure.

The people of Maine have stepped up, too. School children, small businesses and volunteers have winterized seniors' homes throughout Maine. Those same people are contributing to the fuel fund. The Eastern Maine Funders Initiative alone has raised over one-half million dollars in charitable contributions. I say thank you, to the United Way and Maine people for making a difference.

Maine State Government is leading by example. We reduced travel, tripled the number of hybrid vehicles in the State fleet, and expanded the State's vanpool program. By instituting these measures early - before the current energy price crisis - the State has been able to save 300,000 gallons of fuel, and putting our electricity purchase out to bid will save us \$4 million by June of this year.

Over the past three years I have advanced policies and programs to make the entire state more energy independent: we now have a solar rebate program, natural gas conservation program, a wind program in Mars Hill and a tax exemption for those producing biofuels in Maine.

This year I will be introducing a comprehensive energy bill to expand the use of renewable energy, stabilize electric costs, and adopt statewide efficiency standards for appliances.

Before I close, we welcome this evening those who represent proud Wabanaki nations. We mourn the passing of Passamaquoddy Governor Melvin Francis. To his wife and children and people, we send our thoughts and prayers.

Finally, in 2005, the Soldiers and Airmen of the Maine National Guard served both the State of Maine and our great nation with pride and distinction.

The Maine National Guard deployed over four hundred men and women throughout the world.

Their distinguished service has not come without cost. Four Soldiers from the 133rd did not return to Maine. Twenty-two other Maine Soldiers, Airmen, Marines, and Seaman from active and reserve forces also made the ultimate sacrifice for their nation. Tonight I am pleased to announce that I will support legislation to provide life insurance for servicemen and women who are put in harm's way.

Joining us tonight is the Commander of the 133rd Engineer Battalion, Lieutenant Colonel John Jansen. Also joining us tonight is Mrs. Lori Jones, wife of First Sergeant Michael Jones of the 133rd who died in March in New York upon returning home. He embodied the ideal of a true U.S. Soldier. These three represent the Battalion and all of the Soldiers, Airmen, and families who serve and sacrifice. I ask them to rise and accept the appreciation of all gathered here.

These brave soldiers risk their lives each day for a better America. I ask each of us to reflect on their sacrifice and consider our own pledge to public service....to our duty to help create a better Maine. Some things divide us. But much more joins us together. My father used to ask me, what have you done for the people today? I hope in the year ahead we can ask ourselves the same question and pledge to work together to make Maine's families and communities stronger for an even brighter future for Maine.

I am proud and confident about Maine's future.

The state of our State is indeed strong, secure and healthy.

Thank you. And good night.