

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND TWENTY-FIFTH LEGISLATURE

FIRST SPECIAL SESSION
September 27, 2011

SECOND REGULAR SESSION
January 4, 2012 to May 31, 2012

THE EFFECTIVE DATE FOR
FIRST SPECIAL SESSION
LAWS IS
SEPTEMBER 28, 2011

THE GENERAL EFFECTIVE DATE FOR
SECOND REGULAR SESSION
NON-EMERGENCY LAWS IS
AUGUST 30, 2012

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

Augusta, Maine
2012

**STATE OF THE STATE ADDRESS
OF
GOVERNOR PAUL R. LEPAGE
JANUARY 24, 2012**

President Raye, Speaker Nutting, Chief Justice Saufley, members of the 125th Legislature, distinguished guests, and my fellow citizens.

I am here tonight to update the Legislature on the condition of our great state. However, before I begin, I want to recognize and thank a few people.

First and foremost, I want to thank my wife Ann, and family who have been so supportive, I appreciate all you have done and continue to do.

Master Sergeant Chad E. Smith, the Military Herald this evening, thank you for your courageous service to our great state and nation.

I would also like to recognize and thank Major Mark Stevens. Next month Major Stevens will be leading his soldiers to Kuwait in support of Operation Enduring Freedom, for their 3rd deployment in the Middle East in support of this great country.

Not only is Major Mark Stevens the commander of the unit, but he is also the marketing manager of a business in Southern Maine. Major Stevens is a true citizen soldier. Major, thank you for your service, we wish you and your unit Godspeed.

RECOGNIZING OUR ACCOMPLISHMENTS

I am pleased to report that in the last year, we have taken a right turn on the road to economic recovery.

In a bipartisan effort we passed the largest tax cut in state history for hardworking, Maine taxpayers. Not only did we cut the top rate for individuals; we are supporting working low income Maine people by ensuring seventy thousand Maine families will no longer pay state income tax, until they earn higher incomes. That is a real helping hand to put them on the road to self-sufficiency and prosperity.

Some claim our tax cuts are tax cuts for the rich. In Maine the top income tax rate kicks in at an income of under 20,000 dollars per person.

Let me tell you this, no matter what anybody says - 20,000 dollars is not rich.

Two thirds of Maine's hardworking taxpayers will receive tax relief next year. Maine families will have more money for heating oil, for groceries, and gas for their vehicle. This was not an easy task. I thank the Legislature for their efforts in focusing on making our state a more prosperous home for all Mainers, and for helping us put Maine people before politics.

Just one year ago my administration faced a 4.1 billion dollar shortfall in the pension system. Together, we eliminated over 1.7 billion dollars of pension debt on the books, 45% of the existing pension shortfall, while protecting retirees' future pensions through sensible reforms. You can't pay a pension with an I.O.U.

In other areas, Maine state government has a new attitude. With the leadership of Senator Garrett Mason, Maine became the 41st state in the union to adopt charter school legislation.

In addition to passing charter school legislation, my last budget increased general purpose aid to K-12 education by 63 million dollars.

As promised throughout my campaign, a 5-year cap was placed on welfare benefits.

Workers' compensation insurance premiums are down 7%. Unemployment is also down, and lower than the national average.

Maine's Department of Transportation under the superb leadership of Commissioner David Bernhardt saved more than 100 million dollars, without sacrificing our infrastructure improvements.

Red tape was reduced. We are not here to tell Maine job creators what they can't do; we are here to help them find out what they can do.

Providing superior customer service to all Mainers is the first job of state government. We are changing the culture of state agencies from "NO" to "CAN DO." Together, these things add up to one reality: Maine is Open for Business.

And the word is getting out.

During 2011, we heard from dozens of businesses who have pledged investments in Maine totaling 100 million dollars, with plans to create over 1,000 new, good paying jobs. In this last year, we have not only reopened businesses, but have brought back American jobs from overseas. The restarting of Great Northern Paper in Millinocket shows how persistence and working hard to reduce red tape and regulation can pay off. What was a recently shuttered business, is now a blossoming employer again.

Another example is Carbonite in Lewiston. Carbonite recently relocated its customer service operations from India to Lewiston. According to Carbonite CEO, David Friend, our efforts to accelerate the regulatory

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process in Maine were a primary reason they were able to bring 150 jobs to the Lewiston/Auburn area.

Even as we mark some success, we continue to face ongoing fiscal challenges.

PUTTING OUR FISCAL HOUSE IN ORDER

When I took office on January 5, 2011, I found that two distinct fiscal issues clearly threatened our state's future financial stability – first was the pension fund liability, which we addressed, second was unsustainable welfare spending.

My administration did not create this problem and did not invent it. Many of you did not create this problem, nor did you invent it. This problem does exist! Regardless of who is responsible, we must fix it.

I want to thank Commissioner Mayhew for her leadership and grace dealing with this difficult challenge. Today, we must confront the 221 million dollar budget shortfall within the Department of Health and Human Services that is fueled by overly generous welfare programs that we cannot afford.

Over the last decade, Maine's welfare program has grown by over a billion dollars. We have encouraged people to rely on the taxpayers, rather than rely on themselves. Year after year, state government has used one-time federal funding, accounting gimmicks, misuse of funds and not paying hospitals to feed this beast.

We are now forced to make tough, but necessary decisions. Many of these tough choices were proposed last spring. Here we are again, and if we kick the can this time, I guarantee we'll be back next year because the problem keeps on growing.

This is not political rhetoric. We must stop promising people a free lunch when those working in Maine are earning below the national average. It is unfair to promise people they can get things for free when the resulting bills are not being paid.

Now, we, as elected officials, must decide how to protect the most vulnerable among us. My administration has made a commitment to save Maine's safety net.

But saving it means we must restructure our welfare programs and reduce total spending. We also must begin to reestablish core priorities for our welfare program. If we don't, the system will fail everyone.

My plan stabilizes the safety net for Maine's most vulnerable and preserves benefits for over 285,000 Mainers.

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As a state, we must move closer to the national average in terms of our welfare programs. My plan protects benefits for over 285,000 Maine people – a number that would still have Maine 15% above, but closer to, the national average. As you all know, I have a unique understanding of what it means to need help.

We cannot be all things to all people. Maine's welfare program as it stands today will run out of money in early April, and all services will be lost. The clock is ticking and we must act quickly.

I encourage the Legislature to act now to move this supplemental budget forward to save our system.

THE FUTURE

If you look to our neighbors in New Hampshire, you will find that the annual median household income is \$60,734. In Massachusetts, it is \$64,057. Here in Maine, our annual median household income is \$45,708 – 18% below the national average.

It is sad. Really sad. This is one of the single greatest issues that affects families in Maine, and we should be ashamed that our state is in this position. So I ask all of you, where is the outrage? Why should many Mainers live in poverty while our neighbors who live on the other side of lines drawn on a map earn a far better income and lead much more prosperous lives?

My friends in the Legislature, it's time to be outraged. It's time to create a climate for the private sector in Maine where our job creators can succeed – where Maine people can prosper.

The high cost of doing business in Maine is the common theme from Kittery to Fort Kent, from Fryeburg to Belfast. Therefore my legislative agenda will focus on the concerns I have heard from job creators. We need more than jobs. We need careers to pull our state out of poverty. We need good paying careers that will offer benefits, job security and job satisfaction.

We must focus on lowering the cost of energy, creating an educational system that can help us compete globally, and boost efforts to strengthen the local economy in each community in Maine.

I am convinced that reforms in these 3 areas will bring more jobs to Maine and provide the career paths that are missing today for so many Mainers.

ENERGY

One of the largest inhibitors, if not the biggest obstacle to job creation is Maine's high energy costs. We must address the issue of the high price of electricity and

energy costs in total, if we want economic prosperity. For example, Tambrands in Lewiston/Auburn competes for capital against 3 other US plants to grow. Energy costs in the other 3 plants range from 4.2 to 5.6 cents per kWh while in Maine it is almost 8 cents per kWh.

Another example is the Advance Pierre/Barber Foods facility in Portland. They compete with plants in Oklahoma where energy costs are 7.5 cents per kWh, while in Maine they are 12.5 cents or 67% higher.

Electricity prices in Maine are the 12th highest in the country and 42% above the national average. As a result, Mainers pay approximately 400 million dollars more than the national average for electricity. Think about that – 400 million dollars that could be used elsewhere in our economy.

Maine no longer competes just in New England; it must compete nationally and globally.

However, there are some who think government should mandate what types of energy Mainers must buy – regardless of how expensive it is.

I DO NOT support Augusta being in the business of increasing costs on Maine ratepayers to pad the pockets of special interest groups.

I believe it is morally and ethically wrong to take more money from those who can least afford it to line the pockets of those that are politically connected here in Augusta.

I have met and spoken with companies ranging from natural gas providers, oil dealers, electric utilities, and biomass suppliers to gather input regarding how to lower Maine's overall energy prices.

My energy policy will focus on all forms of energy, and give Mainers the freedom to choose whether or not they buy from renewable sources.

For example, hydropower is a green energy. Let's remove the 100 MW restriction on renewable hydropower.

I support letting the free-market decide what energy sources are sustainable for Maine people.

Energy conservation is an important goal. However, we must make sure our government programs that use taxpayer dollars for energy efficiency, are responsible and cost-effective. Look back 15 years ago – did every household have a laptop, a cell phone, an iPad or an iPod? We have to recognize that with technology

comes the reality that we will consume more and more energy in the future.

We need to empower Maine people to take control of their energy fate.

EDUCATION

Businesses have repeatedly told us that they have jobs available, but lack a qualified workforce to fill them. I have met with students, teachers, principals and education experts. I learned too many of our students drop out of high school, and too many that complete high school are not ready for college or a career.

We must reform our educational system today or we'll fall even further behind.

This summer, Commissioner Steve Bowen and I studied educational systems from around the world.

For much of the 20th century, the United States led the world in quality of education, driving economic prosperity. Sadly, our country no longer leads, but struggles to follow.

Most international assessments of student performance, place the United States at best as average. Average is not leadership. Average will not get us prosperity.

Average means: we are as close to the bottom as we are to the top.

Maine can and must lead the nation.

Improving education in Maine starts with one simple step: putting our students first. That is not a slogan. It is not a cliché. We all must ask ourselves "What is best for the student?"

Not special interests, not unions, not superintendents, not school boards - students must come first.

Teacher effectiveness is critical to student learning.

We will soon introduce a series of reforms related to Maine's teacher effectiveness policies. Maine must have the best teachers educating our children.

Children's educational needs should be determined by their families – not by their street address.

Last year, this Legislature did a great thing by passing charter school legislation. That is a start!

As we put students first, we must recognize that some students learn best working with their hands.

My hobby is woodworking. Woodworking requires a strong working knowledge of geometry. Some kids

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aren't going to pick up geometry in a textbook, but will in the context of trades such as woodworking, welding, or machining.

We must ensure that every student has access to a wider array of educational opportunities.

Therefore, I want to increase access to, and improve upon, Maine's Career and Technical Education System. Students should have the ability to choose to study trades, and develop skills before joining the workforce.

As we consider education reform, I ask you to keep one question in mind: what is best for the student?

THE ECONOMY

I spent my career as a businessman, turning around private sector companies.

I have said it many times – as Governor, I cannot directly create private sector jobs. However, together we can develop policies that will encourage businesses to expand and create opportunities here in Maine.

If Maine is to be truly “open for business,” we must work to further reduce the high cost of doing business. Last week, the Wall Street Journal reported that in 2009, Maine had the 9th highest tax burden in the country. New Hampshire was the 6th lowest. Even TAXachusetts was lower than Maine.

Last year we passed the largest tax cut in state history. But that is not enough. I will return to the Legislature with further proposals to reduce Maine's tax burden. We will focus on keeping our retirees here at home, spending money with our small businesses, investing in our state, and mentoring our children and grandchildren.

We must break the cycle where retired Mainers live in Florida for 6 months and 1 day to avoid our high taxes. It's one thing to go south for some beach weather in January and February; it's entirely different when you have to escape the tax man.

As Governor, I am determined to make state government accountable. We need to work with our job creators – not against them. Red tape or procrastination, or just foot dragging is no longer acceptable.

However, encouraging businesses to expand takes a partnership with local communities and the state. Therefore, my administration is developing a Certified Business Friendly Community Program. This is a way for the state and communities to partner to reduce red tape and promote job creation.

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The goal is simple: we want our local communities to partner with businesses. Let's identify those communities that exhibit a pro-job creator attitude and go the extra mile in creating jobs and wealth.

These communities will be recognized by the state as communities that are “Open for Business.” I believe, Maine is the most beautiful state in the nation. It is important that we do not lose sight of our roots as we work to improve our economy.

The choice between our environment and our business climate is not “either or.” It should always be “both.”

Through much of our history, fishing, farming, and forestry have been Maine's economic engine. Maine can be prosperous, and still be a great vacationland. We are committed to reviving these industries to get Maine working again.

I call on the Legislature to support our plan to create the Department of Agriculture, Conservation and Forestry. With renewed strength and collaboration, this Department will be a good steward of our natural resource based economy for future generations.

DOMESTIC VIOLENCE

The last issue I want to address this evening is one that is very personal to me. I am sad to say that my childhood memories are ravaged with domestic violence. Those memories are not pleasant; but I share my past to help end domestic abuse today.

Every year, nearly half of Maine's homicides are related to domestic violence. In 2011, 23 people were murdered, 11 involving domestic violence.

These are real lives – mothers, fathers, sisters, brothers, uncles and aunts, and yes – even children. We all feel the horrific effects of domestic violence.

This tragic loss of life is unacceptable. I have ZERO tolerance for domestic abuse, of any kind.

More than 80% of domestic violence assaults are committed by men. It is time men stand up, speak up, and stamp out domestic violence. As men – we must stand together as one and say no to domestic violence.

Tonight, I am proud to acknowledge a domestic violence awareness advocate who has a personal connection to the effects of this brutal abuse.

After the murder of his 2 year old grandson, Arthur Jette became involved with the Maine Chapter of Parents of Murdered Children.

Art and I believe that it is time we shift domestic violence from being a women's issue, to a men's issue. It will take a much tougher justice system to stop this violence. I have teamed up with the Chief Justice, the Attorney General, and Commissioner Morris, district attorneys, victims and the Maine Coalition to End Domestic Violence in an effort to strengthen Maine's domestic violence related laws.

Our system must focus on protecting women and children. There is more to justice than winning and losing a court case.

We must close loopholes in our current bail system. It is important that the law ensures the most dangerous offenders are put in front of a judge before bail is set. Ending domestic violence is not a partisan issue. I'd like to thank House Minority Leader Emily Cain who has expressed an interest in sponsoring this bill.

THE CONCLUSION

Ladies and gentlemen ... make no mistake, Maine is at a crossroads, and the road to economic recovery is a challenging one.

In order to succeed, we must put politics and gridlock aside.

It is time to roll up our sleeves, get to work and fight for the Maine people.

Thank you for this opportunity to share my thoughts and vision with you tonight. God Bless Maine and God Bless America.

Now let's get to work.