

Governor Robert L. Ehrlich, Jr.
State of the State Speech
January 27, 2005

President Miller; Speaker Busch; Lieutenant Governor Steele; members of the General Assembly; Chief Judge Bell; Attorney General Curran; Comptroller Schaefer; Treasurer Kopp; members of our Congressional Delegation; County Executives, Mayors, council members, and commissioners; cabinet members; special guests, friends, family, and fellow Marylanders.

Welcome back to Annapolis.

So, here we are, two years into a successful term, with major policy achievements already secured. Progress in public education, transportation, public safety, and the Chesapeake Bay have been especially noteworthy.

Your support, and that of your leadership, has been instrumental to each and every legislative success.

This record of success follows President Miller's promise of "at least three good years" made to me during our initial post-election conference. Well, it's year three, and the potential to add to this list of achievements is clear and unmistakable.

There is still time for additional progress – even against a backdrop of divided government – provided that we make an effort to better understand each other's passions, perspectives and priorities.

Let me share mine with you.

First: **a common sense agenda** built upon the five pillars of our administration:

- Fiscal stability;
- Education;
- Health and Environment;
- Public Safety; and
- Commerce.

Second: **consistency**. During 18 years of public service spanning two legislatures and the Governor's Office, my approach to public policy issues has never fundamentally changed.

Third: **determination**. I am determined to introduce fiscal responsibility into an inefficient and undisciplined budget process – a process ill prepared to deal with such challenges as self-imposed unfunded mandates, a deep recession, and the resulting structural deficit. And I am determined to challenge the prevailing belief within this city that raising taxes is the solution to every single problem.

Fourth: **self-assessment**. My administration has demonstrated a unique willingness to measure our progress and report the results to the people of Maryland – a goal often at odds with the desire to maintain popularity or simply win elections.

Finally: a **plainspoken style** when communicating my opinions and beliefs. This approach reflects my personality, values, and philosophy. It will not change. It cannot change. It is the only way I know.

Now that I have told you where I am coming from, let me tell you where I'd like to lead our State.

Budget and Education

When we took office in January 2003, our administration inherited a projected \$2 billion budget deficit for the first 18 months of this term.

Today, I am pleased to tell you that much progress has been made.

- Two years after taking office, we have resolved \$4 billion in budgetary shortfalls.
- Our State's finances are balanced through June 2006.
- Our FY 2004 surplus was \$309 million. Our FY 2005 budget projects a surplus of \$680 million.
- Today Maryland remains one of only seven states with a Triple AAA bond rating.

Our FY 2006 budget builds on these successes. It is a product of the "Strategic Budgeting Exercise" I outlined for you in last year's speech.

Our unprecedented plan as developed by Secretary DiPaula required every cabinet-level agency to begin budgeting based on 88 percent of their current services baseline. The purpose: to measure the efficiencies of "what," "how," "when," and "why" our government provides good and services to the citizens it serves.

Outside consultants worked with our agencies on a *pro bono* basis. Results were neither predetermined nor preordained. This process is about accountability and opportunities for improvement. And, unlike past years when success was measured solely by funding increases, strategic budgeting measures success by outcomes that benefit our citizens.

Thank you, Secretary DiPaula, for all the hard work you have devoted to this project.

With respect to state employees, they make Maryland a better place to live. Many could earn far greater salaries in the private sector, but choose government service instead.

Their good work should be reflected in a 2 percent cost of living adjustment, the second such increase in as many years. Further, we propose increasing step increases for those traditionally underpaid compared to their counterparts in the private sector and other levels of government.

Speaking of good work and efficiencies, our university system has successfully met challenge. It has increased faculty workload and online capabilities, maintained a lean bureaucracy, increased efficiencies in the use of campus facilities, implemented bulk-purchasing initiatives, and expanded the teaching workweek.

Accordingly, we have increased state funding for higher education by \$67 million, and increased need-based aid \$27 million.

Thank you, Chancellor Brit Kirwin, for your fine work and leadership.

For the second year in a row, our budget contains the largest funding increase in Maryland's history. Additionally, our budget includes \$155 million, a 55 percent increase, for public school construction.

But in order to sustain the mandated increases in educational spending pursuant to the Thornton formula, and fund new school construction so desperately needed in every subdivision, we need a new, dedicated source of revenue.

You all know where I am going with this.

A new Pennsylvania law will soon bring 20,000 slot machines to our northern border.

In Maryland, a fully phased in slots program in Maryland would mean more than \$800 million in annual new revenue to our State.

These dollars would help pay for mandated increases in educational spending pursuant to the Thornton formula, and new school construction so desperately needed in every subdivision.

It would also give an industry with 20,000 jobs, \$5.2 billion in assets, and nearly 700,000 acres of land a better chance to survive in an increasingly competitive environment.

It's time to fulfill the mandate of 2002 and allow slots in Maryland.

Still, dollars are only part of the debate. We need to give equal attention to how well our educational system is preparing our students for the challenges of the 21st century workplace.

Accordingly, Lieutenant Governor Steele has convened a distinguished group of Marylanders to examine and report on how our historic investments in public education are paying off for parents, students, and teachers.

The panel will address issues related to:

- Teacher retention;
- School construction;
- Public-private partnerships;
- Early childhood education;
- Social promotion; and
- Public charter schools, among others.

Thank you, Lieutenant Governor Steele, for your terrific leadership of this important commission.

Health and Environment

Last month, I convened a special session of the legislature in order to address the State's medical malpractice insurance crisis.

Regrettably, the session failed to pass comprehensive legal reforms required solving our malpractice crisis over the long-term. Instead, it imposed a \$423 million tax on nearly one million working Marylanders.

On a positive note, it included productive discussions with members of both parties who wish to pass an effective reform measure this year.

Accordingly, in order to ensure the continued availability and affordability of malpractice insurance in the long term, we will introduce a package of reforms intended to keep our talented medical professionals on the job – to the benefit of all Marylanders.

Many years ago, Maryland brought property owners and advocates together in an unprecedented effort to solve another problem affecting the health of Maryland's citizens: lead paint poisoning.

This partnership dramatically increased the pool of rental property owners in compliance with the law, thereby reducing the number of children with elevated blood levels by 90 percent.

Maryland's innovative partnership is now a national model.

Ruth Ann Norton has led this successful effort in Baltimore City for many years, and we welcome and honor her today.

Still, our goal should be the elimination of childhood lead poisoning.

Our administration's bill proposes to do just that by adding exterior structures to the lead law; lowering the blood lead level that triggers the requirement for property owners to perform lead hazard reduction treatments; and providing a transition period for purchasers of non-compliant properties to obtain risk reduction certificates.

It's 2005. We've known about this problem for decades. We know how to prevent it. There is no reason for a single child in Maryland to suffer from lead poisoning.

Let's finish the job ... now!

I see other opportunities to improve our ability to protect Maryland's children by encouraging a "child first" culture throughout State government.

Our Children's Wraparound Initiative will achieve this goal by bringing better and more efficient service delivery for "at-risk" children and their families.

Two "wraparound" demonstration projects – one in Baltimore City, the other in Montgomery County – will link children and families with intensive needs to community-based teams providing flexible treatment and services. The initiative will emphasize meeting the needs of troubled children at home and in local communities, rather than over-reliance on expensive, out-of-home residential care programs that treat the symptoms but rarely the problem.

Under the leadership of Special Secretary Terri Garland, a "children's cabinet" will develop an inter-agency plan and fund. Further, a streamlined review process will ensure that children requiring out-of-home placements are quickly placed in an appropriate setting.

Six different state councils will be consolidated into a single council that will advise the children's cabinet in both developing the state plan and awarding grants from the interagency fund.

Public Safety

In the 21st century, the phrase "public safety" has come to mean two different things. Maryland continues to be a leader in both.

Homeland security is the modern side of public safety in a post-9/11 world. Maryland is fortunate to have a group of experienced professionals working to make our State more secure. Our leadership team includes:

- Dennis Schrader (Homeland Security);
- John Droneburg (MEMA);
- Major General Bruce Tuxill (Maryland Military Department);
- Colonel Tim Hutchins (Maryland State Police);
- Gary McLhinney, (Maryland Transportation Authority Police);
- Doug Deleaver (Maryland Transit Administration); and
- Colonel Steve Chaney (Department of Natural Resources Police).

Thanks to all of you for making Maryland safer.

One example of Maryland's leadership in the homeland security arena is the Maryland Coordination and Analysis Center (MCAC). The Center encourages information sharing and intelligence analysis among the law enforcement, the National Guard, emergency management, public health, and first responder communities. MCAC is the first joint federal, state and local data collection and analysis center in the country.

Criminal justice is the traditional side of public safety. There are successes to report here as well.

- Project CSAFE, our local law enforcement partnership, is established in 51 locations spanning 23 jurisdictions across the State.
- Project RESTART, a 2004 initiative to stop the warehousing and recycling of adult offenders, especially drug offenders, has begun level one implementation: training, education, and treatment behind bars. This is an important, long-overdue mission.
- Project Diversion, another 2004 initiative, focuses on alternatives to incarceration for addicted, non-violent offenders.
- Our reconstituted and expanded State Drug and Alcohol Abuse Council provides an important link between state prevention, intervention, and treatment activities and those of local drug and alcohol councils.

Building on these successes, my public safety priorities for this legislative session include the following.

First, I want to prevent drug and alcohol-related accidents by encouraging young drivers to exercise better judgment and greater responsibility behind the wheel.

Of the 651 people killed on Maryland highways in 2003, 106 were 21 years old or younger. Most accidents involving young drivers are attributable to three factors: inexperience, inattention, and impairment.

My friend Debi Hardy is with us today. She has educated young people about the dangers of drunk driving ever since her daughter, 13-year-old Janet Marie, was killed in October 2003. I commend her courage, commitment, and leadership.

Accordingly, I have introduced a three point legislative package that will lengthen the period for learner's permits from four to six months, mandate a 90-day suspensions for violations of provisional license restrictions, and revoke the license of drunk and drugged drivers under the age of 21.

The worse kind of tragedy is that which can be easily avoided. We want young people to exercise good judgment, while reminding them that bad judgment brings consequences.

Second, I want to protect witnesses and victims of crime from reprisals.

Criminals in our State's largest city are employing a new tactic to scare witnesses and victims of crime: "Intimidation by Infomercial."

This now infamous "Stop Snitching" DVD is a wake-up call for all of us.

Accordingly, we will reintroduce legislation that will make witness intimidation a felony punishable by a prison term of up to 20 years, and allow the statements of a witness to be entered into evidence without the individual having to testify in person.

Our prosecutors need this important tool now. Let's give it to them.

Thank you, Pat Jessamy, for the leadership and attention you have brought to this issue.

Third, I want to position our State at the forefront of the DNA revolution that is transforming our nation's criminal justice system.

Thanks to the advent of DNA testing as a forensic tool, violent criminals are being identified and apprehended, cases cold for years are being solved, and the innocent are being exonerated.

We propose expanding the DNA collections process by allowing samples to be obtained from qualifying offenders at the courthouse immediately after sentencing, guaranteeing quicker entry into the DNA database.

Maryland should lead as the DNA revolution transforms our nation's criminal justice system.

Commerce

Not long after I took office, I declared that Maryland is once again open for business. Since then, our efforts to grow Maryland's economy have yielded striking successes.

A strong economic recovery added nearly 50,000 jobs to employer payrolls during 2004.

We are competing with other states for new jobs – and winning. Recent successes include:

- American Woodmark: 300 jobs created in Allegany County.
- Dreyer's Ice Cream: 300 jobs created, 200 jobs retained in Howard County.
- Jos. A. Bank: 100 jobs created, 345 jobs retained in Carroll County.
- Internosis: 170 jobs relocated to Prince George's County from Virginia.
- Emergent Biologics: 300 jobs created in Frederick County.

Last July, Maryland led the nation in job growth.

The number of Marylanders receiving welfare benefits is at its lowest point since December 1963.

Maryland's unemployment rate – 4 percent in December – is 1.4 percent below the national rate.

Thanks to the Lieutenant Governor's leadership, and your support, we reformed Maryland's MBE program so that it better meets its stated mission: making minority entrepreneurs full partners in Maryland's growing prosperity.

Tourism increased 33 percent during the first half of 2004 compared to the same period in 2003, generating an estimated \$788 million in state and local taxes.

The ICC is ahead of schedule, and, thanks to the bipartisan transportation law enacted last year, dozens of long-delayed roads and transit projects are off the drawing board and under construction. Further, our FY 2006 budget proposes a \$50 million repayment to the Transportation Trust Fund.

This year, we have an opportunity to keep this momentum going by enacting targeted incentives that will stimulate three growth sectors of Maryland's economy.

The first is Maryland's film industry.

Over the past decade, filmmaking in Maryland has had a total economic impact of more than \$750 million.

In FY 2004, Maryland hosted 307 days of filming for 2 feature films, 5 independent films, 5 “short” films and 8 television productions. An additional 87 productions were completed on commercial, industrial, music video, documentary and “other” projects.

The film industry provides 1,650 full-time equivalent jobs in our State.

Our bill encourages future Maryland-based filmmaking by offering film companies a rebate on the first \$25,000 of wages paid to production employees on locations across the State.

The second is Maryland’s high tech/bioscience sector. Two important tax credits will keep Maryland at the forefront of the new economy by stimulating creation of – and investment in – early stage bioscience and advanced technology businesses.

First, we should extend our research and development tax credit to 2011, increase the limit of each to \$6 million, and add to our new arsenal an “Entrepreneurial Investment Technology Tax Credit” which investors in biotechnology or venture capital firms may apply towards their state income or insurance premium tax bill.

The third is Maryland’s population of retired military personnel.

These former soldiers are valuable citizens who contribute to the intellectual, economic, and patriotic foundation of communities.

Pennsylvania and New Jersey have enacted their own exemptions, boosting their economies by attracting many talented military retirees to their states.

The Free State should demonstrate its thanks by phasing in an exemption from state income tax for military retirement income earned by those with two decades of service. Not only is it the patriotic thing to do ... it is the smart thing. This is an idea whose time has come!

Conclusion

Last year, I concluded my remarks by reaffirming the philosophy that guides my style of governance and my service to the citizens of Maryland: **“I assure you that I will always advocate for my positions in a straightforward manner, negotiate in good faith, maintain flexibility, and seek common ground. However, I will not hesitate to hold firm on the promises I made to the citizens of Maryland when they elected me governor.”**

You responded by passing an historic series of policy initiatives. Indeed, here are some examples of things that can happen when good policy takes preference over politics:

- The Chesapeake Bay Restoration Fund;
- Nutrient management reforms;
- Public Charter schools;
- New roads and transit projects;
- Mental health assessments for juvenile offenders;
- Project RESTART
- The Maryland Department of Disabilities;
- MBE Reform;
- Ethics reform;
- The Heritage Tax Credit; and
- A revitalized brownfields law.

These ideas do not carry a Republican or Democratic label.

Indeed, when I think about our accomplishments during the past two years – even against a backdrop of divided government – I am reminded of a sign which sat on President Ronald Reagan’s desk which read: **“There is no limit to what you can accomplish if you don't care who gets the credit.”**

These successes illustrate what is possible when we put the people’s business above partisan gamesmanship. Such is our job – indeed, our obligation, to our citizens.

This year, we can do better. We can set the bar higher.

So, let’s get back to work.

And, as we begin ask God to bless our State, our country, our troops, our law enforcement professionals and first responders, and everyone who defends our hard-won freedoms.

Thank you and Godspeed.