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Governor LePage's 2016 State of the State Letter

Office of Governor Paul LePage

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STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

Paul R. LePage
GOVERNOR

February 8, 2016

Honorable Michael D. Thibodeau
President of the Senate
3 State House Station
Augusta, ME 04333

Honorable Mark W. Eves
Speaker of the House
2 State House Station
Augusta, ME 04333

Speaker Eves, Senate President Thibodeau and Members of the 127th Legislature:

As you know, I have chosen to forego the pomp and circumstance of a live speech so we can spend our time and energy on what truly matters: getting work done for the Maine people.

The Legislature has already wasted so much time over the past year—and with Mainers dying every day from the drug crisis—now is not the time to let pageantry distract you from your important work.

Legislators claim they come to Augusta to work for the Maine people, but far too many have come to play political games that have nothing to do with the Maine people and everything to do with their next election.

For the past year, socialist politicians in Augusta have been dragging my Administration's employees before a kangaroo court and plotting meaningless impeachment proceedings. While your colleagues were engaged in these silly public relations stunts, Mainers were literally dying on the streets.

Socialists, career politicians and their allies in media have criticized my Administration every single day for the past five years, but the Maine people are tired of the games. They're not interested in sound bites and photo ops. They want to hear what we're doing to make our state prosper.

That's why I'm holding town hall meetings around the state until Election Day in November. The Maine people need to know that for five years we've been trying to convince the Legislature to move our state from poverty to prosperity. This is what our state deserves—the Maine people deserve it.

We know our proposals and reforms will stimulate the economy. We've seen similar initiatives work all over the country. In the past 45 years, I've implemented similar reforms in many businesses, large and small, and they do work.



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The Top 10 most prosperous states in the nation have embraced these common-sense policies. The Top 10 least prosperous states—including Maine—have absolutely refused them. It's not about good policy. It's about ideology.

First, it was liberal ideology. Now it's socialism. The steadfast adherence to ideology above all else, including prosperity for the Maine people, has prevented opportunities for our state to succeed and grow.

The current ideology is far out of the mainstream and has failed miserably in countries around the world. The efforts by Maine socialists to turn our state into Greece, Cuba, Venezuela or the former Soviet Union are moving us backwards at a rapid pace. Socialism is blockading our path to prosperity. It's time to put it aside and work toward prosperity for all Mainers.

I've talked to thousands of Maine people in the past five years. They want us to work to reduce their tax burden, reform welfare so it benefits the truly needy, lower electricity rates so employers can create jobs, find ways to keep our young people here and eradicate the drug crisis that is ravaging our state.

The Maine people know I'm in my office every day, working hard to keep them safe and to move this state from poverty to prosperity. Way too much effort in Augusta is spent taking properties off the local tax rolls, which only raises local property taxes.

If you stop the gamesmanship, we can work together to accomplish great things. We know what the problems are, and we have solutions for them. But we need to work together to get it done. If you join me in moving Maine forward, you can take all the credit and do the photo ops. I just want what's right for the Maine people.

Welfare Reform

We have been working on common-sense welfare reform for five years, but liberal—and now socialist—politicians still refuse to finish the job. Despite their opposition, we have reigned in the state's formerly out-of-control Medicaid spending. No longer is there a budget-wrecking crisis every year because of runaway Medicaid spending. The Legislature and the media have purposely ignored just how significant this achievement has been to the state's budget.

We now adhere to federal law when providing TANF and SNAP benefits. No longer can you spend a lifetime on TANF, and no longer can you get food stamps without working, volunteering or going to school. However, we need to either pay the federal government \$29 million in fines or change our laws to comply with federal statutes. The days of ignoring federal law are over. Even President Obama has lost patience with the Maine socialists.

We put photos on EBT cards and cracked down on where you can use them. They no longer show up at drug busts. We now drug test welfare recipients who are suspected of or who have admitted to prior drug use. You use, you lose. If you need help, we will be there to assist you. But if you want to keep using, taxpayers are not going to pay for your out-of-control habit.

In 2015, the welfare fraud unit at DHHS sent 105 cases to the Attorney General's Office for prosecution, totaling \$1.2 million in theft of welfare benefits. The Maine people know welfare fraud is not anecdotal. It is real, and it is costing hard-working Mainers millions of their tax dollars.

However, the Attorney General only prosecuted 36 cases. She is ignoring the desire of the Maine people to eliminate welfare fraud. Instead, she tries to run the state through legal machinations from her partisan position.

Despite our success, Maine has fallen from the Number 1 welfare state in the nation only to the Number 3 slot. We need to be in the middle of the pack, not in the top tier. There is much more work to be done, and we cannot do it without your help.

However, the Legislature has been resistant to enacting meaningful welfare reform. So we will continue to push to completely reform Maine's welfare system once and for all. We will not provide welfare benefits that go over and above those allowed by federal law.

The Maine people demand it. These common-sense reforms are:

- Able-bodied adults must seek work before qualifying for welfare benefits.
- No TANF spending on tobacco, liquor, gambling, lotteries, tattoos, bail, travel services or sending money to foreign nations using services like Western Union.
- Alternative aid limited to 60 months, like TANF is.
- No use of EBT cards at smoke shops.
- No General Assistance, TANF, SNAP and SSI for non-citizens.
- No broad exemptions for federal work requirements in TANF. (*The domestic violence exemption will remain.*)
- A waiver to eliminate junk food from SNAP.
- No TANF and SNAP for felons convicted of drug-trafficking.
- Drug testing for all welfare recipients, not just those suspected of or who admitted to prior drug use.

These reforms will free up resources for Maine to create a safety net for our most vulnerable: the mentally and physically disabled and, most importantly, our elderly who have worked so hard their whole lives and now need our help to live out their final years in safety and comfort. **The current wait list must be eliminated.**

At my town halls, I urge all Mainers to tell you to support these common-sense welfare reforms. And remember, elections have consequences. Make sure your rhetoric on welfare reform matches your voting record.

Lowering the Income Tax

I've been saying it for five years: Maine's tax structure is outdated, it is holding us back, and it needs to be fixed. The solution is simple: just look at the most prosperous states in the nation and do what they are doing.

States with the most prosperity have the lowest income tax rates or no income tax, including Alaska, Florida, South Dakota and Texas—even our neighbor New Hampshire. This is not anecdotal; it's fact.

Rather than debating a minimum wage, I want to give a pay raise to all working Mainers: eliminating the income tax will put \$900 million back in the paychecks of Mainers. It's the biggest wage increase they can get.

Despite what the socialists—and the media—say, we aren't trying to eliminate the income tax all at once. We can do it over time. We can reduce Maine's individual tax rate to 4% over four years, from 2018 to 2021.

The income tax cut can be aligned with the natural growth of revenue for state government. We do not need to rely on the politicians' typical budget gimmicks or unrealistic revenue projections. We do not have to increase spending or grow the size of government.

Beginning in 2024, we can use the revenue from the new liquor contract we negotiated—which has already far exceeded expectations—to lower the individual income tax rate to 0% over time. We will also need a moderate adjustment to the sales tax.

We can export this moderate sales tax increase to the tens of millions of visitors who come to Maine every year. It's a very small price for them to pay to come enjoy all our wonderful state has to offer. We also need to eliminate the death tax once and for all. It is driving away Maine's wealthiest job creators.

You all know some of these people. Many have told me they want to remain as Maine residents, but we tax them too much. Why should they leave behind an estate they worked to build over their lifetime, only to have it unfairly confiscated by state government?

So they go to Florida, become residents there and take their wealth with them. How does this help the Maine economy?

We must send the message that we appreciate them, we are thankful for the jobs they have created and we want them—and their assets—to stay in Maine.

High Electricity Prices are Costing Mainers Good Jobs

We've been saying it for five years: Maine's electricity prices are not competitive. My Administration has made progress to lower heating costs with modern heating systems, and lower oil prices are providing some relief. But the high cost of electricity in the manufacturing and industrial sectors continues to kill good jobs for Mainers.

We have dozens of letters from well-respected Maine companies telling us that high energy costs make it difficult—if not impossible—to do business here. Maine's electric rates are 12th highest in the country, and the Legislature is making it worse. Special interests are constantly lobbying for carve-outs and above-market contracts to benefit themselves. Incredibly, last year the Legislature thought it was a good idea to sign more long-term contracts for above-market rates.

Current market rates are at 4 to 5 cents per kilowatt on average. But the Legislature **forced** the PUC to sign long-term contracts for 20 years at prices ranging from 8.3 to 10 cents per kilowatt before distribution and transmission. Now we know the exact price of their failure to protect Mainers: \$38 million has been added to your costs for the above-market contracts.

Instead of artificially increasing electric bills, legislators should focus on lowering rates for the Maine people. Lower electricity rates would help attract employers to our state and lower the cost of living and working in our state. The Maine people deserve a break, not the wealthy special interests in Augusta, who profit off our hardworking middle class.

Socialists love to subsidize new wind and solar energy projects because they think it will save the earth, but that kind of expensive and inefficient energy benefits only a few wealthy investors, and our electrical generation is already one of the cleanest in the country. Instead, let's support the existing Maine-based biomass infrastructure that is already in place to take advantage of our plentiful natural resource: wood.

The biomass industry creates good jobs for Mainers, ranging from loggers and truckers to mill workers and lumber yard crews. Biomass facilities are often the largest taxpayers in small towns, and biomass reduces our reliance on fossil fuels. Let's help our economy and all Mainers, rather than artificially limiting sources of inexpensive energy.

Meanwhile, my Administration continues to make progress working with other New England states to expand hydropower and natural gas into our region. Right now there is construction underway to expand our pipelines into New England, and clean and affordable hydropower is right next door in Quebec.

It's time to switch off expensive energy. We must plug into the affordable reserves of nearby natural gas and hydropower. We must be willing to transmit hydropower to the states south of us.

How many more Mainers must lose their jobs before the Legislature wakes up and takes action?

Reducing Student Debt, Attracting Youth

We continue our focus on reducing taxes, lowering energy costs and attracting companies that create good jobs. When successful, those businesses will need workers. We must make sure our young people can stay here to fill those jobs.

Student debt is crippling our young people. Some have so much debt, they cannot afford to buy homes and start families. Too many have moved out of state to find better-paying jobs so they can manage their debt. We need to keep them here.

We have worked with FAME so they can now consolidate or refinance student loans at very low interest rates. We would like to see FAME sell a \$10 million bond so they can issue no-interest student loans—the state can pick up the interest.

We need a commitment from Augusta politicians to help relieve student debt. Socialists want government to provide free education for everyone—and they will hike your taxes to pay for it. My plan would pay for itself and grow the economy.

We think the private sector should be a partner in reducing student debt and attracting young workers. We submitted a bill that offers a dollar-for-dollar tax credit to any business that pays off a student loan for an employee. Not-for-profit employees will be given the credit directly.

If a business pays off \$100,000 in student loans, it will get a \$100,000 credit on its income tax. We need bold initiatives and immediate action to keep young Mainers here and attract other young people to our state. This is the only way to lower the median age of the Maine people.

Fighting the Drug Crisis

We cannot wait any longer to find and arrest drug dealers. They are killing the very young people we need to live and work in Maine.

Heroin and other deadly drugs are raging in our state, and it is killing Mainers every week. You have seen the terrifying statistics from 2015:

- 231 people died from drug-related overdoses.
- 265 heroin-related arrests—plus the ripple effect of domestic violence assaults, burglaries and other crimes.
- 1,013 babies born drug addicted and/or affected.
- 56 meth lab incidents.

Why has the Legislature been so slow to act on this pandemic? If 231 Mainers died of food poisoning last year, the legislators would have immediately hired an army of food inspectors, passed laws for stricter penalties and somehow found millions in their budget to fund their initiatives, all the while patting themselves on the back for a job well done.

But with Mainers literally dropping dead on the streets, where is your outrage? The Legislature delayed for a year-and-a-half the hiring of just 10 MDEA agents—when we really need 20. The State Police are 45 positions short, mainly because their pay is so low. The same is true for all law enforcement officers in other state agencies.

Legislators found millions to adorn their “Christmas tree” with pet projects last July, but they only funded a Band-Aid approach to a crisis that is killing hundreds of our friends and neighbors. Either they are so intent on depriving the Administration of credit for actually fighting this crisis or they are so focused on their socialist ideology they are ignoring the reality surrounding them.

We absolutely agree Maine needs a multi-pronged approach to this crisis, involving law enforcement, treatment and education. The Legislature is moving too slowly on all three fronts, so we are working on a comprehensive plan. It should be approved this session.

However, we can get more law enforcement agents on the street much more quickly to hunt down and arrest these dealers from out-of-state, highly organized and ruthless drug gangs who are using Maine as their street corner. We can disrupt the supply and make Maine the toughest state in nation on drug crimes with much stronger penalties.

We must send a strong message that Maine has zero tolerance for drugs. If a dealer sells the drug that kills a Mainer, we should treat it as a homicide. The penalty for dealing drugs should be decades behind bars. You won’t deal death in our state.

We need fewer sound bites on this deadly pandemic and much more action. The lives of your constituents quite literally depend on it. This plague is not contained by socioeconomic status—it affects

every family in the state, including yours. Next week, it could be your brother or sister, son or daughter, cousin or friend.

Again, I am urging the Maine people to find out who their legislators are. If you want lower taxes, more welfare reform, reduced energy costs, affordable student debt and a get-tough approach to the drug crisis, Mainers must contact their elected officials and hold them accountable.

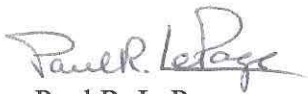
Politicians are supposed to represent the Maine people, not special interests, not lobbyists and not a foreign socialist ideology.

To the Maine people, I say this: If you want to improve our economy, if you truly want to prosper, then you have to change the culture in Augusta. Vote for those candidates who will work for you. Hold them accountable; demand their attention.

Finally, this is no longer about the State of the State. With a staggering \$20 trillion of debt, the state of our country is in crisis. The federal government is in danger of further eroding its credit due to the principal and interest payments required to service this massive, almost unimaginable, debt. We are approaching national insolvency. This is not the kind of country we envisioned for our children and grandchildren to live in. They deserve better—much better.

Now, let's get to work.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul R. LePage". The signature is stylized with a large, looped "P" and "L".

Paul R. LePage
Governor