

# A BALANCED APPROACH

Governor Martin O'Malley

State of the State 2012

Thank you all very much.

Let me begin by thanking God for the goodness of Maryland – for her natural beauty, for the goodness of her people, for the hope we see in the eyes of each of our children.

Let me also begin by thanking the men and women of Maryland who serve in our country's armed forces; I also want to thank the parents and loved ones of our fallen heroes for their sacrifice.

Thank you, Governor Glendening and Governor Hughes, for your continued service on behalf of the people of Maryland.

Thank you, President Miller and Speaker Busch, for so ably and effectively leading your chambers through these challenging years of recession and now, jobs recovery.

Thank you, Attorney General Gansler, Treasurer Kopp, and Comptroller Franchot, for your work in protecting the dignity of every individual and in advancing the common good.

Thank you to my colleagues in county and municipal governments who have battled nobly on the front lines of our jobs recovery – and the defense of our quality of life – in these extremely challenging times.

Thank you to the men and women of law enforcement, correctional officers, parole, probation, and juvenile service agents, and committed U.S. Attorneys and States Attorneys throughout our State, whose hard work has driven violent crime down to the lowest levels in thirty years.

Thank you, Mayor Stephanie Rawlings-Blake, for Baltimore's extraordinary leadership in saving lives and driving violent crime down to record lows.<sup>1</sup>

Thank you and welcome, Ambassador Arturo Sarukhan of Mexico; Ambassador Michael Collins of Ireland; Ambassador Ichiro Fujisaki of Japan; Ambassador Sergey Kislyak of Russia; and Ambassador Duk-soo Han of Korea.

Thank you, Katie O'Malley and Attorney General Joe Curran. And thank you to the members of the O'Malley-Brown Cabinet for your high competence, for your effectiveness, for delivering results, and for caring about every citizen we serve.

And thank you, men and women of the Maryland General Assembly, for putting the best interests of the families of Maryland first; and for making the right decisions – however unpopular or difficult – for the sake of the better future our children deserve.

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<sup>1</sup> Homicides in Baltimore City declined from 223 in 2010 to 196 in 2011, [a reduction of 12%, and the second lowest level on record](#). In 2010, Baltimore City achieved the lowest number of violent crime incidents and lowest violent crime rate on record.

My fellow Marylanders:

We are here because we care about people, all people; every person, every family. And we know that in order to tackle the challenges at hand and to get all our citizens back to work, we must act as a people.

Five years ago, in our first State of the State together, I declared before you the goals of this Administration, first among them “*to strengthen and grow our middle class and our family-owned businesses and our family farms.*” This remains the single overarching indicator of progress for our State and the better future we seek for our children.

There is nothing more important for a family’s security and future than a job. We are all in this together. And in this important work, the state of our State is strong.

With tough but fiscally responsible choices,<sup>2</sup> we are moving our State forward – out of an era of recession, foreclosure,<sup>3</sup> and job loss;<sup>4</sup> and into a new era of job creation and greater opportunity for all.

We have not yet recovered all the jobs that we lost during the Bush recession, but we are moving forward steadily.<sup>5</sup>

As President Obama stated last week, we must create an economy that is “*built to last.*”

And in this work, Maryland is, once again, leading the charge for our country’s better future.

## **THE ACTIONS WE TAKE**

By improving education<sup>6</sup> and by harnessing innovation;<sup>7</sup> by modernizing our Port,<sup>8</sup> opening the Inter-County Connector,<sup>9</sup> expanding rural broadband,<sup>10</sup> building new schools, modern classrooms<sup>11</sup> and other critical infrastructure;<sup>12</sup> by making college and skills training more affordable<sup>13</sup> for more families,... we have strengthened the connections and improved the conditions that allow business to create jobs.

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<sup>2</sup> With the proposed FY2013 budget, spending reductions during the O’Malley-Brown Administration total \$7.5 billion – the most ever for a six year period in Maryland – and position abolishments exceed 5,500.

<sup>3</sup> For 17 consecutive months, since August 2010, [Maryland’s rate of foreclosure has declined](#) on a year-over-year basis.

<sup>4</sup> Last year [Maryland added 30,300 new jobs](#) (January to December)—the largest job growth since 2005.

<sup>5</sup> Maryland has recovered 45% of the 145,400 jobs lost during the recession—twice as much as the national recovery rate of 30%.

<sup>6</sup> In 2011, Maryland elementary and middle school students achieved their highest ever [Maryland School Assessment \(MSA\)](#) in reading; middle school students achieved their highest ever scores in math; and, Maryland’s high school graduation rate [reached a record high](#).

<sup>7</sup> The Milken Institute ranks Maryland as one of America’s Top 2 states in its [2010 Technology and Science Index](#); the Kauffman Index ranks Maryland as one of the 3 states best positioned to win in the new economy in its [2010 State New Economy Index](#); and the U.S. Chamber of Commerce ranks Maryland as a Top 5 state for growth in its [Enterprising States 2011 Report](#).

<sup>8</sup> In 2009, Governor O’Malley announced an agreement that will allow the Maryland Port Administration to lease its 200-acre Seagirt Marine Terminal to Ports America and in return, Ports America has agreed to construct a 50-foot berth for the Port of Baltimore. The partnership is expected to [support 5,700 direct and indirect jobs](#) and will generate \$15.7 million per year in new taxes for Maryland.

<sup>9</sup> At the peak of construction, the Intercounty Connector project [supported more than 4,500 jobs](#).

<sup>10</sup> The development of [the One Maryland Broadband Network](#)—an investment of \$156 million in federal, State and local funds to connect all 24 counties via high-speed fiber-optic broadband—will support up to 1,700 jobs.

<sup>11</sup> The proposed FY2013 capital budget [would invest nearly \\$373 million in public school construction](#) – bringing the six year investment to \$2 billion – and, including the local funds it will leverage, support 11,650 jobs in FY2013.

<sup>12</sup> The proposed FY2013 capital budget [would invest \\$2 billion in 1,500 transportation projects](#)—supporting 19,311 jobs.

Expanding opportunity to strengthen and grow our middle class is a choice. Because of your choices, more Marylanders are working this year than last.<sup>14</sup>

Marylanders like Kevin Reed of Prince George's County are working again because you chose to make modern investments in Maryland's Innovation Economy. After taking the initiative to complete a solar skills training program sponsored by the Prince George's Workforce Corporation and IBEW Local 26,<sup>15</sup> Kevin landed a green job installing solar panels at Fed Ex Field, home of our Washington Redskins.

More Marylanders are working again because of small business owners like Susan Aplin, who recently moved Bambeco, her eco-friendly home furnishing company, from West Virginia to Baltimore – with the support of an investment by the Maryland Venture Fund.<sup>16</sup> Last year, Susan hired nine new employees. This year, she plans on hiring ten more of our fellow citizens. Susan is with us today!

Marylanders like Jacqueline Mobio of Brandywine have been able to save their homes because you have taken action to drive down home foreclosures. Listen to this: Jacqueline operates a daycare business out of her home. When the recession hit, fewer and fewer moms and dads were able to afford to send their kids to daycare, and Jacqueline fell behind on her mortgage. At risk of losing both her home and her business, Jacqueline tried to no avail to negotiate with her mortgage company. Then she heard an advertisement for our State's HOPE Hotline.<sup>17</sup> Through the hotline she was connected to KAIROS Development Corporation – a non-profit led by Reverend Kerry Hill. KAIROS was able to negotiate a loan modification that reduced Jacqueline's monthly payments by more than \$1,000 a month,... allowing Jacqueline to save both her business and her home.

By investing in our One Stop Centers, you are helping Marylanders like Dave Bryant move forward from unemployment to reemployment. Dave took the initiative to visit our One Stop Center in Carroll County. While training through Pathways to Cyber Security<sup>18</sup> at Carroll Community College, Dave also participated in weekly study groups at the One Stop Center. With hard work and resilience, Dave recently landed a cyber security job in Emmitsburg.

Linda Gillis of Wicomico County was also able to find a new job with the help of our State's One Stop Centers.<sup>19</sup> I would like to share with you some of her own words. Linda writes: *"I lost my job in the middle of June. Being able to use the computers was a real 'lifesaver' for me as I do not have the internet at home,... The staff behind the desk at the [One Stop Center] were always helpful. They read over my cover letters, thank you notes, and applications, always giving good suggestions,... What I feel helped me the most was Susan Willey's coaching on interview technique,... Susan [a DLLR state employee], knowing when my interview was,*

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<sup>13</sup> Maryland froze in-state tuition at state colleges and universities four years in row and has held increases to a modest 3% for the last two years. During that time, Maryland's ranking for cost of tuition at public four-year institutions [improved from 7<sup>th</sup> highest to 23<sup>rd</sup>](#).

<sup>14</sup> From January through December 2011, 38,000 Marylanders reported moving from unemployment to employment and the unemployment rate improved from 7.2% in January [to 6.7% in December](#).

<sup>15</sup> Through a \$5.8 million grant from the Obama Administration, the Maryland Energy Sector Partnership will train 2,000 Marylanders to compete for green jobs. To date, the Partnership has enrolled over 880 Marylanders in four programs, including the [Go Solar! initiative](#).

<sup>16</sup> The Maryland Venture Fund is [a state-funded seed and early-stage equity fund](#) that receives annual allocations from the Maryland State Legislature and makes direct investments in technology and life science companies and indirect investments in venture capital funds. In addition to \$6.5 million it will receive from the federal State Small Business Credit Initiative (SSBCI) in 2012, the Maryland Venture Fund will receive an infusion of cash from Invest Maryland this year.

<sup>17</sup> Through the [HOPE network](#), the O'Malley-Brown administration has counseled over 70,000 homeowners.

<sup>18</sup> Over the course of three years, [Pathways to Cybersecurity](#) – a partnership encompassing Baltimore City, Anne Arundel, Carroll and Howard Counties – will assist 1,000 new, dislocated, underemployed, recently separated veterans, and incumbent workers in obtaining the cybersecurity certifications identified as critical industry shortages by regional businesses and government agencies.

<sup>19</sup> During FY2011, more than 205,000 Marylanders received services at [Maryland's 35 One Stop Employment Centers](#), including more than 133,000 who received staff-assisted services.

*called me the day before to ask if it would be a help to me to practice some questions,... I got the job! ... I am very grateful to have had such invaluable resources and assistance. It is part of the reason I now have a position that I call my dream job."*

Linda's dream job actually pays more than the job she lost. And she and Coach Susan from our One Stop Center are with us today.

While more Marylanders are working this year than last, still too many of our people continue to search for work.

Better isn't good enough for the mom or dad who continues to search for a job.

This is why the most important job we create is the next one.

This is why everyone is needed.

This is why I am asking everyone to do more.

### **THE BETTER FUTURE WE CHOOSE**

Over the last six years, I have asked you to make the right decisions and, often, the tough decisions to create jobs and move Maryland forward into better times. In a period of our nation's history,... when short-sighted choices have severely under-capitalized the job creating potential of America,... you have made better and stronger choices for Maryland.

Because of your wise and balanced decisions about where to cut, and your smart decisions about where to invest, Maryland's businesses are creating jobs again. Last year, Maryland businesses created more new jobs than we have in any year since this recession hit, and at twice the rate of our good neighbors in Virginia.<sup>20</sup>

And together we have driven unemployment down to a three-year low.<sup>21</sup>

By restoring fiscal responsibility with a balanced approach, you have secured Maryland's place as one of only a handful of states which earns a Triple A bond rating from all three rating agencies;<sup>22</sup>

Because of your decisions and a leaner government<sup>23</sup> that works to deliver results, college is more affordable,<sup>24</sup> healthcare is more available,<sup>25</sup> and more moms and dads in Maryland are working this year than last;

And because you have had the courage to make the right investments,... Maryland schools have been named #1 in America for an unprecedented four years in a row<sup>26</sup>,... Our high schools students are achieving the best AP

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<sup>20</sup> Maryland's 1.2% rate of new job creation from January to December last year was twice the rate of neighboring Virginia, at 0.6%. In the private sector, Maryland created new jobs at a 1.3% growth rate—nearly 2.5 times as much as Virginia's 0.5% rate.

<sup>21</sup> In December 2011, Maryland's unemployment rate improved to 6.7% – the lowest level since February 2009.

<sup>22</sup> Maryland is one of nine states to hold a Triple-A bond rating from all three major credit rating agencies (Moody's; S&P; and Fitch).

<sup>23</sup> Since FY 2008, the O'Malley-Brown Administration has abolished 5,500 positions; the number of executive branch positions per capita is at the lowest level since FY 1973.

<sup>24</sup> Enrollment at Maryland's colleges and universities reached an all-time high in fall 2011. Enrollment at four-year institutions has grown by 21% since 2005.

<sup>25</sup> Since January 2007, the O'Malley-Brown Administration has expanded healthcare coverage to over 309,600 Marylanders. The proposed FY2013 budget would increase that number to 400,000 by the summer of 2013.

<sup>26</sup> Last month, Education Week magazine [rated Maryland's public school system #1 in the nation](#) for the fourth consecutive year, highlighting Maryland's leadership in the areas of teacher supports, alignment and education funding.

scores in the nation. Our high schools are graduating a record percentage of our students. And our colleges are graduating 21% more science, technology, engineering, and math students.<sup>27</sup>

This has never happened before and it did not happen by accident; hardworking teachers, hardworking students, and caring parents have all been supported by your strong choices.

With a balanced approach of cuts and revenues, you wisely chose to invest in education even as you made record cuts almost everywhere else.

Likewise, our State's Innovation Economy is not merely the product of geography, it is also the product of the important choices and investments we make together in initiatives like *InvestMaryland*,<sup>28</sup> the Biotech Tax Credit,<sup>29</sup> the Research & Development Tax Credit, the healing power of stem cell research,<sup>30</sup> the CyberMaryland<sup>31</sup> initiative and rural broadband.

None of these achievements happened by themselves.

Progress is a choice.

Strengthening and growing our middle class is a choice.

We can be the victims of circumstance or we can build a better future.

As we discussed last year: *“there are costs and there are values,... We cannot kid ourselves into thinking that by failing to invest in our future, we are somehow saving resources,... that we are being ‘clever’ somehow and saving money. For everything has a cost. Consumption has a cost,... Inaction,... has a huge cost. Failing to make decisions that are consistent with the best interests of the next generation,... this too has a cost.”*

So without any sugar-coating, let me plainly lay out the tough choices, the costs, and the trade-offs before us.

## **CREATING JOBS BY THE CHOICES WE MAKE**

This year's budget is a “jobs budget” – after cutting the growth rate to 1.9%<sup>32</sup> it does more for job creation than any budget in recent history. The capital budget alone is projected to support 52,000 jobs building modern schools, modern roads, modern transit, and modern clean water infrastructure.<sup>33</sup>

To create jobs, a modern economy requires modern investments: investments by all of us, for all of us.

That's not a Democratic or a Republican idea; it's an economic and historic truth. It was true for our parents, it was true for our grandparents, and it is a truth that has built our State and has built our country.

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<sup>27</sup> Under Governor O'Malley, STEM (Science, Technology, Engineering, and Math) undergraduate degrees awarded at public four-year institutions in Maryland have increased from 6,440 in 2006 to 7,775 in 2011 – a 21% increase.

<sup>28</sup> *InvestMaryland* is a premium tax credit program designed to create jobs and revitalize venture capital funding in Maryland. The \$70 million fund is the largest venture capital investment initiative in the State's history. [Initial VC funding will be awarded in summer 2012.](#)

<sup>29</sup> The proposed FY2013 budget protects a record \$8 million for the [Biotech Tax Credit](#) to help spur investment in Maryland biotechnology companies.

<sup>30</sup> The proposed FY2013 budget invests \$10.4 million Maryland's [Stem Cell Research Fund](#) – bringing the six-year total to \$101.6 million – so that research labs can continue to make progress in this groundbreaking field.

<sup>31</sup> [CyberMaryland](#) is an initiative to leverage Maryland's assets for economic growth and establish Maryland as the national epicenter of cyber security.

<sup>32</sup> Total spending growth in the Governor's proposed FY2013 budget is held to 1.9%; General Fund spending declines by \$56 million.

<sup>33</sup> The proposed capital budget, along with the local dollars leveraged, would support 52,000 direct or indirect jobs.

To expand opportunity and to strengthen and grow Maryland's middle class, this budget invests to create and save jobs:

- 78,000 teaching jobs at public schools across Maryland;<sup>34</sup>
- 11,650 jobs tearing down temporary learning shacks and replacing them with modern classrooms;
- 25,000 crime-fighting jobs as police officers and others make our neighborhoods safer;<sup>35</sup>
- 19,000 jobs through record procurement at businesses led by women and minority owners.
- Several thousand jobs, thanks to the venture capital dollars that your vote for *InvestMaryland* will infuse into Maryland's Innovation Economy this year;<sup>36</sup>
- 400 jobs building facilities like the new Math & Engineering Building at Cecil Community College, the new Nursing & Allied Health building at Harford Community College; and the new Health Sciences building at Howard Community College;
- 2,750 jobs building facilities like the new Center for Communications and Information Technology at Frostburg State, and the new School of Business complex at Morgan State University;
- 2,500 jobs improving local drinking water systems and upgrading wastewater treatment plants,<sup>37</sup> including facilities in Salisbury, Frederick, Lexington Park and Back River in Baltimore City.
- 1,100 jobs building affordable rental housing units which are in such high demand;<sup>38</sup>
- 294,000 jobs in Maryland's nation-leading health sector that we support through our work to drive down costs, improve quality, expand access<sup>39</sup> and reduce health disparities,<sup>40</sup> ... for a healthier and an even more productive workforce.<sup>41</sup>

And beyond this budget, together we will create 1,500 jobs<sup>42</sup> installing smart meters in homes all over Maryland that help families save on their electric bills.

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<sup>34</sup> Governor O'Malley's proposed FY2013 budget maintains investments in Maryland's best-in-the-nation schools and invests a record \$5 billion in direct education aid that will be distributed among Maryland's 24 local jurisdictions.

<sup>35</sup> In Maryland, there are 15,604 sworn law enforcement officers in Maryland, 7,022 correctional officers, 968 parole and probation officers, 739 juvenile services detention officers and case managers, and 649 State's Attorneys.

<sup>36</sup> The Maryland Venture Fund estimates that for every \$100,000 of investment by InvestMaryland, 1 job will be created. In addition, every \$1 of InvestMaryland funds invested by the State is estimated to leverage \$10-15 in additional investments. With \$70 million, InvestMaryland is estimated to create between 7,000 and 10,500 jobs.

<sup>37</sup> The Chesapeake Bay Foundation's [Debunking the "Jobs Killer" Myth report](#) notes that the number of environmental clean-up and monitoring jobs in Pennsylvania, Maryland, and Virginia has surged 43 percent over the last two decades, from 98,000 jobs to 140,000 jobs, with a significant portion of this growth coming from required sewage and water system improvement projects.

<sup>38</sup> Governor O'Malley's proposed FY2013 capital budget allocates \$15 million for the Rental Housing Works program that will leverage \$285 million in additional private sector funding to build 1,700 new affordable rental housing units and support nearly 1,100 jobs.

<sup>39</sup> In April 2011, Governor O'Malley signed legislation to implement one of the key components of the Affordable Care Act – [the Health Benefit Exchange](#). Maryland's Health Benefit Exchange, an independent public entity, will allow Marylanders to compare rates, benefits, and quality among insurance plans. The Exchange will be operational in 2014.

<sup>40</sup> Under the leadership of Lt. Governor Anthony Brown, [the Maryland Health Improvement and Disparities Reduction Act of 2012](#) (SB 234) will create a series of geographically based Health Enterprise Zones (HEZs) in underserved communities impacted by health disparities.

<sup>41</sup> The health care industry [added nearly 12,000 jobs from 2009 to 2011](#). In November 2011, Lt. Governor Anthony Brown and the Governor's Workforce Investment Board (GWIB) released ["Preparing for Reform: Health Care 2020,"](#) a detailed plan to increase Maryland's primary care workforce.



With Lt. Governor Anthony Brown's leadership and your vote, we can also create thousands more jobs<sup>43</sup> – on top of the 5,700 we're bringing to the Port of Baltimore by leveraging private dollars for the public good through public-private partnerships.

## **BALANCE**

We balance these job investments with cuts, revenues, and regulatory reform.

With \$800 million in spending cuts and reductions, this budget brings total cuts and reductions over the life of this Administration to \$7.5 billion.

In fact, to achieve balance over the last three years, we have relied almost entirely on cuts. But with 84 cents of every dollar we invest allocated to public education, public safety, and public health – and with one of the smallest state government workforces<sup>44</sup> in the country – every passing year leaves fewer and fewer responsible options for budget cutting.<sup>45</sup>

This budget therefore calls for new revenues in support of two important investments: one is the cost of retaining quality teachers in our classrooms, and the second is clean water infrastructure.

## **DOING MORE TO PROTECT EDUCATION AND THE BAY**

Educating our children is a shared responsibility between the State and the Counties.

After rebalancing and saving our defined benefit pension system last year,<sup>46</sup> this session, we are asking you to bring Maryland into closer alignment with how most states share teacher retirement system costs. Our proposal balances this responsibility 50/50 between the State and the Counties.<sup>47</sup> It also provides \$244.5 million to the counties to cover the additional costs in year one.

No prior proposal on this issue has ever offered this much help to the counties.

We will partially fund this education cost, along with other priorities, by capping income tax deductions and phasing out some exemptions for the 20% of us who earn more than others.

Asking our fellow citizens to do more will not be popular. But without anger, fear or meanness, let's ask one another: how much less do we think would be good for our children's future? How much less education do we want? How much less public safety? How many fewer jobs? There are costs, and there are values.

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<sup>42</sup> With support from the Obama Administration, Baltimore Gas and Electric and Pepco are replacing existing electric (BGE and Pepco) and gas (BGE) meters with smart meters; these projects are supporting nearly 1,500 direct and indirect jobs in Maryland.

<sup>43</sup> The O'Malley-Brown Administration's legislation (SB 358) would create a transparent, accountable and predictable process for future public-private partnership infrastructure projects.

<sup>44</sup> In their report entitled, [US Municipal FOCUS: State and local Government employment – How Significant?](#), RBC Capital Markets Corporation reports Maryland has the 8<sup>th</sup> smallest amount of state and local government employees as a percentage of employment.

<sup>45</sup> In the proposed FY2013 budget, 55% of budget-balancing actions are General Fund cuts, which amount to \$610 million.

<sup>46</sup> Following [reforms approved in 2011](#), the state's retirement system is expected to achieve 80% funding—a nationally recognized benchmark—by FY 2021. These reforms represent a net savings to the State over ten years of more than \$1 billion.

<sup>47</sup> The proposed FY2013 budget would share 50% of combined costs of social security and teachers' retirement contributions with local jurisdictions. Local jurisdictions currently pay one-third of the combined costs. In aggregate, this proposal would share \$239 million of combined costs with local jurisdictions.

Along these lines, my Republican predecessor called the “flush tax” one of his most important accomplishments while in office. By allowing us to make green upgrades to wastewater treatment plants,<sup>48</sup> we have greatly reduced the pollution flowing into our Bay.

But the fee, however, was never sufficient<sup>49</sup> to cover the work<sup>50</sup> that has to be done. While others have suggested tripling the flush tax,<sup>51</sup> I believe that the fairest way forward is to double the yield by switching most households to a fee structure based on consumption – whereby, the less you use, the less you pay.<sup>52</sup> This will double the amount of work we are able to do for the Bay.

## TRANSPORTATION: COSTS & VALUES

In the next few days, I will be submitting a bill for your consideration on transportation funding.

Maryland has some of the worst traffic in America.<sup>53</sup> We pay a heavy price in terms of the time we spend idling in bumper-to-bumper traffic<sup>54</sup> when we could be at home with our families.

With a growing population and aging infrastructure, we might soon pay an even steeper price,... bridges are not like trees; they do not grow stronger with age.

Today, with gasoline at \$3.50 per gallon, our primary source of revenue for transportation is the same flat 23 cents it was during Governor Schaefer’s second term, when gas was \$1.08 per gallon.<sup>55</sup>

Meanwhile, it costs more to paint the Bay Bridge today than it did to build the first span.<sup>56</sup>

As the Baltimore Sun editorializes, *“If Maryland continues to embrace a 1992 tax rate, it will have to settle for crumbling 1992-era infrastructure.”*<sup>57</sup>

Through the years – as you know – there have been many recommendations on funding options, but no one has wanted to ask people to do more. The best remaining option in my view is to repeal the current sales tax exemption on a gallon of gasoline; phasing it out by two percent a year, with a “braking mechanism” to protect

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<sup>48</sup> During the initial two-year bay restoration milestones, wastewater treatment plant upgrades constituted 25% of 3.87 million pounds of Nitrogen reduced in the State. This was the 2<sup>nd</sup> highest category behind cover crops (34%), and ahead of nutrient management regulations (10%), and the Healthy Air Act (8%).

<sup>49</sup> There is a projected shortfall of \$385 million in the Bay Restoration Fund which must be addressed in order to complete the upgrades of the 67 largest wastewater treatment plants by the deadline included in the Watershed Implementation Plan.

<sup>50</sup> By the end of 2011, the State of Maryland upgraded 23 out of 67 targeted major wastewater treatment plants in places like Chestertown, Crisfield, Delmar, Elkton, Federalsburg, Hagerstown, Perryville, and Salisbury and more than 3,000 septic systems—improvements that will prevent an additional 1.48 million pounds of nitrogen and phosphorous per year from entering the Bay.

<sup>51</sup> The Governor’s Task Force on Sustainable Growth and Wastewater Disposal [recommended](#) a phased increase of the Bay Restoration Fund residential fee to \$5 per month beginning in FY2013 and \$7.50 beginning in FY2015.

<sup>52</sup> SB 240 would modify the Bay Restoration residential fee such that the average fee would increase from \$2.50 per month to \$5.00 per month. Low end users (e.g., 2,000 gallons per month) would see a lower fee (\$1.80 per month) and higher end users (e.g., 8,000 gallons per month) would see an increase (\$9.30 per month). Homes not metered for water use, the current fee of \$2.50/month will double to \$5.00/month. However, those residents who qualify for an exemption from the fee because of income will be encouraged to apply to the local jurisdiction for this exemption.

<sup>53</sup> The average daily commute for Marylanders is now nearly 32 minutes—[the longest in the country](#). According to [the latest survey by the Texas Transportation Institute](#), the Washington, D.C. region ranks number one for the time lost by commuters due to congestion in one year—with 74 hours. Baltimore ranks sixth with 52 hours lost each year.

<sup>54</sup> US Census Bureau data show that [Marylanders spend more than 700 million hours commuting per year, time valued at almost \\$9 billion](#).

<sup>55</sup> In May 1992, [the price of a gallon of regular gasoline was \\$1.08](#).

<sup>56</sup> It cost [\\$45 million to build the Eastbound span of the Bay Bridge and \\$72 million to re-paint that span](#).

<sup>57</sup> [“The Cost of Transportation,” The Baltimore Sun, January 31, 2012.](#)



consumers in the event that the price of gas spikes. We should also enhance protections in the law to better safeguard these new investments in the Trust Fund.

An enhanced investment on this scale would allow us to create 7,500 new jobs building needed roads, bridges, and public transit throughout our State<sup>58</sup>,...

Now look, I know that every family is still feeling the hurt of this recession. The people I serve are the people you serve. I know this is a very, very difficult ask. But nobody else is going to do this for us,... except for us.

## **MORE WORK TO DO**

Beyond these issues, our work to eradicate childhood hunger continues, our work to reduce infant mortality continues, our work to expand drug treatment continues.<sup>59</sup>

And there are other things we can do – and should do – to create jobs, expand opportunity and improve our quality of life this session.

With your vote, we can forge an historic partnership between Johns Hopkins, Morgan State University, the University of Maryland's campuses, and your state government with the goal of transferring 40 new technologies – new ideas – out of the lab and into the economy to create jobs – within a year.<sup>60</sup>

Maryland is already #1 in research. It is unacceptable that we rank 37<sup>th</sup> in transferring that research and technology into job creation.<sup>61</sup> For all of our assets – and all of the resources we've invested together – we should be #1 in technology transfer and the commercialization of new ideas into jobs.

Because too much paperwork means less time putting Marylanders back to work – through Maryland Made Easy and Fast Track we are reducing the administrative burden on business. We have already begun streamlining permit applications. And this session, we are submitting 750 pages of regulations for you to reform, reduce and remove from the books.<sup>62</sup> I welcome your ideas and support in finding more pages to cut.

## **MARYLAND'S ENERGY FUTURE**

In our pursuit of a cleaner and more reliable energy future for Maryland, this Administration has entered into a settlement with Exelon Energy with some very positive results for Maryland families. Not only will ratepayers and families in need of energy assistance receive some immediate benefits, but Exelon has also agreed to build a new gas-fired power plant in Maryland – the first plant to be built in Maryland in more than a decade.<sup>63</sup>

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<sup>58</sup> Applying the sales tax exemption on gasoline would raise [\\$613 million in new revenue](#) once fully implemented. These funds would support 7,500 direct or indirect jobs.

<sup>59</sup> Under Governor O'Malley, the number of eligible children eating school breakfast has increased by 27%; the number of eligible children eating summer meals increased by 37%. The O'Malley-Brown Administration set a goal to reduce infant mortality in Maryland 10% by 2012. As of 2010, infant mortality is down by 16% to its lowest level ever recorded – meeting and exceeding the 2012 goal. The O'Malley-Brown administration has worked to increase the number of average daily active patients in State-funded substance abuse treatment 22% between the baseline year of FY 2008 and FY 2011.

<sup>60</sup> The Maryland Innovation Initiative is a groundbreaking joint venture between Maryland and its leading academic research institutions to accelerate commercialization of technology.

<sup>61</sup> Maryland ranks 1<sup>st</sup> among states in federal obligations for research and development (\$13.3 billion) on a per capita basis, but 37<sup>th</sup> in the [Kauffman Foundation's Index of Entrepreneurial Activity](#).

<sup>62</sup> In October 2011, Governor O'Malley [signed an Executive Order](#) for a 60-day review of current State regulations to find ones that could be reformed and/or eliminated in order to spark faster job creation. The review is complete and the Governor is recommending 149 regulations for revision, streamlining or repeal to the General Assembly. These regulations add up to 750 pages.

<sup>63</sup> The last year a major gas fired power plant was completed was 2003; under [the State of Maryland's agreement with Exelon](#), the new gas fired plant must be completed and go online by 2015.

Under the settlement, Exelon has also agreed to create 6,000 new Maryland jobs, with investments in solar, onshore wind, and in the first stages of Atlantic offshore wind.<sup>64</sup>

Over the interim, Chairman Davis, Chairman Middleton and their respective committees have done a lot of good work developing a consensus approach for Maryland offshore wind.<sup>65</sup> I greatly appreciate their hard work and I look forward to signing the legislation that their Committees put forward this session.

## **PROTECTING MARYLAND AGRICULTURE AND THE BAY**

I also appreciate the tremendous amount time and consideration that many you have given over the interim to curbing the growing problem of septic pollution from large-scale housing developments;<sup>66</sup> large-scale housing developments that threaten the Bay and the future of Maryland agriculture.

A house on septic causes six to ten times the amount of pollution to the Bay as a house on public sewer.<sup>67</sup> In fact, of the four largest causes of nitrogen pollution into the Bay, none is growing faster than septic pollution.<sup>68</sup> The moderate, reasonable, and tiered approach that the Task Force crafted is patterned on what several rural counties are already doing to protect their farmland and protect the waters of the Bay.<sup>69</sup>

Along with President Miller's proposal to exempt working farms from the estate tax, this measure will much better protect the agricultural lands<sup>70</sup> upon which family farming depends; it will better protect the waters of the Bay;<sup>71</sup> and it will save all of us a huge amount of money in remediation costs down the road.

## **EQUAL RIGHTS AND RELIGIOUS FREEDOM**

I'd like to talk with you about equality of civil marriage rights for all Marylanders.

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<sup>64</sup> In December 2011, the State of Maryland [reached a settlement](#) with Exelon Corporation, Constellation Energy, and Baltimore Gas and Electric that will lead to 125 MW of non-solar Tier I generation, which, if all land-based wind, would double the State's wind resources and 30 MW of solar generation, nearly doubling the State's solar resources.

<sup>65</sup> The [Maryland Offshore Wind Energy Act of 2012 \(SB 237\)](#) establishes an offshore wind renewable energy credit (OREC) carve-out within Maryland's existing Renewable Portfolio Standard to encourage private investment in harnessing the powerful gusts of wind blowing off of Maryland's shores and to create thousands of jobs in a new offshore wind industry.

<sup>66</sup> If current septic sprawl trends continue, the Maryland Department of the Environment estimates that 120,000 new septic systems will be added over the next 25 years – representing a 31% increase in Maryland's total Nitrogen pollution from septic systems.

<sup>67</sup> An average household on septic systems will produce 10 times more combined wastewater and stormwater pollution to the environment than an average household that will use Maryland's upgraded sewer systems.

<sup>68</sup> From 2000 to 2010, the only pollution category to see a rise in annual lbs. of Nitrogen entering the Chesapeake Bay has been Septic Systems. It has gone up by 50 percent while WWTP have seen a decline of 49 percent, Farms have decreased by 31 percent, and stormwater has gone down by 17 percent.

<sup>69</sup> Baltimore, Kent, Montgomery and Worcester and other counties are protecting their agricultural and forest lands from major septic developments through rural zoning. For example, Worcester County, one of several counties that testified to the Taskforce on Sustainable Growth and Wastewater Disposal, [prioritizes](#) "resource conservation and protecting its rural and coastal character" in county planning. Planning "directs growth toward appropriate places while maintaining natural resources."

<sup>70</sup> The O'Malley-Brown Administration has [preserved](#) over 107,000 acres of land since January 2007 through the [Maryland Agricultural Land Preservation](#), Program Open Space, Rural Legacy, the Maryland Environmental Trust, and Conservation Reserve Enhancement Program.

<sup>71</sup> The number of new households projected to use sewer systems is three times the number projected to use septic systems, but pollution from this septic system use to our rivers and streams is likely to be twice that of the pollution from all new households on central sewer.

The very reason our State was founded was for religious freedom – and at the heart of religious freedom is respect for the freedom of individual conscience.

The way forward, the way to sustain and enhance our common life together, is equal respect for the freedom of all. We all want the same thing for our children; we want our children to live in a loving, caring, committed, and stable home protected equally under the law.

It is not right or just that the children of gay couples should have lesser protections than the children of other families in our State. Nor would it be right to force religious institutions to conduct marriages that conflict with their own religious beliefs and teachings.

In Maryland, we already recognize civil marriages performed in other states and just over our border in the District of Columbia. It is time to join with clergy, faith-based organizations, civil rights organizations, community leaders, and individuals across our State<sup>72</sup> to pass a civil marriage law that protects religious freedom and civil marriage rights equally.

## CONCLUSION

I leave you with these final thoughts.

Each of you, here, has responded to a noble calling in your hearts to serve others.

And history has determined that you should serve your neighbors – the people of our State – in a decision-making role for all, at a time of difficult trade-offs and choices for all.

You are each an integral and indispensable part of our people’s progress in consciousness,... of our people’s progress in caring,... of our people’s progress in freedom,... of our people’s progress in our shared sense of what is right and what is just, under the law, for all.

Where there are no easy solutions or simple answers – the greatest counsel we have is the truth in our own hearts.

For at a personal level far deeper than any Party, there is something that stirs deeply in each of us when we talk with a mom or dad, who, because of our choices, has found a job at long last to provide for their family’s future,....

There is a something that stirs deep in our beings when we speak with a mom or dad who managed to save their home from this terrible wave of foreclosures, in part, because of the choices and the actions that we have taken together, here, in this place of decision,...

It is the same feeling that so many of us experienced a few short weeks ago at the hope we saw in the eyes of little Piscataway<sup>73</sup> girls and boys gathered in this historic rotunda – with their parents and grandparents – when Maryland recognized the Native People of this place, our place, for the first time in 380 years,...

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<sup>72</sup> The [Marylanders for Marriage Equality coalition](#) includes the NAACP- Baltimore Chapter, 1199 SEIU, ACLU-Maryland, Progressive Maryland, Equality Maryland, Human Rights Campaign, National Black Justice Coalition, National Gay and Lesbian Task Force, Family Equality Council, Catholics for Equality, Jewish Community Relations Council of Greater Washington, Maryland Faith for Equality, Unitarian Universalist Legislative Ministry of Maryland, Parents, Families and Friends of Lesbians and Gay (PFLAG), Maryland National Organization for Women (NOW), Baltimore Black Pride Inc., National Center for Lesbian Rights and SEIU MD/DC State Council.

<sup>73</sup> In January 2012, Governor Martin O’Malley [signed two historic Executive Orders](#) recognizing Maryland Indian status of two groups indigenous to the State of Maryland. With the signing of the Executive Orders, Governor O’Malley officially made the Piscataway Indian Nation and the Piscataway Conoy Tribe the first state recognized tribes in Maryland history.

I am sure that there are many who in the hindsight of history will say “*why did it take them so long?...*”

If there is a common thread running through our efforts together, it is the thread of human dignity; the dignity of work,... the dignity of a child’s home,... the dignity of every individual.

A great man once wrote that, “...*there is an absolute direction of growth,... Life advances in that direction,... Life is never mistaken, either about its road or its destination,... it tells us toward what part of the horizon we must steer if we are to see the dawn light grow more intense.*”<sup>74</sup>

May the choices we make on behalf of the people of Maryland – the choices for job creation, the choices for human dignity, the choices for a better future – be the right choices for the generations counting on ours.

Thank you.

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<sup>74</sup> Pierre Teilhard de Chardin.