

President Travaglini, Speaker DiMasi, members of the General Court, distinguished guests, and fellow citizens: It's an honor to address you this evening.

I also want to recognize my partner and closest advisor, Ann. In addition to visiting and speaking to schools and children across the Commonwealth, she generously agreed to lead our state's effort to coordinate federal grants for faith-based charities. It's nice being called "governor" but it's even better being called Ann Romney's husband.

Considering the party affiliations in this combined chamber, maybe my best applause line will be this: tonight is my last State of the Commonwealth address.

That aside, I want to acknowledge some of my good friends in this chamber. President Travaglini and Speaker DiMasi: I have real respect for these leaders, as well as personal affection. So too, Leaders Lees and Jones and their tiny band of loyal Republicans. I also want to thank the many Democratic leaders and members who have put politics aside to do the people's work.

A year from now, when my term is over, I'll become a private citizen again. I didn't enter state service for a paycheck or a pension. I wanted to make a positive contribution-- to help people-- at a very difficult time in our state's history. Together with the leaders seated here behind me, and with you in this Chamber, we faced the challenges head on, worked hard and turned things around.

We have come a long way in a short time. Just three years ago, our budget was in crisis. We were losing thousands of jobs every month. Today, we are adding jobs. We are running billion dollar surpluses. We've replenished the state's rainy day fund. And we're making investments in our children, our schools, our healthcare and our communities. Thanks to many people in this room, things sure feel a lot better than they did three years ago.

Massachusetts is not just another state. It never has been. Our forbearers paid for our nation's freedom with their blood. Our soldiers preserve it to this day. We are America's center of learning, technology and innovation. We are patriotic and compassionate. And thanks to the hard work of our citizens, we are prosperous, again. I am proud to report to you that the state of our Commonwealth is resilient, robust and strong.

We can take some satisfaction that by coming together, we helped make the Commonwealth stronger during the last legislative year.

The Welcome Home Bill extended new benefits to our returning soldiers. As the cradle of liberty, it is as it should be: no state is more generous than Massachusetts in respecting its veterans.

We successfully navigated the federal base closing process. Working with our Washington delegation, we took action that preserved all of our major military bases. And that's a first for Massachusetts.

We enacted property tax relief for our senior citizens, and instead of levying a retroactive capital gains tax hike, we acted to refund \$250 million to Massachusetts taxpayers.

We awarded 14,000 kids with our new, merit-based, John and Abigail Adams Scholarship that entitles them to four years in our state university or colleges, tuition free.

We enacted some of the toughest drunk driving laws in our state's history. A lot of moms and dads can rest a little bit easier thanks to Melanie's Law. I want to acknowledge Lieutenant Governor Healey's leadership, and the tireless, undaunted campaign waged by Melanie's parents and grandparents.

In the wake of Hurricane Katrina, we showed the nation our compassion by opening our hearts, our doors and our wallets to our brothers and sisters from the Gulf Coast. In *one* day, you authorized \$25 million in humanitarian spending. In *two* days, state agencies and charities constructed the most comprehensive helping hand we've ever extended. And over *weeks and months*, our citizens showed our friends from the South, that even though it's cold outside, there's nothing warmer than Massachusetts hospitality. That spirit was embodied by the Salvation Army, the Red Cross, the Black Ministerial Alliance and other faith-based groups, the National Guard, and our honorary Mayor at Camp Edwards, Reverend Jeffrey Brown and his wife Dee Dee. Will you two please stand to be recognized?

While the state of the Commonwealth is strong, there is more work ahead in 2006.

First, the stage is set for something truly historic. We are poised to provide private, market-based health insurance to all our uninsured citizens. This isn't government taking over healthcare and dictating who gets treated for what and by whom. No, it's government helping people take over healthcare, to get healthcare working for them. Think about it: 500,000 people, all without health insurance today, will have quality preventative care, prescription benefits, and hospitalization coverage.

Health insurance for all our citizens does not require new taxes. Some of you have your doubts about that. I know that the uncertainty could stall our progress, or even end it. For this reason, in my new budget, I put aside \$200 million in a reserve account to fund our healthcare initiative.

The Speaker, the Senate President and I have agreed that we have a once in a generation opportunity. Our citizens are counting on us. Federal funding depends on us. Let's not allow perfection to become

the enemy of progress. Let's open the way for every Massachusetts citizen to have high quality, private health insurance.

We have another historic opportunity to help our citizens. We can do a better job educating our kids. I know, our kids are already doing well. Their results on the nation's report card were extraordinary. As always, our students were compared with those in the other 49 states on four measures: fourth and eighth grade in math and English. I am pleased to report that our fourth graders ranked first in the nation in English. And they were first in math. Our eighth graders were first in English, and they were first in math. It's never happened before: one state, first on all four measures.

This is a tribute to our kids, their parents and the best teachers anywhere. It's also a tribute to past legislatures and administrations. But the job is far from complete.

Some kids, particularly certain minority populations, are falling behind. Horace Mann said that education was the great equalizer. But in too many of our schools today, that is not being achieved. I believe that the failure of education in urban schools is the civil rights issue of our generation.

And there is something else to consider. While Massachusetts students rank first in the nation, our nation ranks only 27th in the world. The jobs of tomorrow will go to those countries which are succeeding in education today.

This is why I have proposed education reforms each year I have been in office. We agreed on School Building reform that has jump-started hundreds of school projects. We agreed on scholarships for the top 25% of our high school graduates. We agreed on expanding charter schools. We agreed on funding longer school days.

This year, I hope we can agree on a comprehensive program to do two things: first, to turnaround failing schools and second, to raise the bar for all our schools to the top of international standards. Because our best teachers are underpaid, I propose that we give special bonuses to science and math teachers, Advanced Placement teachers, and to the top 1/3 most successful teachers in each school. I propose mentor teachers and more funding for teacher training. I want the state to intervene faster in failing schools, to provide leadership training, and to give principals the authority they need. I want every middle and high school student to have a laptop computer. Our kids won't keep pace with the world of tomorrow if they learn with the technology of yesterday.

All this will cost money. Fortunately, our work together over the last three years to rein in spending, combined with the strengthening of our state economy, provides the means for investment in education. My budget will raise state education aid to its highest level ever.

One thing I have heard from our teachers needs to be said: there is no school that can overcome failure in the home. Teachers tell me time and again that the most important ingredient for a child's success is the involvement of parents. That's why I will propose, again, mandatory parental preparation classes for parents of kids in failing schools. I want parents to learn how they can support their child's education-- about homework, about discipline in the classroom, about parent-teacher meetings. Education is a partnership between teachers and parents --teachers can't do the job alone. Teachers need and deserve the support of involved parents and that will only happen if we take action.

Experience shows that kids have a far better chance of succeeding if they have a mother and a father at home. Of course, divorce or death means that there will always be many, many single parents; these single parents often make huge sacrifices and their kids can indeed succeed. But let's do everything we can to encourage our kids to have their kids after they've married, not while they're

single and in school. We have sex education in our schools. Let's also have abstinence education in our schools. Marriage and two parent families are fundamental to the development of children and to our success as a culture. We cannot afford to shrink from the timeless, priceless principles of human experience.

I have to admit, it feels a lot better being governor today than it did my first year. Three years ago, we faced a \$3 billion budget gap together. We streamlined, consolidated, eliminated every scrap of waste and inefficiency we could find, and we cut back on some of the Nice-to-Have's. And we didn't place our problems on the backs of the taxpayers.

Municipalities shared in the belt tightening. Now, as our state revenues are hitting new records, it's time to increase local aid above the pre-crisis amount. My budget will propose that we uncap the lottery, devote all its revenues to cities and towns, and reach the highest level of local aid in state history.

It's also time to honor the vote of our citizens to lower their state taxes. The best thing that we can do to keep jobs growing and paychecks flowing is to unleash the power of our people, to give them the freedom to innovate, to prosper, and to invest their own time and money as they choose. When it comes to growing our economy, what we do here on Beacon Street is no match for what our citizens do on Main Street.

Accordingly, I have proposed in each of the last two years that we lower the income tax to 5%. Of course, we've just agreed to refund \$250 million in capital gains taxes. Given the good news of that refund, coupled with the legislature's reluctance to jump to the 5% rate in one step, I will propose in my budget that we reduce the tax rate in two stages, to 5.15 percent in the first year and then to 5 percent in the second year. Leaders in both parties agree: let's lower the income tax.

Of course, if you really want to make me happy, you can do it all at once.

We all know that the good news on the state revenue front comes because of the good news on the jobs front. More people are working, more employers are making money, so more taxes flow into the treasury. In the last two years, Massachusetts has added 35,000 new jobs. Unemployment is a full point lower than when I took office. Hundreds of employers have started here, moved here or expanded here. And our pipeline of new prospects has never been as full. But even as the economy has unquestionably been improving, it isn't growing as fast as it should. Why is this when we have great schools, universities and teaching hospitals, when we have the most highly educated workforce in the country?

We asked employers why our growth is below what it could be. They acknowledge our advantages but they say we have some problems, too. Our payroll taxes are costing us jobs. We have almost no sales force to call on companies around the nation, and few incentive programs for move-ins or expanding employers. They say our permitting process is a nightmare. The legislature has rejected my economic development reforms in the past. But the economic stimulus bill I proposed a year ago is still under consideration; it is time to reverse these disadvantages.

The number one culprit our employers mention, the biggest obstacle to job growth, is the high cost of housing. Families can't afford to locate here. There's one simple reason our housing is so expensive: we don't build enough of it. Yes, we're doing better. In three years, housing starts have gone from 17,500 to 24,000, and multi-family starts have doubled. But we have to do better. Housing developers want to build and bankers are anxious to finance, but local citizens and municipalities fight housing development every way they can, primarily with lawsuits and lengthy delays. Some fear that new housing means new costs, such as for education, that the municipality can't afford. For that reason, my budget will propose a new formula for funding schools that gives extra support to those that are growing. It also creates a new \$30 million fund to reward those municipalities that are opening their

doors to new housing, particularly in town and city centers. If we're going to grow and attract new jobs, we have to build homes for people to live in.

For a lot of reasons, 2006 can be our best year yet. Next year's revenue forecast, agreed upon by both my administration and the legislature, is well over a billion dollars greater than this year's budget. I have laid out some of my priorities for that growth: we can help every citizen get health insurance. We can open the way for more employers and more good jobs. We can raise the bar in education. We can send record level support to municipalities and schools. And we can lower the tax rate to that approved by the voters.

And, there's more on my agenda for the coming year. I'll work for a program that gives seniors a better choice to age in their homes. I'll propose higher standards for police candidates. We should combat gang violence by providing legislation and funds for witness protection. We will create a long range state energy plan that includes conservation, renewable generation, and sites for new facilities. I will propose that at long last, we reform our state employee pension program. And, I will propose that we put meaningful work requirements in welfare and that we insist that absentee fathers—not taxpayers--are held financially responsible for their own children.

Yes, it should be a busy year.

The other day as Ann and I were watching our grandchildren, Ann remarked that she wished we could freeze time, to keep them—and us--just like they are today. But as they grow and as we age, we know that our only claim on immortality here, is what we instill, what we invest of ourselves, in our children.

It is also true of our state and community. We imagine that the way things are now will always be. But history teaches that where change is the only constant, a society will either grow stronger or it will decay. Today, we are painfully aware that there are forces that would weaken us: global

competitors compete for Massachusetts jobs, innovators look to displace our lead in technology, the very values which underpin our society are challenged, and of course, most alarming, Jihadists attack our country. As we have always done, Massachusetts will rise to the challenge. We will look first to the strength and character of our people. We will sacrifice complacency to invest of ourselves in our fellow citizens, providing them with better education, better healthcare, and enduring principles of success.

Two hundred years ago, at the time of our country's birth, Abigail Adams pondered in a letter to her husband whether we, their posterity, could appreciate what they sacrificed for us. Yes Abigail, we do. And we know that now it is our time, our turn to rise above ourselves. This is part of what it means to be American: to give, to sacrifice for our fellows and for those who follow. This is the only way we can ever feel at home in this chamber, under the portraits of patriots. May we, together, rise to our occasion, and may God continue to bless the Commonwealth of Massachusetts.

For over two centuries, Massachusetts men and women have preserved and defended freedom. This year, 14 of our best lay down their lives in that very same cause. Let us pause to silently recognize their bravery and their honor.

Marine Corps First Lieutenant Travis J. Fuller

Marine Corps Sergeant Andrew K. Farrar Jr

Army Captain David S. Connolly

Army Sergeant Michael J. Kelley

Army Staff Sergeant Christopher N. Piper

Marine Corps Captain John W. Maloney

Navy Aviation Ordnanceman Airman Lawrence Salamone

Army First Lieutenant Derek S. Hines

Diplomatic Security Service Special Agent Stephen Eric Sullivan

Army Sergeant Pierre A. Raymond

Marine Corps Private First Class Shayne M. Cabino

Army Captain Joel Cahill

Marine Corps Lance Corporal Nickolas David Schiavoni

Army Captain Christopher J. Sullivan, who we lost one year ago today

For the families of the fallen, the sacrifice continues. Please join me in recognizing them.

Tonight's benediction will be delivered by Major Larry Bazer, Chaplain of the Massachusetts National Guard. Before we conclude, please join Boston's Ray Greene in singing God Bless America.