

STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR



EARL RAY TOMBLIN
GOVERNOR

THE STATE HOUSE
1900 KANAWHA BLVD. E.
CHARLESTON, W.Va. 25305
(304) 558 - 2000

STATE OF THE STATE
GOVERNOR EARL RAY TOMBLIN

The State House
Charleston, West Virginia
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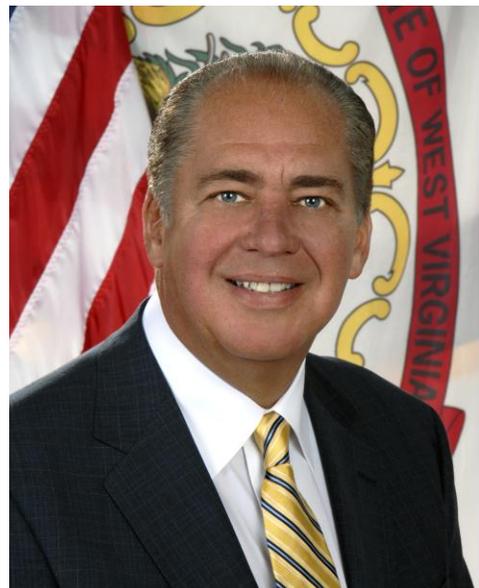
Mr. President, Mr. Speaker, Members of the Board of Public Works, Justices of the Supreme Court of Appeals, Members of the State School Board of Education, Members of the Legislature, Distinguished Guests, and My Fellow West Virginians.

It is my honor to join you here tonight during these historic times and in this historic setting. Although we may find ourselves in unique circumstances at this juncture, one principle remains constant - we all have an obligation to do the work of the people of our Great State. We must set aside our personal and political agendas and put West Virginia first. We have challenges to meet, opportunities to create, and a future with great potential.

Join me in making this Legislative Session one to remember for the positive things we achieved, and how we all came together for the betterment of our State.

In that spirit, tonight I reaffirm my commitment to you that, as long as I am called upon to act as Governor, I will do all that I can to work with you to improve our State.

I come to you tonight to provide, not only an update on the State of our State and a Budget recommendation for the next fiscal year -- but also a bold vision for the future of West Virginia.



Governor Earl Ray Tomblin

West Virginia is poised for success. The building blocks are in place for unprecedented prosperity and job growth. It is our responsibility to follow through and make government an agent for change that unleashes the private sectors ability to create jobs.

I have spent my entire public life trying to knock down barriers while building bridges between business and labor to create jobs. I firmly believe it is not the objective of government to create jobs, but rather to create the economic environment where the private sector is encouraged, attracted, and uses local talent.

As Governor, I will make jobs my number one priority. I will go anywhere, do anything, and spend every waking moment focused on expanding the number of jobs for the people of our State.

Now, we should have no illusions; there are structural, political, and economic impediments to West Virginia reaching its full potential. That is why I come before you, to ask for your help. It is my hope that we can agree on these three priorities as we move forward.

- 1) Our top priority must be to continue to improve our business climate to attract, retain, and create good paying private sector jobs.
- 2) We must improve and reform our entire educational system to better prepare our citizens for the jobs of tomorrow.
- 3) We must reinvent, simplify and make government more efficient and responsible to the people and businesses of our state.

I am happy to report we have made progress in all three of these areas - but there is much more to be done.

2010 BUDGET SUMMARY

The past three years have been difficult for our citizens, our State, and our country. The hardships that resulted from the destructive and deep world-wide recession are real and the effects long lasting.

But make no mistake - the choices we have made during the past several years have allowed us to weather this economic storm better than most states.

Together we made the tough decisions, tightened our belt and we are the better for it. I am proud to present to you today a General Revenue Fund budget that is balanced.

Not only is it balanced - but the budget I submit to you today contains no tax increases.

It raises no fees.

It furloughs no teachers or state employees.

This budget neither cuts nor creates entitlement programs.

It does not rely on any Rainy Day Funds.

And, the budget I submit to you today, does not rely on any one-time stimulus funding from the Federal Government as a backfill to State operations.

While we in West Virginia's government have worked hard to balance our state budget, I know that our citizens have struggled to make ends meet. We have hard working families who are struggling to pay the bills. We have seniors who have seen their cost of living rise and struggle to have adequate food. In short, our citizens have suffered. And I think we need to do what we can as a Government to help.

Therefore, I will submit legislation to you that will call for a one-third reduction in our sales tax on food from 3 cents to 2 cents. Several years ago - in a responsible manner - we moved toward removing this regressive, unfair tax. And while we do not have the capability to remove it all at this time - I believe we can make this fiscally responsible reduction. It is this type of broad tax relief that will help our working families, our seniors, and all those trying to make ends meet. Every little bit counts.



Governor Earl Ray Tomblin and the First Lady Joanne Jaeger Tomblin sign the Drive to End Hunger Pledge at the AARP Press Conference.

Our citizens have sacrificed and it's time to give something back. With this proposed tax cut we will have cut the food tax by two thirds and it is my intention to eliminate the entire food tax over the next few years.

West Virginia has seen great improvements over the past 25 years. However, the simple fact remains that our future is far from certain, and the battle for a better West Virginia is far from over. I believe our best days are yet to come. But a positive outcome is not guaranteed. When it comes to the future, there are three kinds of people: those who make it happen, those who let it happen, and those who wonder what happened.

Let us use the lessons of our past to lay the foundation for making our dreams for a prosperous West Virginia a reality.

Now is the time for us to make it happen.

JOBS JOBS JOBS

I am so proud of the fact that the world is finally starting to understand that West Virginia is a great place to do business. We have a stable government, a talented workforce, and a business climate that continues to improve on multiple fronts. It has taken a lot of hard work, but we are finally starting to right our economic ship.

Indeed, the efforts we have made to improve West Virginia's business climate are making a difference. When we reformed our workers' compensation system in the 1990s and privatized it in 2006, we always believed that we could improve the system. We focused on helping employees to get back on the job quicker and making sure that employers paid premiums in a timely manner. Our system is much more efficient than it has ever been.



Governor Earl Ray Tomblin addresses attendees at the Business and Industry Council Regional Meeting.

I am pleased to report that, in November of 2010, workers comp rates dropped by another 2.7%. Premiums are down an incredible 43.7%. And, we are paying down the long term debt that existed in the old workers' compensation program.

Because of these improvements - and other successes - businesses continue to stay, continue to expand, and continue to locate here in West Virginia.

During 2010, we saw increased investment -- and jobs created all over the State, from companies such as Caiman Energy in Marshall and Wetzel

Counties, Brookfield Renewable Power in Glenn Ferris, Cleveland Cliffs in Logan County, and Armstrong World Industries, in Jackson County. Collectively, these companies created new jobs and invested approximately one billion dollars in West Virginia over the past year.

Last - and certainly not least, I am proud that Macy's Inc. has decided to come to West Virginia. Two years ago, Macy's began a nationwide search, beginning with approximately 160 sites for its new on-line fulfillment center. Through all of its due diligence, it came down to New York and West Virginia. At the end of the day, because of the low costs of doing business here, the great location, and the availability of a world-class workforce - Macy's decided to come to our State and invest over \$150 million dollars. This investment will bring a new, state of the art 1.3 million square foot fulfillment center that will mean 900 full-time, 300 part-time and an additional 700 seasonal jobs to Berkeley County.

And, I am pleased to note that executives from Macy's have joined us here tonight. Please join me in welcoming Peter Longo, President of Macy's Logistics, and Frank Julian, Vice President of Macy's.



Governor Earl Ray Tomblin announces that Macy's will build its new online fulfillment center in Berkeley County.

I want to thank them and countless other businesses for believing in West Virginia.

I believe that the key to economic growth begins with an appropriate, business-oriented focus by our State Government. As one of my colleagues recently stated: "Government cannot be a substitute for citizenship. It can never replace the power of the individual, the power of individual creativity, the power of - choices responsibly and courageously made."

I will go even further.

Nothing is more important than the sense of self-fulfillment and pride that comes with running a business or enjoying the fruits of a good paying job with good benefits.

In everything I do as Governor, I will create a renewed focus on putting the Government in a position that creates a favorable environment for the private sector to do what it does best - creating good paying job opportunities for the people of our state.

To that end, I am submitting a number of reform proposals aimed at focusing our State on job creation and economic development.

I believe there are steps we can take to make West Virginia more attractive to businesses that want to expand in or come to our state. For example, we lack, a sales tax credit to assist distribution and fulfillment businesses with some up-front costs for expanding or locating in West Virginia. I will, therefore, submit legislation to you to provide additional enhancements to recruit these businesses to our state.

I also believe we need to overhaul our tax increment financing program. This program allows local communities to use future gains in taxes to finance current economic development projects. Tax increment financing has great potential, and I believe we can make better use of this program. I will submit legislation that will refine and refocus our efforts at creating these economic, job-creating districts.

Moreover, our Department of Commerce has made great strides in recent years, with an award winning marketing department, and huge successes in recruiting new businesses to West Virginia.

But I believe we can still do more. And, we will!!

I have challenged the Department of Commerce to take a closer look at their operations and make sure that they are properly structured to recruit and keep businesses here. I will personally involve myself in these discussions and intend to have specific recommendations in the coming months.

As many of you know, unemployment compensation programs around the Country have been in a financial crisis. Since the current recession began, 32 states have borrowed more than \$40 billion dollars from the federal government. Moreover, 35 states have already increased the rate of business taxes this year to help alleviate the problem.



Governor Earl Ray Tomblin cuts the ribbon at the TriRiver Transit Ribbon Cutting Ceremony

The good news is that West Virginia has not had to take any of these measures. And to make sure that we do not have to do so in the future, I am proposing legislation that would allow the Unemployment Compensation Fund to borrow up to \$20 million from our Rainy Day Funds. This will give employers an added assurance that they will not be subject to tax increases during this time and let employees know that the State is serious about making sure that their benefits will be there while our economy recovers.

USE OF OUR NATURAL RESOURCES

As we move to diversify and expand our economy, we cannot forget one of the cornerstones of our State - the production of our natural resources. The appropriate use of natural resources can serve as a strong foundation for West Virginia's economic future.

We all know that coal keeps the lights on. But we cannot forget - or let others ignore - that it is vital to the economic and national security of our country to utilize West Virginia's natural resources.

According to recent studies, coal means 63,000 jobs to West Virginia and over twenty-five billion dollars to our State's economy.

And it's not just about West Virginia. Our Country relies on coal for almost half - HALF - of all its electric generation. Coal-fired electricity costs 1/3 than that of other forms of generation. In these tough economic times, we should be looking for more ways to use coal, not less. It is hard to understand why



Governor Earl Ray Tomblin speaks at the 2010 Energy Summit at Stonewall Resort.

some people want to turn their back on and vilify such an important resource that has such potential - and a proven track record - for our Country.

Do not misunderstand my message - the fact that coal has such a positive impact for West Virginia and our country does not mean that we should turn a blind eye to safety or

environmental concerns. I firmly believe that we can mine coal in an environmentally safe manner. And, I firmly believe that we will develop ways to burn coal in a carbon-friendly manner.

But what we cannot stand for is a mentality that ignores the realities of the world we live in. While the rest of the world moves toward industrialization and the use of coal-fired generation, our own federal government seems focused on bringing a crushing halt to one of the cheapest, most reliable forms of energy we have ever known. And if we turn our back on coal while other nations use it, all we are doing is continuing to give other nations additional economic advantages over America.

When we put West Virginia First - We put America First!!!

That is why I intend to aggressively pursue our State's lawsuit against the EPA. We should be working together to solve our nation's energy problems - not taking dogmatic approaches that turn a blind eye to any form of reasonable regulation. West Virginians want to play a part in solving our nation's energy problems, and all we are asking for is a meaningful seat at the table.

If the goal is to reduce carbon emissions and search for energy sources for the future - then we should take a more sensible approach to achieving that end.

America put a man on the moon.
We invented the semi-conductor
and started the internet.

And, I believe that we can find ways to make coal a more carbon friendly resource.

When we unlock that door - it will lead to a more energy independent America. One where we are no longer beholden to the Middle East but by using natural resources that lie right beneath us in the United States, we will forge our own future.

Advancements in carbon friendly technologies have already begun in earnest. At American Electric Power's Mountaineer Plant in Mason County, an aggressive program is in development to capture and store underground the CO2 equivalent of a 200 Mega Watt power plant. This is the only power plant in the world where CO2 is being captured and stored on site.

As a State, we must continue to encourage and assist the development of solutions that keep coal relevant in today's world. That is why I have added an additional \$200,000 to the Division of Energy's budget. We will use the additional moneys to enhance our efforts and finding ways to keep West Virginia as an energy leader.

And as we look for ways to use coal in a more environmentally friendly manner, we must also keep a vigilant eye on making sure that our mines are safe. We have had too many disasters - places like Sago, Aracoma, and Upper Big Branch should be known for their coal production, and not for their disasters. Right now, investigators are working hard to determine the cause of the horrific tragedy that struck the Upper Big Branch mine.

When we determine the causes that contributed to that accident, we will do all that is necessary to make sure it never happens again.

If it means changing the way our Office of Mine, Health, Safety, and Training is structured, we will change it!

If it means changes in regulations, we will change them!

We will not rest until we know that we have done all that we can to keep our miners safe, each and every shift!

West Virginia's economic future lies not only in its continued use of coal as a resource. Lying just a mile below the surface of much of our State is a rock formation called the Marcellus Shale. This formation is rich in natural gas and new technology and techniques have made access possible for the oil and gas industry.

The development of the Marcellus Shale formation for natural gas production is an economic development opportunity for the State, and we need to embrace it! Billions of dollars of private capital have already been invested in this activity and with it has come many jobs.

For example, today Dominion announced its intention to build a natural gas processing facility in Natrium, West Virginia. This project will allow for significant development opportunities in West Virginia. And it is not only about the production of natural gas. The development of the Marcellus Shale has the potential to restart the manufacturing industry in West Virginia. It is an opportunity that we simply cannot let go by.

EDUCATION

And while we must do all we can to foster the creation of good paying jobs, it all goes for naught if we do not have a world-class, educated workforce to fill those jobs.

As I discuss education, I must begin by thanking my closest confidant, my best friend, my partner, my wife, a true education leader for West Virginia. Thank you Joanne for everything you have done for me and for Southern West Virginia Community and Technical College.

We have worked so hard over the years to create a consistent, comprehensive system of education. Now, our community and technical colleges have the independence to focus on teaching the skills needed for our workforce. Again - providing West Virginians with the skills needed, not only to compete - but to succeed in today's economy.

We are also very lucky to have with us tonight Drema McNeal, the 2011 Teacher of the Year. Drema teaches language arts at Park Middle School in Raleigh County and is known for her belief that teachers must learn to help students on a personal level. Drema is also an author - her first book - Kyle's Colorful Life won four national awards, and she has just recently published Jake Learns All Eight Parts of Speech.

Drema exemplifies the commitment of educators who put children first. Drema, please stand and be recognized.

I also want to thank Blue Cross Blue Shield and Toyota for their sponsorship of the Teacher of the Year award. Tonight we have representatives from both Blue Cross Blue Shield and Toyota. As we all know, Toyota has been a huge success story in our state. Recently Toyota has welcomed a new president to its West Virginia operations. Please give a warm welcome tonight to Yoji Suzuki, the new President of Toyota-WV and Cathy McAlister of Blue Cross Blue Shield for their support.

Last year, West Virginia embarked on yet another effort to reform our primary and secondary education system.

We need, on so many fronts, to improve our education system. We need to refocus our emphasis on creating an environment where our children learn the skills necessary to be productive citizens so they can compete in our global economy. Simply put, a good education today means a better job tomorrow.

And as we move forward, we must remember that it will not take breaking the bank to improve our system of education. Instead we must break the mold.

We must make sure that we are using our resources efficiently and appropriately.



First Lady Joanne Jaeger Tomblin

We must decrease our dropout rate in high school and in college.

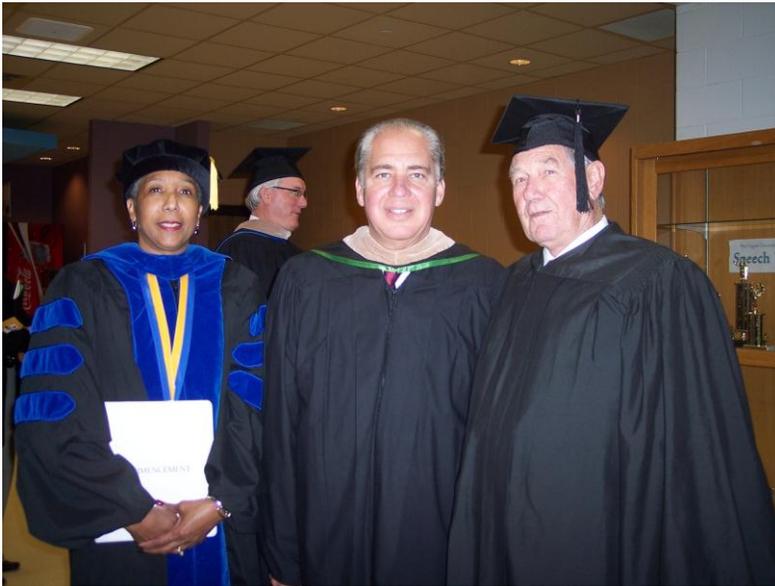
We must find ways to eliminate the high level of teacher vacancies we have in certain areas of the State.

And, we need to focus on developing the vocational skills from the middle school level up. When we build or improve our schools we need to design classrooms that will foster the development of 21st century skills.

I will submit legislation to accomplish these goals.

I know that our teachers deserve a higher salary. That is one of the reasons why I supported our efforts in 2005 to fill in all of the steps in the teacher salary scale in statute. When we filled in those steps, we ensured that every teacher in West Virginia gets an approximate 1.5% pay raise every single year. This year will be the same, and the budget I submitted to you tonight contains funding for those increases.

And although I would like to do more, the fact is at this moment we cannot afford additional pay raises that will add to the State budget forever. Our economy is too fragile, and our long-term budget too constrained.



Governor Earl Ray Tomblin prior to giving the commencement speech at West Virginia University – Parkersburg. Shown with President Marie Foster Gnage and West Virginia Senator J. Frank Deem

Instead, we need to start thinking about pay the same way that the private sector does. In the private sector, businesses often have programs for one-time additional compensation.

Accordingly, tonight I am proposing a one-time, \$800 across-the-board enhancement for our teachers. This recognizes the hard work that our teachers put into our system while at the same time does not add to our base budget. Frankly, it should be more and we all need to continue to strive for a day when our teachers are paid at a rate equivalent to the most important

role they play in our children's lives.

And while on this subject, our state employees and school service personnel have stepped to the plate and worked hard during these tough economic times. I will therefore be proposing a similar one-time salary enhancement for these employees as well.

HEALTH CARE

And just as we need an educated workforce, we must also work to improve our health care system. I

know that we can make a difference. And I am proud that the State has previously stepped up to the plate to improve the health care environment in our state.

During the last decade we faced a medical malpractice crisis.

Doctors were leaving.

Insurers were refusing to do business here in West Virginia.

So we acted. I was proud to lead the fight to create the West Virginia Physicians Mutual.

Look at where we are today. Malpractice premiums in 2005 were approximately \$117,000 per year for coverage for OB-GYNs. Today, that same coverage is cut almost in half. Doctors now believe that West Virginia is a great, stable place to do business. And we need to keep them here.

We succeeded then, and I know we can come together now to improve our health care system.

Regardless of the debate over the federal health care bill, we need to continue to improve our health care system, and I know that all of our state agencies are working on that goal. One focal point of my administration will be to find ways to foster the creation of health insurance for our working uninsured.

I am proud to report that, through WV Connect, we have been able to provide access to health care for 10,000 working, uninsured West Virginians and their spouses. This pilot program, over the next five years, will reduce emergency room visits and avoidable hospitalizations, resulting in a healthier workforce. This is just one example of steps we are taking to improve the delivery of health care in our state.

And, we must also make sure that we provide tools that will assist our senior citizens. I am pleased to announce that I have recommended an appropriation of \$200,000 for our Bureau of Senior Services to use in conjunction with the AARP to continue the West Virginia Helpline -- a toll-free number designed to help seniors in need of federal and state programs that can help them and can keep them in their homes. So far, this program has helped attract in excess of \$7 million dollars in federal funds for our seniors.

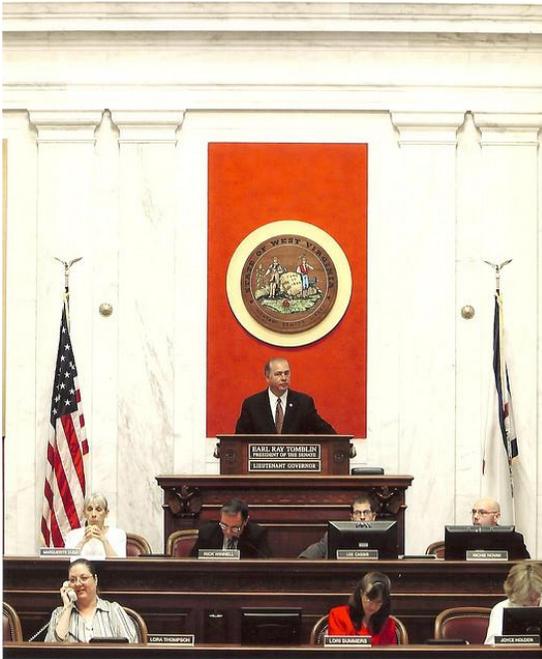
MODERN GOVERNMENT

And as we focus on jobs, education, and healthcare, we cannot forget that we have a duty to run an efficient, trustworthy, ethical, and fiscally responsible government.

Indeed, I believe that being a good steward of the people's money is one of the most basic and fundamental components of public service. And the easiest way to lose the confidence of our citizens is to violate this fundamental trust.

In all of my years in the Senate, I am most proud of the fact that we always kept a watchful and cautious eye over the State's finances. In acting as Governor, I pledge to continue to do so.

It is important to note that the responsible work of the past is paying off. We can now see the tangible results from our good financial management.



Earl Ray Tomblin addressing the Senate

Consider, if you will, the improvements made to our pension funds. In 1992, when I was Chairman of the Senate Finance Committee, our retirement systems were on life support. For too long the State had failed to fund our pension programs - and many of the programs were unsustainable. So we took action. We modified our pension systems and over the past 6 years, we have shored them up.

What does that mean for us today? I have some very good news to report. In this year's budget, the amount of money we need to put into our pension programs has decreased over last year.

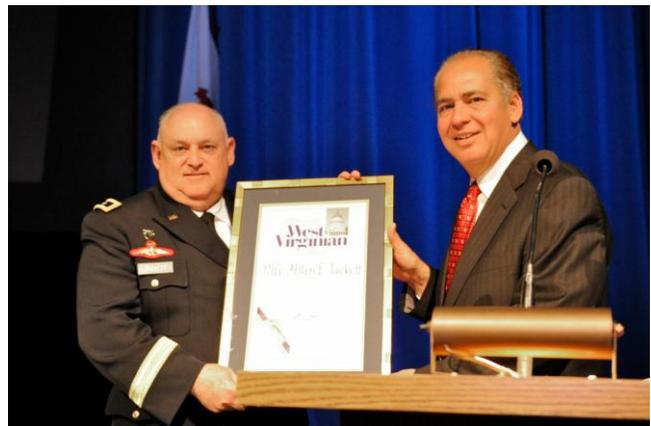
Let me say that again - this year, because of our hard work and good investment returns, we will need to put less into our pension systems than we did previously - an \$8 million dollar savings thanks to smart fiscal management!

Our fiscal responsibility has paid other dividends. For the second year in a row, the State has seen its credit rating increase. Moody's elevated the State's credit rating to Aa1, one notch below its highest rating. They cited the State's continued fiscal discipline, strong financial performance, and continued progress in addressing long-term liabilities. This has real, tangible benefits to every West Virginia taxpayer.

The folks in this room and many others deserve accolades for their work to save taxpayer money and to make it easier for us to build a better future for WV. We must continue to maintain fiscal responsibility.

ALLEN TACKETT

Finally, let me thank a true West Virginia patriot. General Allen Tackett has served as Adjunct General in West Virginia since 1995. General Tackett is the longest serving Adjunct General in the nation. He commands more than 6,000 of our citizen soldiers. He and all the West Virginia National Guard deserve our respect and gratitude for their sacrifice to our country and our State. Please join me in thanking Allen Tackett for his service.



Governor Earl Ray Tomblin presents Major General Tackett with the Distinguished West Virginian Award.

And while thinking of our military, one cannot

help but think of our veterans and all they have done for West Virginia. We have recently made significant strides to improving care for our Veterans, with our new Veterans Nursing Facility. And, we were finally able to secure a cemetery to honor our departed veterans, right here in West Virginia. I have requested an additional \$300,000 dollars in funding to make sure that the final resting place for our veterans is properly cared for and managed.

The fact remains, however, that our veterans need a more prominent place in our Government. I am therefore pleased to announce that I am submitting legislation creating a new department - the Department of Veterans Affairs. For the first time, Veterans Affairs will have an official place in the Governor's Cabinet.

I would be remiss in speaking of our people if I did not recognize the brave West Virginians we have lost this past year.

We need to remember those we have lost protecting our country.

We need to remember those we lost at the Upper Big Branch mining disaster.

And we need to remember a gentleman who dedicated his entire public life to serving our people, our beloved Senator Robert C. Byrd.

In their own way, each of these individuals sacrificed to make West Virginia a better place. And we are so grateful for their service and commitment to their families, to their friends, and to West Virginia.

CONCLUSION

The past twelve months have been a year of significant transition in West Virginia. One of the great things about our democracy is that we are a society governed by the rule of law, not by the rule of men. The people who represent us may change, but our system of governance continues. During these turbulent economic times, our citizens deserve stability, and to be assured that their representatives are focused on fulfilling their missions as public servants.



Governor Earl Ray Tomblin
in his office

I hope you will join me in focusing on improving the lives of all West Virginians. If we do so - and remember to put West Virginia First - I know that we can have great success during this Legislative session.

Let's get to work, and remember the message of Teddy Roosevelt:

Far better it is to dare mighty things, to win glorious triumphs even though checkered by failure, than to remain with those poor spirits who neither enjoy much nor suffer much because they live in the gray twilight that knows not victory nor defeat.

As President Roosevelt said, we have too much to do to sit on the sidelines. We need to step out of the gray twilight into the bright sunshine so that we can all see the

dawn of a new day.

I believe that the dawning of a new era has begun in West Virginia. Join me in daring mighty things and winning glorious triumphs for West Virginia. Making it a place where opportunity abounds and jobs are plentiful. Making it a place where our children will stay and flourish. And making it a place where the American Dream is achievable every single day!

Thank you, God bless you, and may God bless the Great State of West Virginia.

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