

Madam President, Madam Speaker, Madam Pro Tem, Mr. Chief Justice, members of the General Assembly and fellow Vermonters:

Last week, Joseph R. Biden was sworn in as our 46th President. This peaceful transfer of power was in stark contrast to the violent insurrection two weeks earlier – incited to undermine our Constitution and overturn the results of a free and fair election.

In the end, the Constitution was followed, and truth and democracy prevailed. But we cannot pretend it didn't happen or sweep it under the rug.

The violence was a sobering sign of how fragile and fractured we've become, and just how easy it is for politicians and foreign adversaries to manipulate and mislead millions of Americans.

We must reflect on it and find a path forward that unites us.

This isn't just the responsibility of elected officials. Every American of every race, creed and color – on the right, left and in the center of the political spectrum – has a personal responsibility to do their part to preserve our republic and its democratic principles.

It is up to each of us to strive towards a more perfect union and constantly work towards liberty and justice for all.

We must face the darkness of oppression, hate and injustice (the real enemies of America) with unity, love and truth; see differences of opinion, not as obstacles, but as an opportunity to listen and learn from each other; seek consensus whenever possible, compromise when necessary; and be comfortable agreeing to disagree because that keeps us talking, so we leave a healthy democracy for the next generation.

It is my hope that every American – those who voted for President Biden and those who didn't – will come to the table; put the progress of our country ahead of partisanship; and not let this opportunity pass because the future of our nation truly depends upon our ability to come together.

I hope every Vermonter will do their part and I can assure you, this Vermonter will.

Turning to the work of state government, we must focus on the challenges created by the pandemic, as well as the problems we faced before – many of which have challenged us, and grown, for decades.

We must support our communities, children, businesses and healthcare system; care for our neighbors; and lead a recovery that reaches *every* county and brings equal economic opportunity to *every* Vermonter.

Now, I remember what it's like to be a legislator. How tempting it is to seek a one-size-fits-all policy. But the regions of our state are very different, so we need a different approach.

From the Northeast Kingdom to the Marble Valley, from Hogback Mountain to the Islands – our communities are unique. Unfortunately, population growth, job creation and economic tools also vary from region to region.

Places like the Champlain Valley have grown while other parts of the state have watched their economic centers slowly erode. This was happening long before the pandemic hit, and it's only gotten worse over the last 10 months.

State spending that grew faster than Vermonters' paychecks and pushed too many down the economic ladder is another longstanding challenge we've worked to reverse.

In the two years before I came to office, General Fund spending was growing at an average of about 3.75% a year. In the three years after, we held annual spending growth to about 1%, including two years without raising a single tax or fee.

It's important to remember, we did this while increasing investment in our downtowns and villages, housing, childcare, higher education, clean water, addressing climate change and more. We did it while improving the health of our UI Trust Fund and lowering rates for employers. And we did it while paying down debt in several areas and expanding reserves.

While we slowed spending growth – helping Vermonters keep more of what they earned – the economy grew. In fact, before the pandemic hit, we were on track to see the biggest surplus in our state's history.

This better positioned us to weather the economic storm that hit.

Our commitment to saving lives, limiting spread of the virus and protecting our healthcare system has also put us in better economic shape than many other states.

And the federal funds we've received have been a critical lifeline, injecting billions into our economy to keep the doors of our hospitals, businesses, non-profits and childcare centers open.

All of this has allowed me to present a balanced budget to you today totaling \$6.83 billion, which doesn't increase taxes, raise existing fees or cut essential services. It includes \$123 million over two years in state capital construction; \$680 million in roads, bridges and other transportation projects; \$1.99 billion in General Fund spending; and \$1.89 billion for Pre-K-12 education.

We've also fully funded our retirement obligations this year. You should know, to do so, we needed \$103 million more than last year, for a total payment of \$381 million.

As we face this growing and unsustainable burden, I want to thank Treasurer Pearce for her courage to take this issue on. Because we all know we must do something, and I look forward to working with her, and you, to save this system.

This budget also makes \$210 million of smart, one-time investments to improve services and stimulate growth by tackling major challenges like broadband, climate change and expanding economic opportunity.

I want to thank our congressional delegation, especially Senator Leahy, for their work to help us through this difficult time.

Overall, with the combined effort of state and federal officials, this budget makes enormous investments in immediate needs and to address long-term challenges so we can put ourselves back on a path to steadily grow our workforce, put more kids in schools, and help every region build a healthy economy and serve their families with the best education in the country.

While our fiscal picture looks better than expected we must recognize that is mostly due to billions of dollars of one-time federal stimulus money. This isn't ongoing revenue, meaning it won't be here next year, so we need to be smart about how it's spent.

That's why we must invest in areas that grow our economy or lower costs for the future. Let's not fall into the trap of using it to create new programs we can't afford after the federal money is gone.

We must remember, despite this rosy picture, COVID-19 is still impacting families and businesses. The promise of a future rebound doesn't offer much consolation to those facing devastating losses and sustained unemployment. We know too many small businesses are on the brink – months, weeks and even days away from closing their doors for good. So, we must continue doing all we can to keep them open.

The latest round of federal funding, which includes more direct grants and loans to businesses, is an important step. But there are still many small employers who don't qualify, which is why I proposed an additional \$10 million lifeline for them in Budget Adjustment.

Unfortunately, this much needed lifeline for small businesses has met some resistance in the Legislature. I urge you: Please reconsider. They need and expect our help right now and we have the money to do it.

The farmers, producers, markets and co-ops that make up our food system need help too, so my budget puts an additional \$3 million in the Working Lands program. This will help these businesses survive and will strengthen our supply chain.

But the challenges in this sector are significant, especially in meat processing – and we have to be able to feed ourselves – so let's work together to find new ways to support and rebuild this important part of the economy.

I've also included a \$10 million package to boost outdoor recreation in all 14 counties.

Three years ago, we launched a pilot program to invest in outdoor recreation – funded initially at just \$100,000. While it has helped projects like Newport's waterfront trail, and Randolph's outdoor hub, there are many more that could use this support. These projects improve communities, grow economic activity in the areas that need it most and strengthen our Vermont brand. So, my budget invests \$5 million in this program.

Through the pandemic, we have seen increased use of our trails, paths and parks as folks looked for healthy ways to get out of the house. Let's make them even more attractive and accessible – while protecting our public lands – with \$5 million to make much needed repairs and spruce up our recreational trails.

And our capital bill will fund new cabins and improve access to state lands for hunting, fishing, hiking and boating.

As much of a draw as these resources are, we continue to fall behind in tourism.

Vermont has the smallest marketing budget in the Northeast, spending about half as much as our next closest competitor. To fix this, let's kick start a marketing fund with a \$1 million, one-time appropriation. In future years, any rooms and meals tax revenue over and above what is projected would go into this fund to keep us competitive.

Let's not forget this economic activity benefits Vermonters. In 2019, visitor spending supported over 31,000 jobs and injected \$3 billion into our economy. The \$373 million in tax revenue this generates, pays for about \$1,400 in services for each Vermont household.

An increased investment here will not only deliver a strong return but will give a much-needed boost to our hospitality sector as they struggle to recover from the pandemic.

Investing in our downtowns and village centers is essential to growing regional economies in every county.

Last year, we proposed relief funds for a Better Places pilot program to help communities and businesses create outdoor spaces that met public health and local development needs. Unfortunately, it didn't make it to my desk. However, non-profits raised \$90,000 to help towns in need. The nearly 100 requests – from places like Wilmington, Swanton and Rupert – far exceeded funding and show there is much greater need, and opportunity. So, I've proposed an additional \$5 million into this initiative, making it easier to access funding for revitalization and putting this money – and more Vermonters – to work in our communities right away.

Let's also increase funding in the successful Downtown and Village Center Tax Credit program by \$1.75 million, bringing the total investment to \$4.75 million.

There has never been a more important time to support communities across the state than today. We can do that with initiatives like the Building Communities Grant Program in the capital bill.

Now I admit I'm partial to this program, having helped get it started when I was sitting in your seats 15 years ago. It supports much-needed projects that create new opportunities for recreation, health and safety, and culture. Projects like ADA compliance work at Martha's Kitchen in St. Albans; doubling the childcare capacity at a center in Craftsbury; constructing a new park in Poultney; rehabbing community and rec centers in places like Bennington, Groton and Island Pond; and supporting Jenna's House in Johnson to provide recovery and other services for those impacted by substance abuse and the opioid crisis.

It funds small projects that make a big difference and can be just the lift towns need to attract new Vermonters, who we desperately need. Each year demand far exceeds available funds, so my capital bill includes a total of \$4.2 million over two years to help more communities.

Another area where we can make an incredible impact is cleaning up brownfields: Places like the Jones and Lamson building in Springfield, the Bellows Falls Garage, the Lynnwood Crown Farm in Derby, the Calderwood site in St. Johnsbury, the Upper Valley landfill in Thetford and so many others around the state.

All these facilities once supported their local economies, but now sit vacant. And the environmental cleanup makes it too costly to redevelop.

This is a barrier to the community's economic growth, as many are in prime locations for development. So, I propose \$25 million in one-time funding to turn these old industrial sites from eyesores into opportunities.

This will greatly benefit our environment *and* our economy, and it is *exactly* the kind of lasting impact we should be striving for with this one-time money.

Infrastructure investments also strengthen our communities and economy.

We'll continue that work with our transportation bill, including an additional \$3.5 million paired with \$1.5 million from the General Fund to boost our Downtown Transportation Fund. This money goes to projects that make downtowns more accessible, bringing more customers to their businesses, reducing carbon emissions and improving safety. And I'll propose legislation to expand eligibility, giving nearly 40 more towns and villages the opportunity to make these improvements.

And our transportation bill includes record funding for our paving program, covering 360 miles, and in our bike and pedestrian program, which will finally complete the 93-mile Lamoille Valley Rail Trail, spurring economic activity for some of the most rural parts of the state.

It also funds 40 traffic safety projects, 71 roadway projects, and over 115 structural improvement projects – which includes finishing the Middlebury Tunnel. It provides \$1 million to support a major infrastructure project at the Highgate airport and industrial area. And to help lower carbon emissions, it adds seven electric public transit busses, 228 Park & Ride spaces, and \$5 million to accelerate our transition to electric and more fuel-efficient vehicles.

Beyond roads and bridges, we can also address important needs like broadband weatherization, and major IT and cybersecurity work that will better serve Vermonters.

Broadband is an area we know will grow the economy, increase equity and quality in education and expand our workforce. We've long agreed on these goals but struggled to find a way to get there. Let's face it, if it were easy or affordable, we would have done it by now. Though the state has made steady progress, the reality is that it's hard and very expensive to get to the last mile.

Even with the additional funding we have, it won't be enough. So we are going to need the federal government to treat high-speed internet access the same way they did electricity in the Rural Electrification Act of 1936. The good news is they are talking about it and I believe with the help of our influential congressional delegation, they will follow through.

So, let's invest the dollars we have to put ourselves in the best possible position to hit the ground running when federal money arrives.

The \$20 million broadband package I'm presenting includes \$2.5 million to extend internet to more Vermont homes; \$1.5 million to help our local utility and communications districts plan for broadband buildout; and a nearly \$16 million dollar fund for grants and loans to expand broadband in the areas that need it.

I believe this is the best way to get ready for future federal dollars.

And just like broadband, weatherization is an area where we've had a lot of agreement but not enough funding.

Our current programs help families and municipalities reduce energy costs, improve housing and move us towards our carbon emissions goals. So, I propose investing an additional \$20 million to accelerate weatherization of homes for low- and moderate-income families, and – through the Vermont Housing Finance Agency – add private funding to expand the reach of these programs.

And we'll put another \$5 million for the State Energy Management Program to help towns make efficiency upgrades that will save taxpayers money down the road.

In total, we believe this \$25 million package will generate nearly \$70 million in weatherization projects and significantly increase the number of homes we weatherize.

And let's not leave behind those who haven't been able to afford small-scale renewable energy. Let's put another \$10 million towards an initiative to bring affordable, clean energy to those with low and moderate incomes. These initiatives will lower energy costs for Vermonters and municipalities and move us significantly towards our climate change goals.

We know housing isn't just about energy costs because – from our biggest city to our smallest downtowns – a lack of affordable housing places a burden on families, and makes it difficult to keep people here and for employers to recruit workers.

Last year we established the Vermont Housing Investment Program (VHIP) to revitalize old rental units. This program is putting Vermonters into better housing as we speak by helping small landlords rehab older units. Like Penny, who renovated two vacant properties in Westminster that were in desperate need of repair, beyond what she could afford. She used VHIP funds to renovate rooms and improve efficiency with window and heating upgrades. One of these units is now "home" for a single mom, who was in need of something safe and affordable.

Or Jim, in Rutland and Tyler in Lyndonville, who both used VHIP to rehab 12 total units and worked with local community groups to help the homeless and others at risk.

These are powerful results, delivered quickly. So, let's build on it by devoting an additional \$2 million to this proven program.

As you might remember, three years ago we worked with VHCB to borrow \$37 million, which has since leveraged almost \$200 million to build new housing. This year, instead of borrowing, let's direct \$20 million to VHCB, which will help build even more homes.

As well, let's invest another \$1 million to help families purchase and rehab homes in communities that need the investment most. And as we work to ensure our state becomes more welcoming and diverse, let's dedicate a portion of these funds to attract new homeowners who are black, indigenous and people of color.

We're starting to move the needle on the housing front, but we have so much more to do – let's act now on a goal we all share.

All of this work, together with Act 250 reform and the expansion of TIFs to smaller communities, means we can *finally* deliver on our commitment to expand growth outside Chittenden County and help more economic centers, more families and more businesses – in every region – recover and thrive.

I'm confident with continued focus and effort, we can also grow our workforce.

That's why my budget includes \$500,000 to help the Department of Labor create a new tool to better connect job seekers with training programs, educational opportunities and good jobs. And we'll continue to support VSAC's Advancement Grants with an investment totaling \$2.9 million giving workers practical, hands-on training for good jobs that don't require college degrees.

We've also come together to recognize that a major contributor to the economic challenges we face is our aging population and shrinking workforce.

The best way to increase revenue is to add taxpayers, not new or higher taxes. And due to our success managing the pandemic, our state is even more attractive to people looking to escape big cities, for a safe and healthy place to live. So, let's strike while the iron is hot and expand our remote and new worker programs.

In just two years, they have helped recruit 550 new Vermonters, growing our communities and schools. This represents \$25 million in income and approximately \$3 million in tax revenue – all with an initial investment of \$1 million. That's a 300% return!

That's why my budget proposes another half-million dollars to make this program even more valuable by expanding our reach to a wider range of jobs and to people from more diverse backgrounds.

Recruiting and retaining members of the National Guard and veterans is another way we can build our workforce.

We've taken steps like college scholarships for those who enlist and simplifying licensing so those leaving active duty can easily transition to new careers. We're also working on a recruitment campaign for veterans who are not only looking for a good place to live but a good job, after their active duty ends. Moving forward, we'll create a permanent recruitment program, highlighting work and educational opportunities as well as the outdoor lifestyle many are looking for. And in partnership with the National Guard Legislative Caucus, I'll propose we give any Guard member on state active duty the same tax-exempt allowances they receive when on federal orders, letting them keep more of what they earn.

Unfortunately, one thing we haven't been able to agree on over the last four years is eliminating the income tax on military pensions. We're currently one of only *seven* states that taxes this benefit. This makes it difficult to compete because service members look at this when deciding where to spend their retirement years, which often begin in their 40s. My budget includes \$1.4 million to make this important change this year.

We can take a similar approach to attract more nurses, which we know we desperately need. Every year approximately 300 RNs and 130 LPNs graduate or receive certification from programs across the state, but not all of them stay. So, I'll once again propose \$1.25 million for a nurse retention incentive to keep more of them right here in Vermont.

Our efforts to grow the workforce are tied directly to building the best education system in the country, from cradle to career – from affordable childcare for working parents and the draw of great public schools for young families with kids, to giving Vermonters the skills and training needed for good jobs, which helps businesses grow.

As I said in my Inaugural Address, we worked together to make childcare more affordable for lower income families and invested relief funds to keep our providers open and safe during the pandemic.

And, with my proposal to reorganize the Child Development Division, we can take steps to improve the system from within.

Similarly, with a change to our tax code we can level the playing field for Pre-K providers. Currently some programs are housed in tax-exempt schools and others in taxable properties, putting them on unequal footing. So, let's exempt all of them from educational property taxes. This will reduce budget pressures on these programs, which can result in lower costs and more options for parents.

And I'll once again propose we expand the lottery, generating as much as \$3 million more each year by allowing new games like Keno in bars and restaurants, which we should dedicate to childcare.

As I said two weeks ago, we have a moral imperative to rethink how we're spending the nearly \$2 billion that goes to PreK-12 and transform the system to give every student, the same chance to succeed.

This year that has to include tackling the impact of remote learning on our kids. So, the Agency of Education and Department of Health are working with school leaders on how to measure, and then address, the developmental gaps students might have.

This is critical work, and we can also invest one-time money for longer-term improvements.

There is no doubt our schools have and will continue to experience budget pressures in responding to this pandemic. However, with the federal funds we have, I'm confident we can fully fund school budgets and make progress on school building maintenance that's been deferred over the last two decades – all without raising statewide property tax rates.

We have the resources to do this, and we have the obligation to follow through for the people we serve.

We all know our state college system has been on an unsustainable trajectory for many years.

Since coming to office, I've repeatedly proposed increased funding for the Vermont State Colleges – sometimes these requests were met and other times we settled for less. But you, the Legislature, have shown a renewed interest and I'm a willing partner.

So, my budget proposes \$20 million in addition to their \$30-million base appropriation, giving Vermont State Colleges a total of \$139 million in state and federal funds in two years.

We do, however, have to be realistic. Like our pension system, our state colleges need restructuring as well. It's my hope the State College Board, in partnership with the Legislature, will continue working to address the underlying structural issues we face.

Because this is a one-year bridge, with one-time money, and we know this level of funding is not sustainable.

Healthy families and safe communities are critical to a strong economy, so seeing Vermonters struggle with food insecurity during the pandemic has been troubling.

While we have more work to do, we acted quickly and have fed over 64,000 households through the SEOC and delivered over one million meals to those experiencing homelessness with the help of partners.

One of those initiatives, the Everyone Eats Program, has not only supported those in need but has provided income for hard-hit restaurants, farmers and other food producers. That's why I've requested an additional \$3.2 million in Budget Adjustment to keep this important program going while we continue to recover.

Stronger, safer communities is also the goal of my team's work with the Legislature, Judiciary and community partners on an initiative to help us better address, and better invest, in our justice and rehabilitation programs.

This includes an emphasis on helping people re-enter society, contribute to their communities and rebuild their lives after incarceration because this makes our communities safer.

So, I've devoted nearly \$1 million to this effort, which includes more mental health and substance abuse treatment for those under state supervision, increases transitional housing options for those re-entering our communities, and provides counseling and treatment to end the cycle of domestic violence and reduce repeat offenses.

We'll also continue our efforts to further improve policing in Vermont.

But this has to be a partnership, built on trust and accountability between lawmakers, law enforcement and their communities, which is why I'm funding initiatives that help us build on years of work by the Vermont State Police, local departments, and advocates. This includes body cameras for all State sworn officers and in the Department of Corrections, and helps us modernize and implement our use of force policy to protect Vermonters and officers alike.

Our equity work can't just be about policing and criminal justice, so this budget also expands our Office of Racial Equity. And we've put forward several proposals to address inequity and systemic bias in the areas of housing, education, workforce recruitment and more.

These are just some of the policies and programs that are included in my proposed budget. There will be more ideas and details in the days to come. And like every year, this is just the start of a conversation on how, together, we can support our people and our state with the resources we have.

But we know that this year will be different, and this pandemic has tested all of us. It's created new, immediate challenges that we never thought we'd face. It's exposed and deepened older problems we've grappled with for decades. And it's presented us with a rare opportunity – giving us more of the resources we need to make meaningful progress on both.

To my friends in the Legislature: How we choose to proceed, the priorities we choose to set and how we spend one-time money will have a lasting impact on Vermont.

If we're cautious, we can solve problems and fund projects that have been stalled for years, improving communities, services, outcomes and state government itself. And we can lay the foundation for an economic resurgence around the state, without having to ask more from taxpayers to do so.

However, if we don't learn from past mistakes, and choose to use one-time money to create ongoing obligations that we can't afford in the future, we'll be forced to increase the burden on working Vermonters, slowing our recovery and missing an incredible opportunity.

If we can work together – put the politics and partisan agendas aside – we can pass a budget that could truly transform the future and set us on a path that supports all Vermonters in every corner of our state.

One that helps to create equal opportunities in our schools, supports our communities, upgrades our infrastructure, builds more affordable housing, grows our workforce, and so much more. All without any new taxes, fully funded with what we have available to us today.

The challenge and the opportunity before us are great, but I know – as we always have – together, we will rise to meet both.

Thank you for listening, and I look forward to working with you.

###