

Madame Speaker, Mr. President, Mr. Chief Justice, members of the General Assembly, distinguished guests and fellow Vermonters:

Since 1778, Vermonters, elected by their neighbors and bound by a common oath, have gathered to open the legislative session. They left farms, families and businesses, traveled over rugged mountain gaps and winding valley roads, from every corner of our state to come together to solve problems and shape the future.

The work of those who came before us, carved out Vermont's place in the world with a greater share and influence than our small size or population would prescribe.

Through our courage and conviction, Vermont has pushed forward with progress when progress seemed unachievable. We've been the example, set the tone and helped usher positive change into our nation, when the need for change was essential.

My friends, we've reached that time again.

History has placed us together in a difficult moment for our state and our country.

Here at home, we must address economic and population trends that have diminished our ability to sustain what we have, and invest more in our priorities.

Nationally, we face political divisions and polarization so deep and broad they seem to shake the very foundation of our republic.

The challenges we face are great, but none greater than proceeding with the work ahead of us in a manner that Vermonters can be proud of, and our fellow Americans can look to as an example of what it means to truly serve the people.

These are not small issues. The path forward requires each one of us to work together, pulling in the same direction, toward our shared goals.

And when we do, our people, our communities, and our values will carry us forward because the state of our state is strong.

But make no mistake, Vermonters need and expect us to follow through on our promises.

Their call for balance, moderation and fiscal responsibility has been loud and clear and we cannot let them down.

A year ago, I stood at this podium and laid out my vision for Vermont. One that sets clear, achievable goals, that was honest about the scope of our challenges and the need for courage to confront them head on.

I vowed to always put Vermonters first, to put myself in their shoes – and their boots – to better understand what they're going through.

I pledged to work with the Legislature to create better opportunities and outcomes for our children and families, to reform state government by listening to frontline employees – using their ideas to more efficiently meet the needs of those we serve.

And to do it all while allowing working Vermonters, and our retirees, to keep more of what they earn.

Together, we were elected to chart a course that restores the economic and fiscal fundamentals required to invest in our future.

Imagine a future with classrooms that are actually full of kids, where more students go to college, or are trained in a trade, and have an opportunity to live and work right here in Vermont.

A future with vibrant communities, a thriving economy in every village, town and city, and where Vermonters can retire right here, after a lifetime of labor.

A future where the economy is growing faster than the cost of living, and our state is more affordable each year for families and businesses.

Where we have a cleaner environment and safer neighborhoods with fewer suffering from addiction, and where we never struggle to meet our obligation to protect the most vulnerable.

That's my vision for Vermont. And even if we don't agree on which policies will get us there, I know we share these goals for our state.

But here is the blunt reality.

We must first restore our economic and fiscal foundation to ensure we have the funding needed to achieve our aspirations for Vermont.

Early in my career working construction, I learned that when you find yourself in a hole and have a problem, the first thing you do is stop digging.

Well, I'm proud to report that last year we stopped digging.

We passed a budget that invested in our people and economy, without raising a single tax or fee.

We closed a budget gap of more than \$60 million, and limited budget growth to just over 1%, while wages grew at about 2%.

This means – for the first time in recent history – that state government actually *helped* people keep more of what they earned.

But, this is not the time to return to the spending policies of the past. In three weeks, I'll present a budget that continues our transition to a strategic and results-based approach – one first championed in this very chamber.

It will once again be tied to a growth rate calculation based on real data, reflecting growth in wages and the economy – not predictions that have fallen short far too often.

I'll call for continued fiscal discipline because Vermonters *still* cannot afford higher taxes or fees.

And I, along with my administration and members of the legislature, stand ready to prevent taxes and fees from increasing again this year.

And, just so I'm clear, that includes statewide property tax rates.

Having fiscal discipline means facing facts.

We know our school population is shrinking. We've lost nearly 30,000 students in the last 20 years. Yet staffing levels and costs continue to rise, and property taxes continue to overburden families and businesses.

Today, we spend \$1.6 billion to educate 76,000 students. These children are our future engineers, educators, and technicians; our future leaders, parents, and citizens.

Think about it: If I came to you with a check every year for \$1.6 billion and asked you to educate the same number of students, I'd dare say that our system would look much different – and be much stronger, more nimble and more responsive to every child – than it is today. It would be the envy of our nation, and one of the best economic development tools we could ever have.

If we work together to transform our K through 12 system, based on the needs of our kids and not nostalgia, we can invest much more in early care and learning, technical education, workforce readiness training, and higher education without raising the price tag on Vermonters.

We made some progress towards this Cradle-to-Career vision last year, increasing investments in our Child Care Financial Assistance Program by \$2.5 million and in the Vermont State College System by \$3 million.

And in our work to lower costs while protecting programs for our kids, we reached an agreement to return \$13 million to taxpayers through healthcare premium savings.

This year, we have an even more urgent need to act and I look forward to working with you to find solutions. Because if we don't, we face a significant statewide property tax increase.

We cannot let this happen. Vermonters can't afford it, the state cannot sustain it, and I will not accept it.

Vermont has so much to offer, from innovative entrepreneurs and the hardest working people in America to a quality of life that's unrivaled.

We frequently rank as the safest, happiest and healthiest. We offer the best local food, beer, cheese and maple syrup in the world, and we are known for our commitment to social justice, equal rights and unity.

As younger generations place more value on social responsibility, health and community, these ideals should make us a top choice for young families. But unfortunately, that alone hasn't been enough.

This is exactly why a focus on affordability is so critical to our work.

Last year's budget milestone was an important step, but our costs of living – from utilities to housing to taxes – remain among the highest in the nation.

So, despite our many benefits, these costs deter young people from moving or staying here, and encourage older Vermonters to leave for a more affordable retirement elsewhere.

In fact, from 2013 to 2016, 2,000 more tax filers moved out of state than moved in, according to IRS data. This alone represents \$150 million in adjusted gross income leaving our state.

I know many of us have seen this in our own families. We have children, grandchildren, siblings or close friends who grew up here, moved out of state, and may even want to return home, but they've settled for a more affordable life elsewhere.

We're also seeing workers age out of the labor force faster than we can replace them.

Here are a few facts to consider:

- We have 23,000 fewer people under the age of 20 than we did in the year 2000;
- We now have nearly 30,000 more over the age of 65 than we did in that same year;
- There are 30,000 fewer people between the ages of 25 and 45 than we had 10 years ago;
- Ours is the second oldest population in the country. If we do nothing, we'll soon be number one.
- And, think about this: outside of Chittenden County, we are just three to four years from having just one worker for every retiree, child or dependent of the state.

This has got to stop. It's simply unsustainable.

Reversing these trends should be the top priority of every elected official, regardless of party or political beliefs.

These aren't just numbers; the human and economic impact is real.

This fall, I visited Mack Molding, a manufacturing company in Arlington – a great business with a strong workforce – but in order to compete on a global scale, it needs to hire about 50 people to keep up with demand.

And they're not alone. We hear from businesses around the state: LED dynamics in Randolph wants to hire 40. Chroma Technology in Bellows Falls is looking for 20 over the next two years. GE Aviation in Rutland has 50 new openings. NSA Industries in St. Johnsbury would put on 50 tomorrow, if they could, and Global Foundries in Essex Junction is hiring nearly 100.

This is great news, and these are great jobs, but we need the people to fill them.

Whether employees are needed for a business to grow or just to keep its doors open, there's a common theme here: We need more workers. We cannot afford to ignore this any longer.

These trends also shift the tax burden onto fewer and fewer people, seemingly leaving us with only two choices: Cut programs we value, or raise taxes.

But, there is a third option.

We can come together, and focus our efforts on growing our working-age population. If we do this, we can expand our tax base. We can put kids back in our schools, help our businesses innovate and grow, and we can protect – and make more of the public investments in the areas we value.

There's nothing wrong with wanting government to invest in programs that enhance the lives of Vermonters.

But the fact is, until we're able to increase the size of our workforce and grow the economy, we will not have the revenue to meet current or future needs.

My administration is developing a workforce expansion plan that looks at how we educate and place our students, train and retrain to create more opportunities, and how we recruit more families and graduating students to live and work here.

A good place to start is in recruiting from a pool of talented, committed workers already here in our state: our National Guard and retired, full-time service members.

The Vermont National Guard has nearly 3,500 members here in the state – a third of whom aren't Vermonters. So, when they leave the Guard, they leave Vermont.

Additionally, young people in our region signing up for service often do so in other states because they offer more and better benefits.

These are the men and women who bravely serve our country and communities. They have valuable skills that benefit our employers and economy. They can help us grow our workforce, and put kids back in our schools.

That's why I'm proposing a package to level the playing field by offering tuition-free college in Vermont, for those who commit to serve in our National Guard.

In addition, when a Veteran is looking to transition from full-time service to the workforce, we're going to make sure they receive credit for the skills they learned while in uniform by working with the Secretary of State to expedite professional licensing.

And, if we want to compete with other states, we must make Vermont more affordable for retired Veterans, which is why I'll propose to remove the income tax on military pensions.

Access to post-secondary training and retraining is important for all Vermonters, and my budget address will outline a plan to expand Adult Technical Education and other proposals to better serve the current needs of workers and our businesses.

But we also must do more to reach workers – specifically younger workers and entrepreneurs – who currently live elsewhere, but would like to live and raise their family in the safest and healthiest state in the country.

That's why in my budget address I'll also propose a bold, sophisticated campaign to identify and persuade working age individuals, families and entrepreneurs to relocate to Vermont.

This program will use state-of-the-art targeting, plus direct outreach to individuals and businesses to increase the number of workers. And, with a self-sustaining funding model with measurable results, the return on investment will be tracked and reported to me and to the Legislature.

Building on our workforce development initiatives, we must also continue to invest in a strong economy.

Last year we made the single largest investment in housing in our history with a \$35 million housing bond, which leveraged another \$65 million in private investment, to increase the availability of decent, affordable homes for our workforce.

This will result in over 600 additional units, with more than 100 under construction this year. It will employ 1,000 Vermonters, attract new workers to the state, and generate \$10 million in new wages.

We invested in our communities, supporting 22 projects in our downtowns and village centers.

My budget will propose continued investment in both of these areas.

We also expanded the number of Tax Increment Financing – or TIF – districts by six. With this economic tool, communities like Bennington, Springfield and Newport can now drive much-needed development in parts of the state that need it most.

Looking ahead we must continue to help startups grow and businesses thrive, so they can increase wages, create new jobs and help generate revenue organically.

That's why, in my budget I will propose flexible ways to support small businesses and other pro-growth initiatives and investments.

But we must ensure the impacts are felt in all corners of our state. For far too long success has been counted in broad terms, in statistics that fail to consider geography.

Across our state, proud communities – and the people who call them home – have yet to benefit from economic recovery.

I grew up in Barre. I'm proud of my hometown, and wouldn't be standing here today if it weren't for the positive influence of the people, and our sense of community.

Unfortunately, it's harder and harder for some communities to maintain their unique identity, as economic opportunity becomes more difficult to find outside of Burlington.

From the Northeast Kingdom, to the Marble Valley, from the Canadian Border to the shores of the Connecticut River, from Richford to Readsboro, Rochester to Ryegate, the small towns and regional economic centers that helped build our state are stuck in an economic cycle they did not create. And as a result, far too many of our neighbors find themselves in a place they can no longer afford.

The time has come to make this session, their session.

We must consider the effects our actions have in every county, city and town. Imagine how it must seem to a family who's struggling to get by, who can't afford to pay their property tax bill, to turn on the news and hear that the marijuana debate was ranked Vermont's number one news story of 2017.

I talk to people every day about the biggest issues they face in their daily lives, and their hopes for the future. They need us to understand their struggles and consider them as we prioritize the limited time we have here in Montpelier to make a difference.

I can tell you this: Vermonters know our challenges, because they live them. And they also know that with a steady approach, and a willingness to change course, that solutions will come. But they're eager for us to do more, and faster.

I look forward to working with you on economic development proposals, aimed at expanding growth to all 14 counties, so all families, all kids feel the hope of a bright future in Vermont, whether they're from Burlington, or Brunswick, whether they want to be an engineer, or run the family farm. Montpelier must do more to help every person, every community and every county, succeed and thrive.

Our commitment to improving the future extends far beyond work in this building. It's also about providing good service and good government.

Over the last year we listened to our frontline State Employees, and their ideas are working to make government more efficient and effective.

Through our PIVOT program, state employees are working closely with our Chief Performance Officer to identify and eliminate inefficiencies.

This program was modeled after Toyota's successful Lean techniques, a process designed to increase productivity by empowering employees to systematically reduce waste.

For example, a team from the Division of Fire Safety streamlined construction permit applications, improving average turnaround time by 30%.

In fact, we even "Leaned" the Lean training, improving the capacity so we can have roughly 3,000 state workers trained by the end of 2020, at no additional cost to taxpayers.

There are currently 44 PIVOT projects underway, developed by state employees to do things better and faster.

Now, I realize this isn't flashy or glamorous. But this type of modernization helps get more value from each tax dollar, cut through red tape, and improve customer service.

This is important work, and for Vermonters this means a state government geared towards continuous improvement, better service, done more efficiently, and producing more value.

As we work to improve state government, rebuild our workforce and grow our economy, we will not lose sight of the values that make Vermont a leader in so many ways.

Last year we showed when we invest our existing resources strategically, when we focus on outcomes, not just spending, we not only protect our most vulnerable and the things we value, but we can do it in a way that's more affordable and supports economic growth.

That includes our ongoing work to protect impaired waterways, and address the impacts of climate change.

Last year, we committed \$51 million to clean water projects, increasing state funding by 70%. Our Agencies of Natural Resources, Agriculture and Transportation have already put more than \$17 million to work for cleaner water.

And I know we must find a long-term solution. I look forward to working together to ensure we invest the money wisely in projects that will produce measurable water quality results.

Climate change continues to have a negative impact, disrupting our way of life. But our fate is not predetermined.

Already, so much good work is being done by businesses, utilities, individuals and at the state level with our commitment to clean energy and carbon reduction goals, and our participation in the U.S. Climate Alliance.

That's why I created the Climate Action Commission and will work to move key initiatives forward with these goals in mind. And my administration will work with our partners to make electric vehicles more accessible to all.

We need to continue this work in a practical way that ensures all Vermonters benefit: enhancing opportunities, advancing affordability, and protecting the most vulnerable. Because together, we can make a difference.

We've also been a leader in access to healthcare. Let's build on that, with a focus on prevention to keep us healthy while moderating costs.

We will continue to test a voluntary pilot program that pays based on quality of care rather than quantity of service. More than 5,000 providers, including the majority of Vermont's hospitals, have chosen to partner with us in 2018.

As we continue to evaluate whether this pilot meets our goals of better health, quality, and sustainable costs, I'll propose additional prevention focused approaches that work to meet these same objectives.

We must also continue to combat the opioid crisis. Last year we funded a new treatment Hub in St. Albans. This helped us eliminate the waitlist in Chittenden County, which once included more than 700.

This milestone means we can now provide quicker access to life-saving treatment across the entire state.

I also created an Opioid Coordination Council to strengthen our approach, and they've spent the last year working to do just that, identifying strategies to address the four legs of the stool: prevention, treatment, recovery and enforcement.

We'll expand upon a number of their proposals this session, including helping those in recovery transition to the workforce, and continued work with the Office of Professional Regulation to increase the number of treatment professionals.

We know this issue touches nearly every Vermonter. We should be proud of the fact that efforts born from this very chamber are being implemented across the nation. But we will not slow our progress or our search for answers.

For nearly a decade, we've watched the incredible toll this crisis has taken on our families and communities. Our success will be counted, one life at a time.

A young man in recovery going back to work, a mother seeing the light in the eyes of a child once thought lost forever, a community free from fear of crime and violence, and one less child brought into this world, affected by addiction.

I know the work I described today won't be easy, and there will be times during this session that frustrate all of us. There will be a political jab, or an elbow thrown every now and then.

But I ask each and every one of you to remember that if we fail to focus on putting our economic house in order, then we'll be back next year, and the year after, and the year after that, seeking short-term, stop-gap solutions to solve long-term problems.

But, if we demonstrate the fiscal discipline to hold the line on taxes and fees, and keep budgets in line with economic growth, we will put our state on solid footing so we can invest in programs we value and leave Vermont better prepared for the next time the national or global economy takes a turn for the worse.

The time we have, as leaders, is always fleeting... but the impact we have on the future can last forever. When those who come after us look back on this time in our history, what will they see?

Will we have done what we could to preserve civility? To be good role models for our children? Will we uphold the legacies of leaders like George Aiken, Warren Austin, Edna Beard and Consuelo Bailey? Giants in their time, who served our state and nation with dignity and humility, and treated others with respect.

Or, will we be swept up by the rising tide of bitterness and partisanship above all else?

The solutions we were elected to find are achievable, but we must not let our work be clouded by politics. We must resist the instinct to retreat to ideological corners.

Progress requires a willingness to compromise, to listen, to find consensus and to be honest and respectful brokers on behalf of all Vermonters.

As dawn broke on July 1st, 1863, the 2nd Vermont Brigade was in Maryland under command of General John Sedgwick. That day, orders came down that reinforcements were needed North, in the small town of Gettysburg, just over the Pennsylvania border.

With action escalating quickly, the General knew his troops would have to march nearly 40 miles before reaching the battlefield and by then, all might be lost.

Then and there General Sedgwick famously ordered, "put the Vermonters ahead, and keep the column tight."

He knew that with Vermont's commitment to the cause of freedom, and urgency of duty setting the pace, the Vermonters would pull the rest of the troops along. Arriving sooner and helping to turn the tide at Gettysburg, and eventually save the Union.

Friends, this is our time to move ahead and keep the column tight.

It's time for us to lead again.

Now, I don't know when this period of hyper-partisanship and anger will end. But I do know we can't fight hate with hate, or anger with anger. We must do everything we can to pull our nation out of darkness and restore civility and respect to our public process. And that includes the viciousness we see on social media.

We have an opportunity to set an example with our actions. We can commit to meaningful dialogue and be guided by our shared principles. We can work together towards consensus whenever possible, and compromise when its required.

If we do these things, we will make a difference in the lives of Vermonters, we will live up to the promise of our history, and in the decades to come the record will show in our nation's hour of need, Vermonters, once again, led the way.

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