

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

Two weeks ago, I shared the optimism I have for the opportunity before us. In my 21 years in public life, there has never been a more transformative moment.

We have, within our grasp, the chance to combine good ideas, thoughtful legislation and unprecedented financial resources into a better, brighter future: Where there are good jobs, affordable homes and every community is thriving; where every kid is getting the best education, whether they go to the largest school or the smallest; where families keep more of what they earn; and where a healthy and vibrant economy in all 14 counties allows us to protect the vulnerable and invest in the things we care about most.

My friends, the budget I present to you today was built with these outcomes in mind and to make the most of this historic moment.

In total, this budget invests a record \$7.7 billion without raising taxes and, in fact, returns money to taxpayers.

But I want to take some time to talk through what this means because it is probably the most complex budget we have ever built.

It starts with our usual State funds, including \$2 billion in the General Fund, \$326 million in our Transportation Fund, and \$1.9 billion in the Education Fund.

We are in the second year of a two-year Capital Bill, so while we will propose a few changes, the great work of last year will move forward.

We also start this year with a \$234 million General Fund surplus and a more than \$90 million surplus in the Education Fund.

And that's the easy part.

Then, we have the Coronavirus Capital Projects Fund, the Infrastructure Investment and Jobs Act funding, ESSER 1, ESSER 2, ESSER 3, and hundreds of millions in other one-time federal funding.

As you know, last year we received over \$1 billion from the American Rescue Plan Act, which I proposed splitting into five major initiatives: broadband and cell service; housing; climate change mitigation; water, sewer and stormwater infrastructure; and economic recovery.

You worked with me to fund about half of this proposal. And although some ARPA dollars went to other initiatives last year, I will ask you to follow through on the commitment you made to invest what's left in the transformative and tangible infrastructure projects I originally proposed.

Because we have to remember this is one-time economic recovery money. It is imperative we use it to achieve economic equity from region to region, not as a band-aid on something we will have to address again next year

and not for initiatives that do not make the most of this moment. We cannot squander this opportunity or let our legacy be defined by future deficits or higher taxes.

And that's not just with ARPA. We need to use these principles through the entire budget. Because after years of hard work to close large funding gaps, we find ourselves at a pivotal time, with money to make a real difference.

If we are going to be successful, we must be disciplined. That means making decisions we know will give us the best return on investment. Things like lowering debt and using one-time funds for one-time expenses to solve urgent needs and long-term challenges.

If we stay focused, we will strengthen our fiscal foundation, so our economy grows in every county, leaving Vermont, our families and our communities in far better financial shape than we found them.

For example, as I have done every year, my budget fully funds our retirement obligations with a total payment of \$394 million.

To reduce long-term debt, I propose we retire \$22 million of transportation borrowing and payoff another \$20 million in general obligation bonds for capital projects. This will save taxpayers millions in interest payments in the years to come.

And we will eliminate a \$10 million debt in our Property Management Internal Service Fund, something you may not have ever heard of, but we have been carrying this deficit since the Dean Administration.

We can also reduce our dependency on borrowing by setting up a fund to pay cash for certain capital projects instead of putting it on the public's credit card. This would free up money that we now pay in interest.

In a normal year, we might have to choose between addressing deficits and debt or investing to grow the economy and revitalize our communities. But that is just not the case this year. Because, even after taking care of the essentials, we still have resources to address our desperate need for more people in our communities, and more workers to fill the tens of thousands of jobs available in Vermont today.

Take a moment to think about the data:

Since February 2020, we have lost 24,000 people from our workforce. That 24,000 is larger than the population of every city and town in Vermont other than Burlington. It is bigger than some counties. It's greater than the populations of Williamstown, Johnson, Highgate, Hartland, Pownal, Underhill, and Hyde Park combined. 24,000 is more workers than in the construction and lodging sectors put together.

This is a massive piece of our economy.

And we all see the “now hiring” signs, reduced hours at local businesses and shortages in healthcare and public safety. Every sector in every region is feeling the pressure. There are 23,000 jobs open in Vermont today. That's nearly 7% of the jobs in our economy, pre-pandemic.

If we don't work to solve this problem now, it will be there down the road in the future, and it will be much bigger and more complex. Future governors and legislators will have to make decisions that are regressive, like slashing services and raising taxes and fees to balance budgets.

But if we make it our top priority this session, we can take full advantage of the opportunity before us to reverse these trends and secure the brighter future we all want to build.

Let's start by helping more workers with internships and training.

First, I'll add \$1 million to the State's internship program, assisting employers with wages, and supporting workers who are learning new skills for a future career.

We'll add another \$1 million to VSAC's Advancement Grants, which help adults enroll in training programs without the expense of a college degree and put people into careers with higher wages like LNAs, EMTs, line workers, and web programmers.

And we can improve how we connect employers with Career and Technical Education students and others looking for work. Right now, resources are spread across different partners, opportunities are missed, and positions go unfilled. A unified approach, using local experts to help navigate the system will put more Vermonters into available jobs. That's why my budget invests \$2.7 million to pilot this workforce network in Barre, Bennington, Brattleboro, Burlington, Rutland and St. Johnsbury. And if it works, we should expand it statewide.

We all know there is an urgent need in healthcare, which is why I asked for \$15 million in budget adjustment to keep more nurses here, and directed \$18 million in existing funds to train, retain and recruit healthcare and mental health workers.

You will also see a tax credit for nurses, as well as childcare workers, in the tax relief package I will talk about in a few minutes.

But as I have said before, if we don't focus on the trades, we won't have people to maintain our hospitals, transport goods, build homes, pave roads or do the work we need to support our communities.

So, my budget dedicates \$10 million to reduce education costs for those working towards jobs in the trades, like CDL drivers, plumbers and welders, as well as a nursing degree.

And we are using half a million dollars of federal aid given to the Agency of Education last year to begin offering courses at some CTE centers. This will give students the skills they need to enter the electric aviation and electric vehicle sectors setting them up for high-paying careers with some of Vermont's most innovative employers.

I know looking beyond our borders to recruit new Vermonters is not always a popular conversation, but it is a tool we can't ignore.

Remember those 23,000 open positions? The truth is we just don't have enough people to fill them. And because our workforce is aging, more and more Vermonters are retiring every day.

We all know employers need a strong workforce to grow and create jobs which communities need to thrive.

As I have noted before, "we don't need more taxes, we need more taxpayers."

So today, I am asking you to invest more in the new and remote worker incentive program, and to make some changes because the bill passed last year left out in-demand workers like nurse practitioners, police officers and electricians. This program has paid for itself with tax dollars from those who move here plus the money they spend buying homes and cars, shopping in stores, going to restaurants and more.

This incentive helps, but we need to do more to sell ourselves. So, I am proposing a regional network to help recruit and relocate workers and families to Vermont. This will build on ACCD's Stay to Stay model, which created a partnership of RDCs and local chambers of commerce, and they have been quietly bringing in new Vermonters for the past three years.

I have seen the results, firsthand. When Matt and Jessica Bernhardt bumped into me at the State House while here on vacation from South Carolina, they told me they loved Vermont and one day, hoped to live here. So, we connected them to the relocation team and four months later, we had two new residents in Warren and a new designer at a local architecture firm.

But without enough funding or marketing, this initiative is not living up to its potential. To really move the needle, we have got to think bigger. So, my budget dedicates \$8.5 million to this program over the next three years. It will put the horsepower of modern marketing behind it, so we can welcome more new Vermonters across the state to fill our most needed jobs.

And this is where housing comes in.

Even with all we have invested over the last five years, we are still not building enough. This is especially true for middle-income families looking for affordable homes.

Right now, the supply of modestly priced homes for sale is practically non-existent. As of December, the median home price was more than \$369,000. As of last week, according to the Vermont Association of Realtors, there were only 136 homes for sale that a middle-income family can afford and only five in Chittenden County.

This is the middle-income housing shortage we are talking about.

Here is an example: We heard from a teacher in her mid-50s who has been searching for a home near her new job.

After several months without finding something in her price range, and her current lease coming to an end, she reached out to us in frustration because she does not feel we have done enough to help Vermonters like her. And she's right.

So, we must do more using ARPA funds.

Between BAA and this budget, I propose \$15 million to encourage the construction of homes for middle-income Vermonters like this teacher.

And with another \$25 million for VHIP, we can continue to transform rundown or vacant units into livable homes. To see how well this program is working, just ask any of the families who have moved from homelessness into newly renovated apartments across the state, from Brattleboro to Bennington, Springfield to Rutland, Barre to Lyndonville, and beyond.

And we should invest another \$105 million for affordable, mixed-income housing.

We need to put this money to work for working families. They are depending on us, and with some creativity, and these historic resources, we can make this happen.

We also need to compete with other states when it comes to tax burden and costs of living.

With a surplus in our base budget, we can make changes that Vermonters will notice in their wallets.

The \$50 million progressive tax relief package I propose includes exempting military families' retirement income from state taxes, something nearly every other state already does in some way.

This package will build on the progress we made in 2018 by exempting more retirees from income tax on their social security and further increasing the Earned Income Tax Credit, which helps low-income workers. And we can help young workers and families with a student loan interest deduction and an increase to the child and dependent care credit.

Here is what this relief package can do:

For a retired couple with an adjusted gross income of less than \$65,000, including social security and a military pension, they will go from owing about \$1,000 dollars in State income tax to zero. A single early-childhood educator making \$18 dollars an hour won't have to pay a dime of Vermont income tax. And no young worker will pay taxes on their student loan interest.

If you work with me to pass this package, we will help tens of thousands of Vermonters keep more of what they earn.

And with a \$90 million surplus in the Education Fund, we can provide property taxpayers a rebate on what they overpaid. So, let's return half of this surplus – \$45 million – to Vermonters this year.

And let's agree on how best to use the other half to equip our tech centers to support more students, with more courses, and more skills for 21st century jobs. Because this is the time to get creative, to think big, and to point students towards trades training and the lucrative careers it leads to.

On top of the CTE initiatives I have already talked about, we will use existing federal funds to encourage more students to choose this path. And let's use remote learning tools to make it easier for CTE students to participate in on-the-job opportunities during the day.

Better integrating and normalizing trades training and tech ed is an area of tremendous importance to me, and to our state, and I look forward to working with you on this essential reform of our education system.

In addition, investing more in the University of Vermont will strengthen our workforce. Each year, over 1,000 new skilled workers come out of UVM to fill Vermont jobs in key areas like nursing, agriculture, and engineering. More than half of them came from other states but decided to stay. And I think it's important to note that UVM hasn't raised tuition in three years in order to help students. So, for the first time in 14 years, I am asking to increase UVM's base budget by \$10 million.

Our state colleges are equally important to our communities and workforce, so it's critical for the system to continue to adapt. In our last two budgets, we appropriated \$183 million to the Vermont State Colleges. They also received more than \$40 million in direct payments from the Feds. This year, I dedicated another \$5 million to their base budget for a total of more than \$41 million.

To put this in perspective, this is \$16 million higher than it was in 2017, when my administration proposed the most significant base increase the State Colleges had seen in nearly a decade.

And we should continue the successful 802 Opportunity initiative, which has already helped nearly 1,500 low-income Vermonters take classes and get training at CCV for free. If we add another \$1.5 million, we can increase eligibility so that more Vermonters can learn the skills they need for good jobs.

We also need to do more for our kids in their earliest years.

So, let's continue our work to expand access to affordable and high-quality childcare with changes to our Childcare Financial Assistance Program. With an additional \$12 million, we can reduce the burden of missed days on parents and providers and give families more options for care and for summer and afterschool programs.

It would also reduce expenses for these families. For example, two parents making \$58,000 a year with two young kids in childcare could save nearly \$3,000 a year.

Just imagine what that could mean for these families.

Turning now to preK-12, this has been one of the most turbulent stretches we have faced. There is no doubt it has been difficult, but we will get through it.

We are going to continue to help school districts respond to the current environment so we can keep kids in the classroom. And I want to thank everyone involved for continuing to put our kids first.

I know schools are not in recovery mode yet, but that time will come very soon, and we must be ready to focus fully on reversing social, emotional and academic losses.

Fortunately, nearly \$400 million in federal ESSER funds have been dedicated to preK-12, which is on top of the nearly \$2 billion we invest each year.

Much of this money has gone directly to schools. The Agency of Education is also partnering with them to help students by strengthening mental health services and increasing afterschool and summer camp offerings. And this year, we will do more to reverse academic losses, by providing additional learning resources to schools and families.

But one-size is not going to fit all. We need to continue to be nimble and responsive to changes. And as with all aspects of our pandemic response, we need to work together to apply what we learn to make our education system even better and more resilient for the months and years ahead.

As I said two weeks ago, the impact of pandemic measures necessary before vaccines were available, extended far beyond our schools.

So, we also need to stabilize and strengthen the systems that support Vermonters' health and well-being.

To do that, we have included \$25 million to support hospitals and providers as we continue to respond to the pandemic, helping to stabilize the system and address staffing needs, which will increase in-patient beds at long-term care facilities, freeing up hospital capacity.

Last year, we piloted a mobile mental health response initiative in Rutland, which helps people *when and where* they are in crisis. This is making a real difference, so we will build on it with nearly \$2 million more to serve four additional communities. We will also strengthen our suicide prevention program by adding nearly \$1 million in funding. And with the money in the Capital Bill, we should finish the residential facility in Chittenden County by the end of this year.

My budget also increases investment for child and social services to help prevent kids from entering this system in the first place, and to better care for them when they do.

Isolation and other challenges created by the pandemic also affected the opioid crisis. After seeing fewer overdose deaths in 2019, sadly, we have seen increases for the last two years.

These are parents and children, friends and neighbors. We need to do more to prevent these tragedies and the addictions that led to them.

So, I propose \$8 million more to strengthen local prevention and recovery efforts, expand residential treatment options, and increase employment services.

This work to keep communities healthy is directly connected to keeping them safe.

Law enforcement officers work hard to serve Vermonters and often are first to respond when someone is having a mental health crisis. And they are essential to ending the opioid epidemic. So, my budget will continue to place mental health professionals in all our State Police barracks.

We also fund the Criminal Justice Training Council's request for tools to modernize entry-testing for candidates, as well as training.

We should also support E-911 and move it to the General Fund which will stabilize this critical service. And with \$11 million over three years, we can create a more rational system of regional dispatch centers. This is something our small communities have urged us to do for years, and the fact is, our workforce crisis makes it necessary.

Our collaborative work on justice reinvestment has helped strengthen our criminal justice system. These efforts have helped to reduce Vermont's out-of-state prison population, saving \$1.2 million. We can invest those savings into domestic violence prevention and intervention, improving our data systems, as well as testing better models for transitional housing and care for offenders with mental health needs.

With this work, we will continue making progress toward fair and just treatment of all Vermonters.

Our efforts to combat climate change and protect our waterways are also essential to public health and safety.

So, I propose a \$216 million package to address climate change and community resiliency. We will invest in things that reduce emissions and make our communities stronger, like electric vehicle infrastructure and incentives, weatherization, hazard mitigation, and system upgrades to ensure we can better manage and store our clean energy.

These initiatives will make us safer and move us closer to our climate goals in a way that diversifies the green economy. Importantly, rather than overwhelming Vermonters with mandates they can't afford, we will include them in this work.

And just like our housing and climate change packages, I am asking you to follow through on your commitment to support ARPA-funded proposals for connectivity, water, sewer and stormwater infrastructure, and economic recovery.

Last year, we made progress on our plan to bring high-speed internet to those who had been left behind or were underserved. But there is much more to do, so let's invest another \$95 million from ARPA and commit \$100 million coming from the IIJA to continue this work.

And we have a \$51 million plan that would install up to 100 cell towers throughout Vermont because – just like broadband – if we want to keep and attract young workers and families, wireless service is essential.

In addition, I propose \$72 million more for water, sewer, and stormwater infrastructure.

I get it. For many, these initiatives don't sound all that exciting. But the fact is, they benefit Vermont in many ways – from clean drinking water to protecting our lakes and rivers to helping some of our smallest communities add much-needed housing, jobs, and services.

And with this funding, we can make a big difference in many small communities.

The reality is, we need to get creative, especially in regions that never fully recovered from our last economic crisis, and now face an even steeper climb.

So, I propose \$30 million to encourage revitalization in the regions that need it most. With a new Grand List Enhancement Grant, we can use grand list value as a way to target investment to those areas.

Let's also advance an initiative that has been stalled for the last two years, finally adding a project-based approach to TIFs. TIFs have made a big difference in Northwestern Vermont, so let's give smaller communities the same access as bigger towns.

And we have to make sure ARPA dollars continue to help businesses and non-profits survive and recover, keeping jobs in our state and supporting the employers vital to our communities.

As I said in my State of the State, our new Capital Investment Grant program received applications far beyond what we had available for funding last year, so let's put \$50 million more towards it.

And let's create a \$20 million short-term loan initiative modeled after the Small Business Administration's Paycheck Protection Program for those businesses and non-profits that do not have enough working capital due to the pandemic.

When you put all these ARPA-funded initiatives together, it can really transform communities, bringing economic equity to parts of our state that have been ignored for far too long.

This is the only way we can build back better and stronger than before. And that is exactly what President Biden has said he wants this federal money to do.

And let's do more in the General Fund by investing in tried and tested programs that will help all our regions recover and thrive, long into the future.

I think most of us would agree that outdoor recreation is one of our state's biggest advantages. This is why I propose putting \$5 million into the Vermont Outdoor Recreation Economic Collaborative, so more communities can use these assets to strengthen their local economies. VOREC's grant program has helped many regions across the state, like the Waterfront Recreation Trail in Newport or Rockingham's trail connection to Bellows Falls, and marketing for Poultney's growing trail network.

Our brownfields initiatives are also helping communities, as well as the environment, which is why – for the first time ever – we invested \$25 million in State funds last year. By cleaning up these old industrial sites, we are taking vacant, contaminated properties and making them safe and usable again to revitalize a region. When

you look at what has been done – like the Brownsville Butcher & Pantry or the Albany General Store – it is easy to see what an impact this essential program has made. So, we should add another \$6 million this year.

Our Downtown and Village Center Tax Credit program has helped communities across the state revitalize with more housing, jobs and economic activity, and I know the Legislature has supported this as well. So, this year, let's not only boost our annual investment to \$5 million, but let's make the neighborhoods that surround these village centers eligible as well. This program has often been the spark to bring downtowns and village centers back to life, and with this change, we can ignite more growth, pushing it out further into these communities.

Finally, let's increase funding for municipal planning grants, so our smallest communities have the opportunity and the resources to design the future that is right for them.

With the increase in federal funding for transportation infrastructure, we will be able to do a lot more this year by leveraging state dollars to pull down an additional \$71.9 million in federal funds.

My budget includes an increase of \$38.3 million for paving, for a total of \$158.8 million, which is the highest investment in paving the state has ever seen. It has increases of 37% for traffic and safety projects, 38% for road construction, and 60% for bridges.

It invests over \$81 million in town programs, from bridges and roads to disaster assistance and grants. We will also do more for public transit and bike and ped projects in areas like Arlington, Chester, Moretown, Royalton and Winooski. And it will allow us to make progress on long standing commitments, like the Western Corridor upgrades that will bring rail service from Burlington to Rutland and on to New York City.

This work is another great example of how we can use these historic federal funds to make major improvements, which will have a lasting impact in our communities and on our future.

Now bringing what may be one of the longest budget addresses in history to a close – unless, of course, we use a formula that adjusts for “words per billion,” in which case, it might be the shortest – let me conclude by bringing us back to where we started.

We've all seen proposals – large and small – that could make a real difference. But they fall by the wayside because we didn't have the resources to fund them.

That is just not the case today.

It is not an exaggeration to say that the opportunity before us is truly historic. It's once-in-a-lifetime, and one I never expected to see happen.

There is absolutely no doubt that the economic future of our state will be defined by what we do today.

Think about that: Vermont's economic future is in *our* hands.

Will we do what we've always done and keep getting what we've been getting? Or will we embrace the vision of prosperity and security – for every county, every community and every family – that's well within our reach?

Today, we stand together at an historic intersection of both unexpected circumstance and tremendous opportunity.

The fact is, as citizens elected to lead, we are the *only* people who can deliver on the *full* potential of this moment. This also makes us the *only* people who could squander it.

So, my fellow Vermonters, here's my ask of each and every one of you:

Let's do our *very* best to make sure that every negotiation, every decision and every investment withstands the test of time and meets this extraordinary moment. Because we will not get a second chance.

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