

Mr. President, Madam Speaker, Mr. Chief Justice, Members of the General Assembly, Honored Guests, and fellow Vermonters.

I'm honored to have earned the trust and support of voters to serve, once again, as Governor.

And it's great to have former Governors Shumlin, Kunin, and Douglas with us today.

I want to thank my wife Diana, my daughters, Erica and Rachael, my mom, and my family and friends for their continued understanding of the day-to-day challenges and demands of this job. And that goes for your families as well. Public service is rewarding, but consuming, with a lot of time spent away from home.

This session, when our work gets difficult and the days grow longer, which they will, let's remember the hundreds of men and women in our National Guard who are away from their families and far from home. A large number of them were deployed this past week. In fact, last night I met with a group that was leaving and assured them we would do our best to take care of their families while they focused on their mission.

We are joined today by General Knight and other members of the Guard. So, I'd like to ask them and anyone here who has served in the military to rise and be recognized.

I also want to acknowledge former legislators we have lost over the last year, who I served with over my 24 years in this building: Bill Keogh, Curt McCormack, Dick Sears, Don Turner, and of course, there was my former seatmate, Bill Doyle, and my dear friend and mentor, Dick Mazza – all respected, and greatly missed.

Between Senators Doyle and Mazza, they served 90 years in the legislature.

One a Republican, the other a Democrat.

But they had something in common that had nothing to do with power or the influence earned in the hallways of the statehouse. They were both successful because their constituents back home trusted them. Trusted them to do the right thing and not fall into the trap of "red vs. blue." Trusted them to put the people they represented *first*.

See, they understood from the start that their job was to bring the perspective of their communities to the statehouse – not the other way around.

They knew it wasn't the legislators in this building who elected and re-elected them over those 90 years. So they worked for their constituents, their neighbors, and the folks who turned to them for help.

When you think about it, that's really what being a legislator is all about. That's the job.

Listening to your constituents and being a voice for those back home is essential. Especially for those of you from cities, towns and villages that feel left behind and want a seat at the table.

There's no doubt many communities, businesses, and families are struggling. But it's not hard to see that Northwest Vermont is doing BETTER than all the others. It's not to say this region doesn't have challenges, but, for the most part, it's where you see a lower percentage of kids in poverty, lower energy costs, higher median incomes, higher home values, and more new housing being built. And while we're desperate for workers across the state, the size of the workforce in Chittenden and Franklin counties is the highest it's been in recent history.

But as the rest of the state struggles to catch up, they carry the same burden of increasing taxes and fees and navigate the same complicated mandates and regulations.

And regardless of how well intentioned these policies are, they're expensive and require resources that places like Burlington, Shelburne and Williston may have, but small towns like Chelsea, Lunenburg, Peacham, Plainfield – and even Rutland, Newport and Brattleboro – do not. Too many bills are passed without considering the impact on these communities.

Let me read a vote explanation from former Essex-Caledonia Representative Terri Lynn Williams, which she gave last year, in tears. She said, "Don't come up to me today and ask me how I am. The answer is I'm sick, and I'm afraid, and I'm defeated, and angry, and sad. There you have it. Don't ask. Because you have no idea, or don't care, what you're doing to my county, and the other 70% of Vermont."

Now, you may not agree with what she said, but we can't ignore how she feels. And she's not alone.

Two years ago, I shared the story of a somewhat angry guy from Essex County, who confronted me while I was in the Northeast Kingdom, saying, we're crushing him. And that "Montpelier" couldn't care less about what they did to folks like him, in places like Island Pond.

Many of you go back home, and face constituents with these same concerns and challenges. Where your workforce and student enrollment has been declining for years. Where your selectboard doesn't have the time or resources to apply for complicated grants. Where your schoolboard is struggling, and your community needs jobs and a better economy.

So, if any of this resonates with you, here's something to think about: There are 17 Senators and 83 House members who represent these left-behind communities. Which means if you ignore party labels, *you* actually have the majority here.

So let's work together to pass bills that fix the problems that matter most to *your* constituents and set aside the ones that don't. Let's put our communities above all else and reset the playing field so it's fair and benefits *all* of Vermont.

Now, let me ask you to think about a time when you're hunting, mountain biking, driving, or on a hike and you've gotten turned around. You somehow got off the trail, took a wrong turn, it starts to get dark, and it hits you: "I went the wrong way."

When that happens to me, I stop, get my bearings and get back on course.

But when it comes to politics, I know it can be hard to admit when you've gone down the wrong path and need to turn around. But we're not here to worry about egos. We're here to do what Vermonters need. And they just sent a very clear message: They think we're off course.

For my first six years as governor, we built budgets that funded our needs, made new investments, and stabilized the State's finances – all without asking Vermonters for more. This commonsense approach led to historic surpluses so we could invest in the initiatives we care about without raising taxes. It wasn't always easy, but in the end, we were able to come to an agreement.

But last biennium things changed, and the Legislature didn't have to compromise. So they built and passed budgets that met their wants, and then raised taxes and fees as necessary to pay for them.

In response, Vermonters told us – loudly and clearly – they expect us to get back on course; to spend within THEIR means; and above all else, make Vermont more affordable for *them*.

Now, you don't have to take my word for it. Just listen to Travis, a Harwood alum and Moretown resident, who rushed from work to a public meeting so he could tell whoever would listen, "I don't live here. I survive here."

He's had enough. His taxes and his homeowners' insurance have doubled. His hands, at that very moment, were bleeding from the 14-hour day he just worked – a schedule that's crushing him.

He said, "I'm sick of all this ridiculous spending and the cost of everything doubling every year. I can't handle it anymore. I'm 46. I don't know if I'm going to see anything older than that here in Vermont." Now remember his age because I'll come back to it.

He ended his comments with a simple message: "It's too expensive. Straighten it out. Figure it out. And come up with a better system. Because the taxpayers are sick of it."

And that, I believe, gets to the heart of the issue. Because he didn't say *slash and burn the budget*. He said, *do it better*.

In so many areas, I share your goals. Where we often disagree is how we get there and at what pace.

As I've said before, just throwing more money at problems hasn't equaled success. Not in education, state colleges, housing, homelessness, and other areas where we've *funded*, but haven't *fixed* the underlying structural issues. Without fixing the holes we're in, they just keep getting bigger. And the hard-earned money of taxpayers like Travis, is squandered.

So this year, I'm asking you to join me; to LISTEN to those who sent us here; think about what they can afford and what they need; and give everyone the chance to not *just* survive, but to thrive.

There's no doubt the root cause of our challenges is demographics – especially the size of our working class and number of students, which has been shrinking for decades.

I know some look at recent data showing a population increase and think we've solved the problem. And while it *is* good news, looking at total population doesn't tell the whole story.

What does are the numbers 14, 28, and 48: According to the Joint Fiscal Office, from 2010 to 2022 alone, we saw 14,000 fewer Vermonters under the age of 18; 28,000 fewer age 40-54 (which is prime working age – Travis's age) and 48,000 more over the age 65.

And here's why this matters:

Because it means fewer kids in our schools while we're still paying for the system built for tens of thousands more students. It leads to fewer high school graduates, which means less enrolling in our state colleges or replacing retirees in the workforce.

It means fewer in the trades to build the infrastructure and housing we need. Fewer to work at childcare centers and healthcare offices. Fewer volunteering for your local fire department. Fewer joining your police force. Fewer teachers and bus drivers. And fewer to take care of loved ones in our long-term care facilities.

It also means fewer workers generating state revenue, and NO ONE to fill the jobs employers need to survive or grow.

All of it means less revenue for services to support the 48,000 more seniors we have, and less to fund a safety net for the most vulnerable.

With fewer to pay for the growing burden of taxes and fees, education, utilities, and healthcare, Vermont becomes less and less affordable for those still here. And as competition for a limited workforce pushes wages up, *everything* gets more expensive.

Meanwhile, it gets harder to attract the people we need because our reputation as one of the highest taxed and most expensive states isn't exactly a great marketing strategy.

It's clear: You cannot separate affordability and demographics, so *both* need to be at the center of all we do.

As I say all the time, we need more taxpayers, not more taxes.

Housing is a great place to start.

We know mortgages and rent are unaffordable for many. This cost, and a shortage of units, drives people out of Vermont and prevents families and workers from moving here.

To me, the issue is obvious, and its solution relies on a basic economic principle: Supply and Demand.

According to the Housing Needs Assessment, it will take 7,200 homes just to break even. And if we want to grow the workforce beyond what we have today, we need over 8,000 homes a year for the next five years. But our current rate is about 2,300. Now, that's an improvement over the 1,600 a year we saw over the previous decade. But it's nowhere near enough.

So this session, it's crucial we pass an *actual* housing bill, focused on four strategies:

First, let's strengthen our foundation with infrastructure for housing and flood recovery – not just with funding but with a creative expansion of our successful Tax Increment Finance (TIF) program.

Second, we can give a helping hand to neglected communities by continuing to transform dilapidated houses into homes and economic opportunity.

Third, we need more people investing in, and revitalizing, working-class neighborhoods. So let's continue to grow creative programs like the Vermont Housing Improvement Program (VHIP) and help more “mom and pop” investors be part of the solution.

And fourth, if this is truly the crisis we all know it is, let's treat it like one. In order to make real progress, we must address our appeals process, which has been abused for far too long. And we have a lot more work to do on last year's land use bill, like expanding the ACT 250 exemptions currently provided to a select few, and giving rural communities a seat at the table, so they too have an opportunity to thrive and grow. As one national housing expert recently put it, it's long past time to legalize housing.

More housing plays an important role for another key challenge: Education.

As you know, last year, property tax bills went up 14% on average – and as high as 38%. And if this year's projected rate goes into effect, education property taxes will have increased 33%, on average, in just three years.

And that's *only* property taxes, which, for good reason, have received a lot of attention. But what's not as obvious is all that's been added to the ed fund from other sources:

100% of our Sales and Use tax – about \$600 million a year – goes into the Ed Fund. So does a third of our Purchase & Use tax, and a quarter of our Rooms & Meals tax, as well as 100% of the new short-term rental surcharge and all lottery proceeds.

And at times, we've bought down rates with general fund money that could have gone to housing, human services, climate mitigation, public safety and so much more.

So when we tell ourselves we pay for education with property taxes, that's not the whole story. Because over a third – \$800 million – comes from other sources.

Since I took office, the Education Fund has gone from \$1.6 billion to an astounding \$2.3 billion and climbing. We're one of the top education spenders in the nation. Yet in too many districts, teachers aren't paid enough, administrators are tied up in bureaucracy, schools have too much empty space and many are in disrepair, and most importantly, our kids are not seeing the best outcomes.

With what we're spending, we should not be in the middle of the pack on *any* educational scorecard, but we are. And our kids should *all* be at grade level in reading and math. But in some grades, less than half hit that mark.

While educators, administrators, parents and kids are doing their very best to make things work, the statewide system is broken and failing them.

So what's causing the problem?

First, it's the way we pay for it (the "funding formula").

Forty-eight states set the amount they will spend on education each year. Vermont does not. Here, every school budget is set by school boards, and if local voters pass it, the State is required to pay it – no matter how much it costs.

Then the state sets the property tax rate, using the Common Level of Appraisal (CLA), grand list, pupil weights, and a bunch of other complicated stuff that few understand. And this is typically done weeks after budgets pass and months after they're built. So when school boards and voters make their decisions, few know the impact on their property taxes.

We know there are some communities whose taxpayers can't afford to pay more. So, they keep their spending low in hopes of smaller tax increases. But too often, the communities that have more, can afford more, so they spend more. And those higher spenders can actually increase the rates of those districts whose kids and teachers are getting less.

Next, we need to take a hard look at how we govern and administer education.

Put simply, we have a lot of buildings, classrooms, adults, and layers of bureaucracy but fewer and fewer kids and taxpayers.

Today, we have 83,500 Pre-K–12 students paid for by the Ed Fund. For the 80,000 who are in public schools, we have 52 supervisory unions, 119 districts and 287 individual schools.

We also have among the very smallest class sizes and schools in the nation, and the very lowest student to teacher and student to staff ratios. Some may think this is a good thing. But the evidence shows that many high performing schools throughout the country are larger with bigger classes and higher ratios.

The bottom line is our system is out of scale and very expensive. And as obvious as these challenges are, we haven't been able to fix it.

Efforts like Act 68, Act 46 and Act 127 have fallen short because they tried to tinker with an existing structure that simply doesn't work.

So let's have the courage to fix the entire system to make it work better for all kids and give them more opportunities from Cradle to Career.

With my budget in two weeks, we'll share our full proposal to improve the quality, equity and sustainability of the Pre-K–12 system in Vermont. With those three principles – and the mandate voters gave us in November – we'll propose a multi-year plan to transform education.

First, it will include an entirely new student-centered funding formula to provide more and better opportunities for kids and get costs under control.

Second, we'll propose a new, simpler governance structure, so we can deliver a better and more equal education across communities.

Third, we'll provide school boards and administrators with support and guardrails to reduce cost pressures.

Finally, we know Vermonters can't afford to pay more. So, if school boards contain spending growth to the projected level, my budget will lower the impact of this year's increase with a goal to eliminate it.

Now, I'm not going to sugarcoat it. None of this will be easy.

And I'm sure we'll hear some of the same hesitations and concerns of the past. Here are a few: "We need some schools to consolidate or close, but not our school. We need lower costs, but we won't share our teacher or principal. We need efficiency, but we want our own school board. We need pay equity, but we want our own employee contract. We need the State's help, but don't mess with local control."

But all these concerns are more about *adults* than *students*. And failing to fix this problem is failing our kids.

So let's be bold. Let's be the ones who make the difficult decisions to move towards the real, transformative change the system needs and our kids deserve.

For years I've said, if I gave you \$2.3 billion to educate 83,500 students, it would look far different than what we have today.

This session we have the rare opportunity to not only make our system more affordable for taxpayers

but to improve the quality of education for all kids – no matter their challenges or where they live. And we owe it to everyone to seize the moment and be brave, together.

There are no silver bullets, no simple solutions, to any of this.

But in a state with so many crises – from demographics and workforce to public safety and disaster resiliency to affordability of government, healthcare, education and the cost of living and doing business – we need to start somewhere.

I believe prioritizing housing and education – in a way that makes Vermont more affordable, not LESS – is how we make the biggest gains.

In the coming weeks, we'll talk about how to stabilize our healthcare system; and share proposals to improve public safety, strengthen communities, and support climate policy that's achievable *and* affordable.

So we'll be juggling a lot of issues, but it's more important than ever to *prioritize* and stay *focused* on the fundamentals that matter most to Vermonters.

In a few short months, I'll be standing right here again as we adjourn the first half of the biennium. Those of you who have been around a while know our time together will be gone in a flash.

So, on that day, what is it, you want to have done for your community?

What priorities of theirs will you have addressed?

I can promise you, my efforts, my focus – and those of my entire administration – will be squarely on solving the problems Vermonters sent me, and all of you, here to solve: Creating a high quality, equitable and sustainable education system; pushing for regulatory changes to legalize housing; and making sure – whatever we do – we keep affordability for everyone our TOP priority.

Vermonters asked us, very clearly, to separate our wants from our needs and to FIX – not just FUND – issues that have a major impact on their lives.

I know this is your process. And I know what's taken up this session – and whether we make progress on these issues or not – is in your hands.

So, I'm asking each of you to think about what Vermonters will say about our work at the end of the session; to use the time between now and adjournment wisely; to prioritize the issues and perspectives of your constituents; and make sure the concerns of your communities are heard.

The good news is, we've shown what state government can do to solve problems and help people.

We saw it during the pandemic, and I often think back to what it took to build that response. Long days, nights and weekends that spanned months and then years. But even with all the uncertainty, with all the loss, the hardship, difficult decisions and tough calls – we got through it.

And with the federal aid that came our way in the aftermath, we have strengthened 246 water treatment systems, supported over 600 businesses, created nearly 2,000 homes, protected 3,500 acres with climate change mitigation projects, and improved broadband for over 100,000 households and businesses. And this money is still funding projects, so there's more to come.

We've had success on a smaller scale as well:

A little over a year ago, there was an idea to fold a team from the Agency of Transportation – the folks who build things – into our housing team to make more units available, quickly and affordably. When flood waters damaged dozens of homes beyond repair for the second year in a row, this group stepped up to say, “we can help.” And in a show of true bipartisanship, the Emergency Board transferred \$7 million to get them started. In a matter of months, they've improved 34 empty lots and placed 32 mobile homes with five already under contract for purchase.

And that's just one example. Here are a few more:

We've welcomed over 1,000 refugees in the last three years, and we'll continue to do our part.

While we're not claiming victory, overdose and suicide deaths are trending downward. So are highway fatalities and crashes.

Since October 2021, state funding for brownfields has helped clean up 42 contaminated sites, making way for over 700 new homes – adding economic value for communities after years of being an eye sore.

Since 2020, our VHIP investments have brought 500 affordable apartments online with almost 500 more under construction. The average grant is about \$36,000, which is a bargain in today's market.

State parks welcomed over a million visitors last season – one of our best years ever, despite the flooding.

VOREC, the Vermont Outdoor Recreation Collaborative, is paying off – contributing \$2.1 billion to our economy in 2023. This puts us second in the nation, after Hawaii.

We've issued hundreds of “Rays of Kindness”, recognizing Vermonters for their everyday good deeds. That includes Mr. G, a teacher in Northfield (whose here today), recognized for his Walking Wednesday group, which has been connecting students to exercise and their community for years.

To better serve Vermonters, we've started the long overdue process of modernizing our 55-year-old unemployment IT infrastructure.

We've completed major projects like the 1,000-foot runway expansion at the Franklin County Airport, which, coupled with the expansion of water and sewer infrastructure, will make Highgate an economic hub.

We brought train service from Burlington to New York City after two decades of waiting.

But that's nothing compared to another *huge* accomplishment in Transportation. Because this year, we had just one truck stuck in Smuggler's Notch. Now, if we can go from as many as 12 stuckages down to one, we should be able to do most anything.

Kidding aside, all across the state there are good things happening – large and small – every single day.

Last year, I talked about the countless Vermonters, leading by example to support their communities in good times and bad.

It's something we saw in the summer of 2023 and again in 2024 when flood waters ravaged the state, and Vermonters tapped into that same stubborn sense of community to *once again* help neighbors muck out and clean up.

But it's not just about lending a hand. It's the genuine concern for others – the selflessness – that sets us apart.

About a month after this year's flood, me and my team were in Lyndonville, talking with the town about their many challenges. With back-to-back floods, the local teams were exhausted; the Northeast Kingdom's two-person Long Term Recovery Group was struggling to keep up with all the need; the selectboard was piecing together funding to cover costs; and they were all spread too thin.

But what struck me – and has stuck with me – was something one of the local homeowners said. Carrie, and her husband Nathan, gave us a glimpse of life on Brook Road, which – along with Red Village Road – saw some of the worst damage and left many – them included – on an island in their own homes.

Since they couldn't drive in or out, they had to walk one kid up the road, and the other down, to get them to school. Family members were carrying in groceries on foot and as their generator was running low, they were trying to figure out how to get fuel.

But Carrie wasn't sharing this story to complain. Her point – her concern – was not about her family or even the challenges of her town. She said, "I'm just worried about the folks up in Kirby." Because even with all Lyndon's struggles, she knew they had more resources than their smaller neighbor.

This is the selflessness – *this* is the stubborn sense of community – that inspires me to do the work to make the lives of these Vermonters and *all* Vermonters easier, and better, every day.

EMBARGOED UNTIL SPEECH BEGINS

My friends – whether it's putting the needs of your neighbors ahead of your own significant challenges, leaving your family for months to protect democracy around the world, or being a trusted and honest voice for your community for decades – the examples are there for us. We just need to learn from them.

This year, we've once again been asked to step up, solve big problems and help people. And there's no doubt our challenges are great. But if we meet them head on – accept reality but refuse to settle for it – I know, when this session comes to a close, we will be able to go back to our communities with our heads held high, proud of the work we did here.

We will go home with a renewed sense of duty, and hope for the brighter future that all Vermonters deserve. That's what they asked us to do. And we cannot – and must not – let them down.

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