

January 11, 2015

Hello All,

The legislature convened this week with predictable tradition and purposeful disruption. In the first three days the overall purpose is to complete the organization of our Vermont democracy and get down to work. I drove up with Ruth Tuesday afternoon to get settled in my lodgings for the session. They are the same as last year, a scant mile from the statehouse and a good walk early in the morning and late in the evening, especially in bracing subzero weather.

Wednesday morning the legislature met for the first day of the biennium. Two pieces of business are key, the swearing in ceremony when we take the oath of office and the election of the Speaker. Shap Smith of Morrisville was unanimously reelected. I have copied his acceptance speech below.

The Speaker also appoints the House Committees, their Chairs Vice-Chairs and Ranking Members. Committees are charged with most of the oversight and policy work of the legislature. I will continue as Chair of the House Commerce and Economic Development Committee. Rep. Michael Marcotte will continue as Vice-Chair. The makeup of the committee is significantly different however as six out of the eleven members are new to the committee. All are pleased with the assignment and want to be there. We will take on a great deal of work this year ranging from needed insurance updates to workforce and education policy. The year will start with a review of Act 199 to continue to build on last year's major economic development bill. Here is a link to our committee page on the newly redesigned legislative web site. <http://legislature.vermont.gov/committee/detail/2016/11>.

Thursday the legislature met to consider and ratify the elections of statewide officers. When no officer receives a majority of the vote the legislature then votes by ballot from amongst the top three vote getters to complete the election process. This year the Governor's position was so elected. As you know from what I wrote last week I voted for Peter Shumlin. Here again is my reasoning. "I will vote for Governor Shumlin as he received 70% of the vote in Pownal and Woodford as well as the most votes in Bennington County and statewide. Precedent in statewide elections has been to confirm by legislative election the top vote getter statewide. I have voted so in my first term when the legislature elected Governor Douglas and most recently in the 2010 Lieutenant Governor race when Phil Scott was the top vote getter but received less than 50%." After the morning's election, the Governor gave his inaugural address which sets his priorities for the coming year. The address focused on renewable energy and Lake Champlain cleanup. I have printed it below. This coming Thursday he will give his budget address

which will focus on the high priority areas of education spending and quality, job training, and health care.

By Friday we were down to work in our committees. I scheduled the Department of Labor's economist Matt Barewicz who gave a presentation on Vermont labor market trends using DOL data. Here's a link.

<http://legislature.vermont.gov/assets/Documents/2016/WorkGroups/House%20Commerce/Department%20of%20Labor/W~Mat%20Barewicz~Department%20of%20Labor%20Presentation~1-9-2015.pdf>

The presentation gives a good picture of workforce numbers and trends from the 2007-2008 Great Recession forward.

Here's an important conclusion from the last slide in the presentation:

'Traditional' unemployed = 15,200

All Marginally Attached Workers = 3,300

(includes 1,000 Discouraged Workers)

Involuntary Part-Time Employed= 13,200

**Total 'Underutilized' Labor in VT = 31,700**

This 31,700 number represents to me a reasonable estimate of available growth in the workforce. We need to know more specifically where these workers are located, how many are available and match that with employment possibilities especially considering how some sectors are growing while others are declining. We need to consider many factors such as how best to proceed with workforce education and training, housing, and transportation. Also, in place workers need skills development so they and the companies they work for can advance.

Also on Friday the "Vermont Caucus" met for the first time. This will be a regular Friday afternoon meeting for all Representatives and Senators meeting on topics important to all committees for the first

five weeks of the session. The first meeting focused on education spending and was led by the Secretary of Education Rebecca Holcombe. Here's a link to her presentation titled "The State of Vermont Education".

<http://legislature.vermont.gov/assets/Documents/2016/WorkGroups/House%20Education/Reports%20and%20Resources/W~Rebecca%20Holcombe~Vermont%20Public%20Education%20Presentation~1-9-2015.pdf>

I hope everybody enjoys a good safe and warm week.

Stay in touch,

Bill

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**From Speaker Shap Smith's 2015 Acceptance Speech 2015**

I want to say congratulations to all of you on your election, to those who have sat in these chairs before, welcome back. To those newly elected, welcome. Look around you; these are your new colleagues and your new family. I encourage you to seek out a veteran to help you find your way. I know they will be of great benefit to you, and you to them. I welcome your new energy and ideas. Now let me just say something about your seatmates, 12 years ago, today, I was seated for the first time in the House. And I was seated in seat number 42, next to Donna Sweeney, and I didn't really know Donna at all, but, it was an incredibly formative experience to sit next to her for 6 years. And because of her and the Rep. on the other side, named Dr. Harry Chen,... because of those two, I became a better Representative and a better person, and because of Donna and Harry, my seatmates, I became Speaker of the House. It is an incredible thing to be here again with you Donna and to Harry, wherever he is, solving some world problem, to Harry, because they have been my friends and mentors and have provided guidance to me, throughout my time in the legislature. So thank you Donna, and thank you Harry. (Note: Dr. Harry Chen is Commissioner of the Vermont Department of Health)

I grew up in Lamoille County in the 70s. Now, the sixties and seventies were a period of robust population growth in Vermont. My parents moved to Vermont in 1970. In 1970, my dad was a bank manager in Fairfield County, Connecticut, and he was dissatisfied with that existence,. So in the fall of 1970 he moved to Wolcott, Vermont. Now there aren't any banks in Wolcott, Vermont. At the time, the commercial center consisted of Buck's Furniture, for those of you who have been to Wolcott and remember, Buck's Furniture and the Wolcott General Store. So there weren't actually a lot of opportunities for jobs. That first fall, my Dad cut Christmas trees at John Young's Christmas Tree farm. And then that winter, he cut pulp for Mike Young, over on East Hill. And although that existence was probably much harder than being a branch manager of a bank in Fairfield County, he and my mom and my brother and I were in Wolcott, Vermont because they saw the promise of Vermont. They saw Vermont as a place of opportunity.

After that first fall and winter, my Dad and my Mom bought a place up on Town Hill road and ultimately turned it into a sheep farm. My dad had over 200 sheep and we had 2000 maple taps for a maple syrup operation and he still cut pulp. And you know, actually, having sheep and having a maple syrup operation and cutting pulp wasn't enough. So, to make ends meet occasionally he'd go bang some nails because you can make some money doing carpentry. Even though that existence was a tough existence, my dad stayed here, and my family stayed here, because they saw the opportunity of Vermont. My mom and step dad ended up settling in Elmore, and my step dad who worked at a local fuel dealership, saw the opportunity of Vermont in a different way. They had the opportunity to get involved in local government. My step dad was a town clerk and then my mom was because they understood that part of the promise and the opportunity, and the obligation of being a Vermonter, was participation in the state. And they understood that the beauty of Vermont, and the promise of Vermont, was its size and scale and scope and the fact that you could actually participate in institutions. They understood that the difficulty of Vermont was also sometimes its opportunity because while there might not be jobs, maybe you could create one for yourself. And so we see it in companies like Ben and Jerry's, or Green Mountain Coffee Roasters, or the Vermont Country Store. Opportunities created out of necessity. Understanding the promise of Vermont. Understanding if maybe you make some ice cream, scoop it in an old gas station, and make it well enough, you can become a success. That is the promise and the opportunity of Vermont.

20 years later I was sitting in a skyscraper, 1993, in NYC, working at a big law firm. I had had an incredible childhood growing up in Wolcott and Elmore, I had gone to public schools, and had gone to UVM, and at some point in time I decided I wanted to make my way out of state and so I went to Indiana, but I was in NYC and I was working at a law firm and all of a sudden I felt that pang, that pull, the pull of the promise and the opportunity of Vermont.

And so in 1993, I came back to Vermont because I believed that it was a place that could give me the opportunities that I wanted. I might not make the most money, but, I knew that I could have a wonderful place to raise a family, make a living, and participate in democracy. And let me tell you, participating in democracy in Vermont is a lot different than participating in democracy in New York City. And so in 1993, I returned home. Now 20 years after I returned and 40 years after my family moved here, there are many Vermonters who are asking whether Vermont holds the promise that my parents saw. And they are wondering, whether we continue to have the opportunity. We all heard it on the campaign trail. I believe that that promise and the opportunity of Vermont still exists. And I look forward to doing work to make sure that we give people the opportunity over this coming biennium.

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While we have challenges, Vermont's culture is still inviting and accessible. We have the warmth and generosity and spirit that is necessitated by cold winter days like today. We have the opportunity to engage our young and our old to gather in town halls and in public squares. Vermonters today, as they did 40 years ago (when my family came to Vermont), and as they have done throughout the history of Vermont, are paving their own way, embracing the entrepreneurial spirit that is as strong today as it was when Ben and Jerry were scooping ice cream in downtown Burlington.

We still have strong schools, a beautiful landscape and a growing economy, and we have a healthy and happy citizenry. But we can and we must do better. As I've said before, there is a growing uneasiness amongst our friends and families who are Vermonters. They hear about rising stock prices, increased economic growth and low unemployment rates, but many of them do not feel the impact in their own pocketbooks. Too many of our neighbors feel pinched, plain and simple. And the challenges to address that for us at times seem large and unmanageable. We have persistent budget shortfalls, increasing educational costs and a declining enrollment, health care expenses seem to continue to increase, as wages fall flat. I think the most troubling thing, for all of us here, is that workers and businesses are uncertain about what the future holds. And neither are sure whether they are being heard here in the People's house. Now Vermont's challenges are not unique. When I talk to my colleagues from around the country, they share similar concerns. This is a nationwide challenge that we face. A telling statistic is that for 81% of counties in this country, 1999 was when the median income for families peaked. 15 years ago. In 81% of the counties in this country. So we are not unique. But I believe that the way that we solve our problems in VT is unique. And I believe that if asked, Vermonters from all walks of life will roll up their sleeve and work with us together to create a climate that fosters Vermont's promise for the next generation of young families and growing business, and that work begins with us, and that work begins today. So as we enter this house, and as we begin our committee work, we know that we find ourselves at a crossroads. But we know that that presents us with an opportunity. We face several long term challenges that we must tackle head on.

Let me talk a little bit about those challenges.

One of our fundamental obligations as a government is to provide a world class education to our children. That has been settled by the Vermont Supreme Court. And we are obligated, I believe, to ensure that they are prepared not only for economic success, in this century, the 21st century, but success as citizens of our democratic institutions. Act 60 and 68 were adopted to fulfill this obligation. But, with property taxes increasing, and outpacing Vermonters ability to pay, we must look with a clear eye at the results that we are getting for the money we are spending. We must also hear the voices of our constituents who are saying that they cannot afford greater taxation in times of economic instability. This fall I convened a group of people from all corners of the state to help us begin to sift through this enormous issue. And they put together a number of proposals.

And then earlier last month, I put out a call to the citizens of the state to present solutions to the challenges that we face. I'm pleased to say that we had more than 70 responses to that request. And so, this year, in a newly constituted education committee, we will look at a range of policy options that will help us get education right for the next generation of Vermonters. I know that the stakes are high on this issue. And I'll tell you right now, that a lot of people, who are thinking only politically, have suggested to me, what are you doing Shap? Why are you getting involved in this? And I say to you, and I believe all of you feel this way, this issue is above politics, it's beyond partisan divide. We must come together on all sides of the aisle to tackle the great challenge of providing an affordable education that is equitable for all of the children of Vermont so that they all have the promise and opportunity that we saw in the 1970's and 1980's and 90's and 2000's. We need to do that.

In times of economic uncertainty, we all have an obligation to extend a helping hand to those in need. To assist them as they strive to get back on their feet. But as we look at this year's budget shortfall, and to future budgets, we can see plainly that we cannot be all things to all people. We must look at where state government is most effective in serving Vermonters and where we are falling short, not having an impact. Our decisions must hinge on this question. Are we making a positive difference in Vermonters lives? A difference that would not happen without our involvement? If the answer is no, then we must determine a better course to meet Vermonters needs and get value for our investments. This will take input from all stakeholders. And I've asked the appropriations committee and the leadership to be inclusive and exhaustive in writing a balanced budget that delivers state services effectively and efficiently while maintaining our commitment to a safety net for all Vermonters. Keeping a threefold promise to responsibly balance the budget, deliver state services effectively and efficiently, and maintain our safety net. That is the work that we must do this year.

As long as I've been a legislator rising healthcare costs have plagued Vermont families and businesses. And we've done work to address that. We've made much progress and the statistics that were released earlier this week show that progress. Homeowner uninsured rate is at a level that I think, many of us would never have imagined. The uninsured rate masks a reality for many families. They may have insurance, but that insurance may not give them full access to healthcare that they need.

When we look at \$6,000 or \$10,000 deductibles and co-pays, that makes healthcare unacceptable. So while we have done good work and we have brought down the uninsured rate, we have more work to do. And for those who say that with a single payer plan off the table, there's nothing

left for the healthcare committee to do. I say you are wrong. I say talk to your constituents, talk to your neighbors, and friends, and they will tell you there is more work to be done. So we need to address rising costs of healthcare, work with the Green Mountain Care Board to strengthen what they are doing and we need to address ways and present ways that we can help Vermonters access the care that they need and that they should have. That is the work that we need to do this session and biennium.

One of the things that provide the promise of VT is our incredible environment. And one of the crown jewels of our environment is endangered, it's dying. Lake Champlain has borne too much damage. For too long, individual actions have harmed our waterways and our lakes and our streams. And what we recognize is that individuals alone cannot repair that damage. And what we also recognize is if we don't take action now, many of the areas of our state that are the most vital, that rely so heavily on clean water and beautiful lakes, and beautiful rivers, will be permanently impacted by our failure to act. This is a very difficult conversation and a very difficult issue to solve. And it has taken years to get where we are, and it will take years to get back to where we need to be. But we can't shy away from the challenges around cleaning up our lakes and rivers. And our Fish Wildlife and Water Resources Committee took an incredible first step on a bipartisan basis last year towards addressing that challenge. We need to build on the work that was done last year, because if we don't take any action ourselves, action will be taken on us, and I don't think that's the Vermont way. So I look forward to working with the Natural Resources and Energy Committee, the Fish Wildlife and Water Resources Committee, and the Agriculture Committee, to put together a plan that once and for all sets us on a direction so that we can reclaim the crown jewel, Lake Champlain, and the other waters of the state for next generation.

Now we can't do any of this without understanding that the underlying ability to do that work can only happen if we are an economically vital state. And as I've said, when we have businesses and workers uncertain about what their economic future holds, that's not a good thing. We must do more work to lay a strong economic foundation for years to come. And it must be done on a tri-partisan basis. I think it's a great thing that the Lt. Gov. is having an economic pitch today. I think it's a great signal to Vermont's businesses that they will be heard. I think we need to do that always and understand what the needs of businesses are. But let's remember, businesses are made up also of the people who work there, and the people who work in those businesses can only be successful if they also feel like they are economically secure.

So we need to look at both sides of the equation. Let's figure out how we can make Vermont a better place to do business, but also a better place to make a living. So, our work this year is to identify our strengths, to leverage those strengths, to acknowledge that we have challenges, and try to address those challenges on the economic development front. And I look forward to working with Chairman Botzow and Vice Chair Mike Marcotte and other members of the Senate and the Administration and the business community and anybody who wants to roll up their sleeves and do the work to make sure that Vermont is a land of opportunity and promise in this, the 21st century.

I came back to VT in 1993 and I have not regretted doing so a day since. I have a wonderful wife, I have two beautiful children, and I have an incredible family around me. I give thanks everyday for what I have been given. My hope for Vermont is that everybody has the opportunity and the promise that I've been given and that many of us have here. We have work to do to make sure that that's true. I think that working together, this year, we can do that work and make Vermont a stronger and better

place delivering on the promise and the opportunity for Vermont. We have work to do. Let's get to work. Thank you.

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## **Inaugural Address Governor Peter Shumlin January 8, 2015**

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

Thank you for the tremendous honor and opportunity to serve again as Governor. As a Vermonter who grew up, raised my daughters, and built two businesses here, it is the greatest privilege of my life to give back to the state that has given me so much. I love serving as Governor because I love Vermont.

I have worked hard as Governor to improve life for Vermonters in these still-difficult times. I was elected four years ago on a commitment not to shy away from tough decisions. Since then, we have made real progress on the big challenges facing our state –growing jobs; bolstering early education and college affordability; raising wages for minimum wage workers; stemming our opiate epidemic; retiring Vermont Yankee and pursuing cleaner, greener energy; rebuilding our downtowns, our mental health system, our state office buildings in Waterbury and beyond, and our crumbling roads and bridges; and balancing four consecutive budgets without raising income, sales, and rooms and meals tax rates. I am extremely proud of the work we have done together in these and many other areas to make Vermont a better place to live, work and raise a family, and I thank you for your partnership in making it happen.

It is also clear that we have much more work left to do. At a time in America where the gap between those who have great wealth and everybody else is larger than at any time since before the Depression, too many Vermonters still struggle to get ahead, with bills piling up and the deck stacked against them. With health care costs and education spending eating up income faster than Vermonters can earn it, we owe it to them to control spiraling health care costs, address property taxes, and keep growing jobs and expanding businesses.

I heard clearly in the election this fall that Vermonters expect more from me and from the state to help improve their lives. From jobs to the environment, I have an agenda for progress that I will partner with



you to fulfill in this term and beyond. That agenda is rooted in the abundance of hope that I have for Vermont's future and my sincere belief that our best days are ahead of us, not behind.

Because of the enormity of the issues that Vermonters have called upon us to tackle in this biennium, my agenda for progress will be presented in two parts. Next week I will deliver my budget address. This is the hardest budget I've had to create, and it will take a balanced approach to bring our state spending in line with future revenue projections. I know that economic growth, affordability, and strong quality of life are the surest ways to help Vermonters prosper. I will address next week critical policy areas where we can help move the dial for struggling Vermonters and bolster our quality of life, including workforce development, education quality and spending, health care, child protection and continuing progress with drug addiction.

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Today, in Part 1 of my policy presentation to you, I will focus on initiatives also critical to working Vermonters, our economic prosperity, and our special quality of life in two related areas: energy and the environment.

We know what makes Vermont the best place in America. Without our mountains, hills, and valleys; our farms, streams, lakes, and forests—remote, quiet, and rooted in rugged marble, slate, and granite – Vermont would be just another place to live. Our natural habitat binds Vermonters tightly to our state; it's what inspires others to put roots down here.

Ask Ben and Joanna Kinnaman who moved from the Baltimore area to Richmond. The Kinnamans came to Vermont and started their deep sea robotics business, Greensea Systems. Like so many small entrepreneurs who sustain us, the Kinnamans could have built their business in any state in the nation. But Vermont's people, quality of life, and environment beckoned them, and they now employ 14 people and test their products in Lake Champlain. They believed in Vermont as the best state to live and grow a business. The Kinnamans are here today; thank you Ben and Joanna for investing in Vermont.

There are countless other entrepreneurs like the Kinnamans who choose to stay or come here for our environment and our quality of life. And there are thousands of Vermonters whose livelihoods are tied to our green economy.

Just as in the last century a new economic boom was created by chainsaw-toting pioneers carving ski trails in the Green Mountains, we now see a new wave of pioneering innovators and job creators in those who are now powering Vermont forward in the renewable energy industry. We can also see Vermont's future in our beloved Lake Champlain, which drives tourism and supports our economy even as it cries out for us to do more to stop dumping in pollutants that are destroying it.

We know everything we hold precious is under threat from climate change and pollution. Time and again, since I've been Governor, we have borne witness together to the destructive power of extreme weather on our homes, businesses, farmland, roads and bridges. This extreme rain and flooding have also worsened our water pollution problems, hastening all that is undermining the beauty and health of our lakes.

No one knows better than Vermonters how to turn a challenging adversity like climate change into opportunity. Just look at our burgeoning green energy industry. Through Vermont innovation and collaboration, partnered with creative public policy and regulation, we are pioneering the development and deployment of locally generated, low carbon energy, creating jobs and putting money in Vermonters' pockets while we do it. Yesterday's huge power plant, far away out there somewhere, connected to us by endless poles and wires, will be supplanted by tomorrow's integrated micro-grid, with community scaled renewable energy systems powering our smart, green homes and businesses. That tomorrow is happening today, right here in Vermont. The Borkowski family of Rutland recently became Green Mountain Power's first eHome –working with the company to complete a radical transformation of their older home, virtually eliminating their need for heating oil, all while cutting their electricity use in half. They now have a comfortable, super-insulated, and affordable home. Solar panels on their roof feed electronics in the garage, including storage for cloudy days, all of which powers heat pumps that warm and cool their home and provide hot water. Neighborworks, Efficiency Vermont, and other partners helped on the project, supporting local jobs. The Borkowskis financed the project right on their electric bill, allowing savings to match or exceed their loan payment.

I enjoyed visiting their home with Vermont's congressional delegation and U.S. Secretary of Energy Moniz. Mark and Sara Borkowski are here today, and I want to recognize them for being two of Vermont's energy pioneers. The Borkowskis remind us that our small rural state has all the ingredients needed to claim the mantle of the nation's energy innovation leader, moving beyond dependence on wildly priced, dirty fossil fuels and helping our environment while spurring economic development, building jobs, saving energy dollars, and improving the lives of Vermonters.

Innovative entrepreneurs; research and technical training at our state colleges and UVM; progressive utility leaders; and thousands of committed Vermonters volunteering in energy committees at the local level in over 100 towns and villages—together we are making Vermont the energy innovation leader nationwide. Doing even more to seize the opportunity of Vermont's energy leadership by investing more deeply in energy R&D will pay dividends for our colleges and universities, and I call on them to help us lead these efforts.

We are perfectly positioned to make this vision a reality. We have a solid regulatory system, willing, and forward-thinking utilities and energy companies, a statewide transmission company benefitting our ratepayers, VELCO, and the nation's first statewide efficiency utility, Efficiency Vermont.

With this foundation, we also have innovations by Vermont's entrepreneurs—at companies like Dynapower of South Burlington which partnered with the U.S. Department of Energy on a first in the nation micro-grid project built at a landfill, fueled by solar and battery storage. Companies like Catamount Solar in Randolph, AllEarth Renewables in Williston, and Solaflect in Norwich, and many others are developing, manufacturing, and deploying solar systems and creating clean energy innovations all over Vermont, helping Vermonters go green and save energy dollars.

SunCommon of Waterbury Center is making solar more accessible for homeowners from all income levels and providing good jobs for young people who want to stay here.

Look at Dayton Brown. Born and raised here, he attended Vermont Tech for engineering and joined the Vermont Air National Guard, serving a tour in Afghanistan. He is now making a life for his family, working for SunCommon. His co-worker Graham Fisk, a solar advisor for the company, came to Vermont to attend Middlebury College and, after leaving for a time in the big city, Vermont's promise called him back. Dayton and Graham, we're glad we have you.

It is not just clean energy businesses that grow as a result of Vermont's energy pioneering. When AllEarth Renewables needs components for its solar trackers, it turns to businesses like one I visited last summer, NSA Industries of St. Johnsbury. NSA is a metal fabricator and machining manufacturer, and now a vibrant part of the solar supply chain. Or look at Faraday in Middlebury that was awarded \$1 million from the Department of Energy to develop smart solar map-based tools. Each of these companies is creating jobs, attracting highly trained employees, and helping position Vermont as the energy innovation leader.

The policies you helped put in place over the last few years spurred Vermont's success. We significantly expanded net metering, supported a solar incentive which leveraged up to eight dollars of private investment for every state dollar, and we more than doubled the size of our renewable energy Standard Offer program, while simultaneously using the power of the market to cut the price for solar by approximately 60 percent.

This has fostered a clean energy sector that has created over 15,000 jobs for Vermonters. It has enabled us to build and deploy more than five times the amount of local solar on the grid now than we had on my first day in office, making Vermont number one in the nation for solar jobs per capita and helping us sustain one of the lowest unemployment rates in the country. And, at a time when some of our neighboring states have seen breathtaking increases in electric rates, we have accomplished all of this while our largest utility cut rates by 2.46 percent just last year.

We should be proud of our progress, but we can and must do more. Today I am proposing we take the next bold step together, an Energy Innovation Program that will drive our economy in the next decade and beyond. This Energy Innovation Program will replace our SPEED program, set to expire in 2017, with smart, forward-thinking renewable electricity targets for Vermont's utilities.

Our proposal is not just a copycat Renewable Portfolio Standard that forces us to buy more costly renewable electricity without an eye toward lowering overall energy costs for Vermonters already struggling to pay their bills. Instead, our Energy Innovation Program will promote clean energy and less expensive total energy costs for Vermonters by putting a priority on improving countless more homes like the Borkowskis', and adding hundreds of megawatts of new community-scale, locally generated clean energy to our portfolio. In addition to the eHomes project, we have many other great examples of pilots and partnerships that the Energy Innovation Program will help encourage, from Vermont Electric's community solar projects, to Stowe Electric's vehicle recharging project, to Washington Electric's solar water heater discounts, to Burlington Electric's smart meter energy savings programs.

This new program will create over 1,000 additional jobs, put money in Vermonters' pockets with a net savings of hundreds of millions of dollars on energy bills, and cut greenhouse gas emissions by approximately 15 million metric tons through 2032, on the way to achieving nearly a quarter of the greenhouse gas emissions reductions we need in order to meet our 2050 goal.

If we work together to enact this legislation, it will mark our single biggest step so far toward reaching our climate and renewable energy goals. Jobs, energy savings, and emissions reductions make this program a true win for our economy and our environment. I ask for your support during this legislative session.

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Innovative energy projects can also help us with another pressing problem: water quality. In St. Albans Bay, locals are deploying several new manure digesters designed to take waste from up to 10 farms in the region. They generate energy for the farm and sell the by-products, saving money while diverting many tons of farm waste that could otherwise end up polluting Lake Champlain.

Projects like these are so important because we are rapidly losing the battle for clean water. We love our rivers and lakes, from Lake Memphremagog to the Battenkill, from the Lamoille River to Lake Bomoseen, from Otter Creek to the river I grew up on, the Connecticut. And we all revere our crown jewel, Lake Champlain, which supports hundreds of millions of dollars in economic activity every year. Protecting Lake Champlain means protecting our economy.

Anyone who spent time on Lake Champlain this past season experienced first-hand the heartbreaking reality that it is suffering now more than ever. To see and smell the massive blue-green algae bloom on St. Albans Bay, or at nearby Lake Carmi, and to hear the pain and frustration in the voices of the homeowners and businesses who have patiently waited for cleaner and clearer water is simply devastating.

Legislative action is critical but you cannot go it alone. Families, business owners, local officials, anglers, farmers, and community members from every corner of our state are working to find solutions to clean our waters. We are inspired and informed by the efforts of community groups like the Friends of Northern Lake Champlain, the Lewis Creek Association, and the Franklin Watershed Committee for Lake Carmi. You also have the support of local leaders like my former seatmate David Deen of the Connecticut River Watershed, Denise Smith, and business owners like the Tylers of Tyler Place and Bob Beach of the Basin Harbor Club. Organizations like the Lake Champlain Regional Chamber of Commerce have spoken forcefully about the need for strong action and business community support to protect the lake. Farmers like Tim Magnant in Franklin and Brian Kemp in Salisbury are showing that it is possible to use innovative, practical, and cost-effective solutions to the problem of pollution on our farms.

This collaboration is matched by the exceptional leadership of our congressional delegation. Thanks to the efforts of the Saint of Lake Champlain, Senator Leahy, Senator Sanders and Congressman Welch, the federal government is committing millions of dollars in additional funds to help achieve our clean water goals.

I am also your partner. I have asked my Cabinet to implement the Lake Champlain restoration plan we submitted to the EPA last spring, the most comprehensive and strategic effort yet undertaken by the State of Vermont to protect and restore our waters. Reasonable people will ask: How is our plan different and better than past efforts? What we have learned is that we need to use data to target the greatest resources to the greatest sources of pollution, to get the greatest return on our money.

Should the EPA reject our plan, we know the measures they would require will be more costly and less targeted than the plan we have laid out for ourselves. We know the biggest contributors to our water quality problem—40 percent from farm runoff and 20 percent from roads and developed lands. We also know the largest pollution sources that we should address first and where they are located. If the EPA does not approve our plan, we would lose the flexibility to target our biggest problems first and instead have to spend hundreds of millions of dollars on the limited areas where federal law gives the EPA direct authority—upgrading our municipal wastewater plants, even though pollution from these plants only contributes about 3 percent to our Lake Champlain water quality problem. That does not meet Vermont's common sense test.

So let me tell you the three things we need to accomplish:

First, with your support, we will help towns meet their obligation to properly maintain roads to prevent runoff leading to erosion, which will keep nutrients and sediment out of our water. We will help them implement modern storm water management systems that capture and treat the polluted runoff from dirt roads, streets, and parking lots.

Second, most of our hardworking farmers and loggers want to do the right thing, because they care about Vermont and they recognize that efficient farm and land use practices often will save them money in the long run. But they sometimes need financial help to make improvements, so we will direct significant new resources to help them reduce water pollution from their operations. We will also work harder to keep livestock out of our streams, and seek more careful management of tilling practices and

manure application. With Attorney General Sorrell, we will redouble our efforts to enforce existing water quality regulations, so that the good work of the many is not undone by the few.

Third, I will ask you to help me hold those farms that have not been doing the right thing more accountable by adding teeth to our current use program. Similar to the way we treat foresters, farmers who are not following the required practices that prevent pollution should not enjoy the property tax reduction of current use until they do the work required of them.

It will take time and patience to make these changes, but it will also take money.

Therefore, my capital budget will include \$6.75 million for technical assistance and direct investment in water quality projects around the state. This includes \$1.6 million in state match which will leverage \$8.2 million in federal EPA grants for a total of \$9.8 million for low-interest loans to municipalities, and increase to \$3.75 million funding for innovative storm water management projects, and \$1.4 million for the Agency of Agriculture's cost sharing program for livestock fencing and other measures. My Transportation bill also includes \$3.2 million for projects that reduce polluted runoff from our back roads.

I ask that you also maintain funding for the Vermont Housing and Conservation Board, even in this difficult budget year, to help support farms and forestry operations to improve water quality as we conserve working forests, farmland, and important natural areas.

In order to ramp up our clean water effort, I am also establishing the Vermont Clean Water Fund and proposing funding sources designed to raise an additional \$5 million this year to strengthen significantly our water quality efforts, through two mechanisms:

- First, we will propose a fee on agricultural fertilizers, because these products contribute to water pollution. This will raise approximately \$1 million a year to improve our ability to address farm practices.
- Second, we will ask owners of commercial and industrial parcels within the Lake Champlain watershed for an impact payment. The annual payment will be modest, amounting to one hundred or two hundred

dollars for a typical large commercial parcel. We are not asking for payment from hard-pressed homeowners who are already struggling to pay property taxes.

The Vermont Clean Water Fund will be structured so that it can serve as a repository for additional federal and private funding sources. While dedicated state revenues are needed to help this effort, we cannot do it alone. I have begun soliciting private donations to the Vermont Clean Water Fund and am very pleased to announce that Keurig Green Mountain, a company that depends upon clean water and has made significant clean water investments worldwide, has generously agreed to donate \$5 million over the next five years for water quality stewardship projects right here in Vermont. Working with scientists at UVM and Limnotech, the Keurig funds will support projects here in the state that launched this extraordinary company. I want to thank Keurig CEO Brian Kelly, whose Chief Sustainability Officer Monique Oxender is here today, for Keurig's vision and commitment that will pay dividends for Vermont and Lake Champlain for years to come. I hope Keurig's generosity and focus on the importance of water quality will inspire others to aid our efforts.

With plenty of frustration with our progress on water quality, Vermonters have also lost patience with finger pointing about who is to blame. We must all take our share of responsibility and work together across the divides that can exist among advocates, businesses, farmers, neighbors and government to get the job done. I need your support to ensure that the State of Vermont does its part, and I look forward to working with you this session to launch a new era of clean water in Vermont. This effort will be part of our legacy, and the time to act is now.

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There is not a Vermonter who does not love this great state, who does not cherish its special quality of life, who does not hope for its future. To strengthen and sustain Vermont's future, we must grow our economy and ensure Vermonters live in an affordable state with access to good, well-paying jobs. It is a competitive world out there –other states are offering millions of dollars in tax breaks to lure companies –but there are things the little state of Vermont has that cannot be created elsewhere –our natural beauty, our clean air, our rural nature, and our resilient, innovative, and entrepreneurial people. These represent our competitive strengths and are treasured parts of our economic engine that we must protect, nurture and grow together. I hope you will agree that the proposals I've outlined today will help us do just that.



Next week, I will continue to outline my agenda to grow our economy and protect our quality of life, in areas including education spending and quality, job training, and health care. I will also present to you a balanced budget proposal. In the long term, we all know economic growth is the key to our success. We cannot simply cut our way out of our fiscal challenge year after year—taking away services that are important to so many Vermonters. Nor can we tax our way out of the problem. Instead we must meet the challenge to match state spending to our economic growth, while working to increase that growth in the years ahead for the health of Vermont’s future. I look forward to a productive term working together with you on what is best for the Vermont we all love.

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