

JAMES H. DOUGLAS  
GOVERNOR



State of Vermont  
OFFICE OF THE GOVERNOR  
**Inaugural Address of Governor James H. Douglas**

**A New Framework for Progress**

Mr. President, Mr. Speaker, distinguished guests, my fellow Vermonters:

One hundred seventy three years ago farmers, businessmen, and lawyers from across Vermont met here for the 1836 session of the General Assembly. Among them, a minister and headmaster of the Orleans County Grammar School took his seat as the member from Brownington.

Alexander Twilight was a pioneer. A native of Corinth, Twilight's life was devoted to public service as a preacher, educator and legislator. When he took his oath so many years ago, Twilight made quiet history as the first African-American to serve in a state legislature.

In less than two weeks we will observe the swearing in of our next president, opening a new chapter in America's history. We can all be proud of how far we have come to this momentous occasion – one that Alexander Twilight could barely have imagined when he served in this body over a century and a half ago. Let there be no doubt that our system of government, the institutions of our nation, and the American spirit endure stronger than ever.

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Each time I climb the steps to this podium, I am reminded of the many great leaders whose footsteps I trace, and am humbled to share this honor with them. I am deeply grateful for the confidence Vermonters have placed in me and for God's grace that touches us all. I am blessed to have such a wonderful family, many of whom join me here today, including my wife, Dorothy, and my son, Matt.

As I look out across this chamber, I see old friends and new faces, all of us charged by the people to address the great challenges that face our state. I offer my sincere congratulations to new and returning members of our legislature, as well as Lieutenant Governor Dubie and other statewide elected officials. I also want to offer my congratulations to Speaker Smith.

Voters have again returned a legislature controlled by one party balanced by an executive of another and they expect us to work together. Whether you sit as a Democrat, Republican, Progressive or Independent, we are all Vermonters first; and to a person we have been entrusted with a monumental task – to steer our state through rocky shoals. Together, we shall not fail.

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We gather today for the time-honored rite of inauguration, an important symbol of our vibrant democracy. An inauguration marks a gateway between past and future, an occasion of starting anew. Indeed, a time of transition is where we find our state.

On factory floors, in small businesses and around kitchen tables, and even in this very hall, we share the anxiety of a nation on edge. As moms and dads, friends and neighbors, we feel the painful effects of recession sweeping across our country and around the world.

Vermont has been pulled into this national downturn, the depth and breadth of which we have not seen for generations. The foundation of our economic security has been fractured. We have seen pyramids built on greed crumble and institutions thought indestructible disappear.

For too long, too many have held the mistaken belief that we could live beyond our means – that we could buy now and pay later – convinced that easy credit would allow us to have what we could not afford. Many thought revenues would always rise and difficult decisions could be deferred.

That misguided notion has brought us to this time of great collapse. If we ignore the modern parables of Wall Street and Washington, we risk their fate – and a future that spurns our Yankee forbearers who carved this state from the granite of “temperance, industry and frugality.”

Today, I present a plan for Vermont to direct its own future, free from the ties that bind us to the status quo. Rather than follow blindly, we will lead boldly.

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The discussion about how to balance a lean state budget will consume the greater part of this biennium – and appropriately so.

Consider the realities we are facing: we have already trimmed \$43 million from our current year budget and, in the coming weeks, the legislature will consider an additional \$46 million in rescissions. When the state’s economists meet next week, we could again see revenues decline; further requiring cuts to balance our budget. And our challenges don’t stop there; in fiscal 2010 we expect to have a shortfall of more than \$150 million.

In the past, we have looked to four primary fixes to mend holes in our state balance sheet – spending down reserves, relying on federal aid, raising taxes, and deep spending cuts – but none of them, whether alone or taken together, are adequate to address the current economic crisis.

The most oft-cited approach is to use the state’s stabilization reserves – that is, the “rainy day funds” – as a quick patch to the problem. There is no doubt it’s raining, but no one knows just how long this storm will last. To use the rainy day funds now is to ignore the severity of this recession in hopes the danger passes. Once we use our reserves, they are gone and it will likely take us years to replenish them. There is a right time to use the rainy day funds – when we experience an unanticipated drop in state revenues – but now, when other choices remain, is not that time.

Following the recession of 1991 the state had no reserve funds and few alternatives but to cut programs deeply and raise taxes sharply. Eighteen years later, the economic conditions we face rival that downturn – but that’s where the similarities end. State government is much better suited to weather this storm with full reserves, years of balanced budgets, and the highest bond rating in New England – all variables absent from the 1991 equation.

Further, working Vermonters are exposed to the risk of volatile markets, more so than in previous downturns. Families have watched college savings dwindle and their modest investments falter. Folks who have worked their whole lives have seen retirement accounts lose half their value. The personal reserves of average Vermonters have suffered, leaving smaller and smaller nest eggs.

In addition to that, Vermonters have no capacity for higher taxes – another approach advanced to shore up state coffers. In previous recessions, the state has raised taxes calling the increases “temporary” or under the guise of a “tax shift.” But when our fortunes improved, some taxes remained and the revenues were spent. Economists across the political spectrum agree that to raise taxes now would only slow a recovery, especially in Vermont, where our total tax burden is among the very highest in the nation.

I have heard recent proposals that would raise the top marginal tax rate by 37%, placing Vermont at the top of the tax heap – 26% above the next highest state – a dubious distinction especially as we compete with our neighbors for jobs and industry. Our earned income tax rates would be 90% greater than New York, 145% greater than Massachusetts, and infinitely greater than New Hampshire, which has no such tax. How many employers – especially in difficult times – would willingly choose to curb returns in order to pay more taxes?

It is unfair and unacceptable for us to expect the people of Vermont – who are making difficult budget choices everyday in their homes and businesses – to pay for an unwillingness to make tough budget decisions.

While I look forward to working with President-elect Obama and his new administration in coming the years – waiting on Washington to pass an economic recovery package is not a responsible stand-alone option. Although we are preparing for an influx of federal money, we must remember that any help is only temporary. If we do not get our fiscal house in order today, we will find ourselves on a cliff’s edge when the money runs out – forced to make more drastic decisions tomorrow.

Given the magnitude of the growing budget gap, it would be shortsighted to only cut our way out of this problem. While economic contraction demands belt-tightening and we cannot avoid rescissions in nearly every area of government, this approach alone will not position us to emerge from this downturn ready to grow. If we nickel and dime services to keep the budget in balance, we will quickly reach a point where our programs are no longer able to serve their purposes.

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Now is not the time to rest on old notions. Now is not the time to spare sacred cows. Now is the time we must summon the courage to forge lasting solutions and reject the patchworks of the past.

From great collapse, we must rise again with a new framework for progress – one that sets government on a sustainable path through the transformation of education, human services and economic development. Only by doing so can we rebuild our economy, create good paying jobs and protect the most vulnerable during these difficult times.

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As Vermonters, our cause for optimism remains great – it is rooted in our shared history, our commitment to one another, and the promise of a better tomorrow.

It is found in an old farmer and a young family; in our lessons passed down from parent to child; in the hunters, anglers and trappers who give new life to old traditions; and in entrepreneurs creating new opportunities for our people. It is manifest in the pride we share for those who protect our communities – our police, firefighters and EMTs – and in the brave men and women of our armed forces who risk their lives far from the Green Mountains to preserve our most cherished values. I want to take a moment to recognize representatives of our National Guard who join us in the balcony today.

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Our work in recent years has prepared us to meet today’s challenges. During our nation’s last recession in 2003, we passed the largest jobs package in state history. As we emerged from that downturn we streamlined government, and expanded access to health care. We strengthened our commitment to the next generation, increased bonding capacity and made new investments in our roads, bridges and culverts, and provided incentives for green businesses to succeed – while balancing the budget each year.

To keep Vermont competitive in a rapidly changing world economy we worked together to create the Vermont Telecommunications Authority – setting a course to achieve our goal of becoming the first true “e-state,” where everyone has access to the tools of the 21<sup>st</sup> century.

Last year we took immediate steps to spur economic activity and temper the effects of the looming downturn. The Economic Growth Initiative – which included a successful sales tax holiday to help working families and boost Vermont retailers – was a needed bridge in a time of turmoil. And the Fuel and Food Partnership is coordinating services among the state, private agencies and local communities to ensure that vulnerable Vermonters have the resources they need during this already harsh winter.

But to preserve these valuable gains, the time has come for our state to embrace this new framework – where the real needs of people intersect with the true capacity of government to serve.

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Ingrained in some areas of government is an institutional momentum that demands more resources regardless of taxpayers’ ability to support their growth. The recent downgrades in our revenue forecasts and the bleak outlook for the coming fiscal year have shone a bright light on the imbalance we now find among different functions of government.

The best examples can be found in two areas – general education and Medicaid. Combined, in state dollars alone, they account for sixty-three cents of every tax dollar spent in Vermont. These areas of government continue to grow year after year without the same checks and constraints as other important services.

We must advance beyond these obsolete models and move to a modern approach – breaking down longstanding walls to achieve equilibrium among many important priorities and support lasting economic security.

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As the parents of two boys who attended public school in Vermont, Dorothy and I know the value of a quality education. As the grandson, son and son-in-law, brother and brother-in-law, nephew and uncle of educators, I recognize the great inspiration teachers bring to the classroom every day.

Vermonters are rightly proud of the quality of our public education system and the tremendous caliber of our teachers. Pride, however, does not excuse us from the necessary and important changes to make education spending sustainable for the long term.

As we examine the current fiscal challenges, it is clear that our public education system is on a collision course with economic reality – threatening not only the dwindling capacity of taxpayers, but also our responsibility to fund essential services for vulnerable Vermonters.

In the last five years, Vermont has experienced an education spending expansion funded by property tax increases and general funds. Assuming the fiscal 2010 current law projections, spending from the education fund will have increased by nearly \$283 million since fiscal 2006, or a 23% increase. Over the same period, statewide school enrollment has dropped over 4,300 students, or a 4.4% decrease. This means that since 2006, for every student who left the rolls, schools added – not reduced – \$65,000 in costs.

While unfunded federal mandates and inflationary increases drive a portion of these costs, the biggest portion is attributed to increases in staff count. Since 1997, student enrollment has fallen by almost 10,000 children, or 10%, but school staffs have increased by 3,500 positions, or 22%. Put another way, for every three students who left the rolls, schools have added one staff position.

In contrast, we are looking at the jobless rate rising every month, with thousands of Vermonters added to the unemployment rolls since last summer. State government is trimming its workforce, some businesses are reducing hours, and others are closing their doors completely. Everyone is facing cutbacks during this difficult time. But still, education spending for 2010 is expected to grow 6.1% per pupil. Recent newspaper articles report proposed school budget increases of 5%, 8%, and even 11%. Property tax bills are expected to grow an average of 6%, even after income sensitivity payments. Expansion like this is unsustainable in any season, and especially when our economy is facing such severe retrenchment.

Our current education funding system is failing taxpayers and local voters. For over a decade, Vermonters, in every corner of the state, have borne the heavy burden of rising property taxes under Act 60. It is wrong for one third of all tax dollars to be spent on a system only a handful can explain. When enrollments decline but property tax bills increase – and when communities are forced to vote budgets without knowing the real consequence of those decisions, it is clear that our system does not work.

Act 60 and Act 68 are fundamentally broken and beyond repair. Piecemeal changes cannot mend a system that is so far out of balance. Only a wholesale transformation will return control to communities and put education funding on a sustainable course for the future.

There is no one size fits all approach to education. Each school district must determine what works best for its students. But maintaining the status quo is not in our kids' best interests. Building an education system for the future requires a willingness to recognize the realities of declining enrollments across the state.

Now is the time to build a new system – one that is fair and equitable, and respects the voice of voters, the pocketbooks of taxpayers and the potential of our students. Too often, politics has stood in the way of change. That is why, with a sincere commitment to progress, I ask the Legislature to work with me to establish a collaborative process for fresh ideas – bringing together thoughtful individuals with broad range of perspectives to design an education funding system that is simple, transparent and sustainable. We must also be prepared to examine school consolidation, governance, special education costs, and other opportunities to achieve efficiencies.

I will seek your suggestions on the best minds for this high priority. I understand the magnitude of this proposal, but with so much at stake and inaction threatening the economic security of countless Vermonters, we must work together to take this important step.

While launching this process is essential to rebuilding our education finance system, property taxpayers cannot wait another year for relief. In order to create a funding bridge until a new system is established, I propose a common-sense measure to freeze per-pupil spending for schools and categorical grants at current levels. When we consider what government, businesses and families are facing, level funding is a fair approach.

Further, we will strengthen local control by holding school districts directly responsible for tax increases. During this bridge year, if a school wants to raise additional money above level-funding, it can ask voters to fund the increase entirely through its residential tax rate, up to a level that respects the Brigham decision. I also propose we end property tax subsidies for Vermonters making over \$75,000 in order to lower tax rates even further for all payers.

By taking these steps, we'll be able to effectively reduce property tax rates by 4 cents for a total of \$44 million. The statewide rates can each be cut by at least 2 cents, that is \$24 million. Further, the spending freeze results in additional residential property tax reductions of another \$20 million as projected increases in per pupil spending are avoided. In fact, the state will collect no more from residential taxpayers next year than it has this year – a welcome change for struggling Vermonters.

All across our state dedicated volunteer school boards are working diligently to craft budgets in time for Town Meeting. I know they are facing difficult decisions – state government is struggling with the same real time adjustments. And I acknowledge that my plan represents a departure from usual practice – but we are in unusual times. That is why I am committed to working closely with school districts to give them the flexibility they need to consider budgets that are level-funded.

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Property taxes are not the only source of revenue for education spending. The general fund of state government provides a substantial share of school funding.

Without changes to the current system, the state is expected to transfer \$298 million from the general fund – nearly a quarter of available resources – to the education fund in fiscal 2010. This transfer, which will have increased over \$38 million since 2006, has been held completely harmless during the recent rounds of rescissions.

Further, the State Teachers' Retirement System is directly supported with general fund money and has not been subject to reductions during recent cutbacks. In fiscal 2010, the general fund is expected to contribute at least \$40 million as the employer's share of contribution to support the system. This approach is a vestige of the past and effectively allows schools to set salaries detached from the true cost of the benefits.

In other words, the education fund has not shared any of the sacrifice seen by other areas of state government. If we continue to excuse education spending from equal treatment, we force health care and human services – the lion's share of the remaining general fund – to shoulder the burden of balancing a responsible budget. That is not a realistic, or compassionate, option.

To put these disparities between the general and education funds in context, we should step back and look at the big picture. According to current estimates for the next fiscal year, we need to reduce benefits and cut programs – primarily in human services – by at least \$150 million out of a general fund budget of less than \$1.2 billion. Meanwhile, funding for K-12 education is expected to increase \$63 million in the \$1.4 billion education fund.

In fact, with current projections, while the education fund will have grown 23% since 2006, the general fund will have actually decreased 2% – meaning that we will be spending less in state government in our fiscal 2010 budget than we did in fiscal 2006.

If we do not take action to restore the equilibrium between the general and education funds, we risk devastating spending cuts. I propose placing the obligation for funding the teachers' retirement system where it belongs – in the education fund. This \$40 million would leverage \$97 million in state and federal Global Commitment money and reduce the need to cut critical programs for vulnerable Vermonters. I also propose linking the general fund transfer to the education fund to changes in the level of general government spending. This is a reasonable approach that respects the capacity of taxpayers.

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Further, a close examination of spending for public education reveals a startling imbalance among our funding levels for early education, K-12, and higher education. We spend relatively little on early education – are among the highest in the nation for primary and secondary education – and near the bottom for higher education. We must begin to reshape this skewed distribution of resources.

Access to affordable, quality early care and education provides a dual benefit: it lays the building blocks for a successful future, ensuring children arrive at kindergarten ready to

learn; and, it removes the single biggest barrier for parents in poverty to move into the workforce. At the other end of the spectrum, Vermont's colleges and state university are among the most expensive in the nation and for too many Vermonters, simply out of reach.

To move our system of education into the 21<sup>st</sup> Century we must strengthen our commitment to creating a continuum of learning that begins in early childhood and never ends, providing the necessary opportunities to Vermonters throughout their lives.

A real investment in lifelong learning is an investment in an individual's economic independence. Indeed, few things are more important to establishing a strong and growing economy than the education and training of our workforce. That's why, despite budget challenges, I propose a 20% increase in early and higher education as a first step to address spending disparities and prepare Vermonters, young and old, for future success.

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I realize that there are some who have an interest in maintaining the current system. They will challenge any data and idea that calls into question the need to move our system of education out of the past and into the future. But we were not elected to safeguard the needs of one interest over another – we were elected to do our best for all Vermonters. I ask this assembly to join me in revitalizing our education system to better serve our children and make needed investments in the future of Vermont.

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But the transformation we need requires a shift not only in thinking and spending, but in structure as well. The final step is to seek the benefits from an integration of the University of Vermont and the Vermont State Colleges into a single organization. We have real gems in our state university and colleges, and with a commitment to progress, we can establish a higher education system better positioned to meet the needs of the student bodies. This marriage of resources – from infrastructure to administration, programs to athletics – will allow each college the freedom and flexibility to better focus on targeted academics offering the very best to each student.

I will charge a working task force with the responsibility to find academic and administrative efficiencies that will be achieved through consolidation of our university and state college systems. I will ask the task force to report with recommendations by November 15<sup>th</sup>.

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Underpinning everything we will do in the coming session is our obligation to the most at risk in our society. We must make certain that those with the greatest need – children and vulnerable elders, working poor Vermonters, those with developmental disabilities and

mental health challenges, and the indigent – are protected. But in order for government to ensure that the programs and benefits are secure, we must chart a course that is financially sustainable and outcome-based.

The prospect of belt-tightening in state government understandably draws concerns from community providers, advocates and consumers of state benefits. I share the concerns about the impact of budget decisions on individuals and the programs and services they need.

Make no mistake: these are tough conversations, made tougher with real heartache and real adversity. After all, in a state like Vermont, these stories are not statistics – but rather the family, friends and neighbors entwined in our daily lives. But while these conversations are difficult, they are the right conversations to have at a time like this.

The first element of protecting the most vulnerable is to ensure the near-term solvency of benefit programs, while working to create sustainability in the long-term. Our first of its kind Global Commitment to Health waiver was a major milestone in addressing our challenges in the Medicaid budget. But even with Global Commitment, caseload increases outpace resources with a bigger and bigger portion of the state budget needed to fill the gap.

Although our federal partner in Medicaid is expected to help with increased funds through the economic recovery package, that alone will not ameliorate increasing pressures on the human service budget. We must take immediate steps to set this vital network of programs on a sustainable path.

Right now 25% of Vermonters receive some form of Medicaid assistance, among the highest percentages in the nation. There are principally two ways to make Medicaid sustainable: either we can exclude populations above a certain income level and eliminate their services, or we can realign benefits and share costs to fit responsible budgets. To me, the option of eliminating health care coverage for many Vermonters in order to preserve a generous benefit for a few is unjust in such a challenging time. The philosophy of sharing the sacrifice broadly must be part of any proposal we advance.

We must also guarantee that each dollar is spent with a focus on quality of life and the goal of future independence.

Our efforts to provide a healthy lifestyle discount in the private health insurance market should be mirrored in our Medicaid program. Encouraging Vermonters to make better choices when it comes to their health and well-being is a critical component of our innovative health care reforms, and the Vermont Blueprint for Health is the cornerstone of these efforts. We should align Medicaid with these goals and work to reward beneficiaries who eat nutritiously, stay in shape and live a clean life, free from drugs and smoking. By offering lower premiums for healthy choices, we can provide a tangible incentive to empower Medicaid recipients to take responsibility for their own well-being and, at the same time, lower health care costs.

While the vast majority of beneficiaries and providers in our human services network are honest, we have all heard stories about some who exploit the system. Such unscrupulous acts threaten to shortchange those most in need. I have asked the Agency of Human Services to review the state's response to those who falsify information to obtain government benefits or payments, including consumers who abuse prescription drug benefits. At a time when we are forced to consider significant cuts to programs, we must look for ways to guarantee that the programs we have are serving only those Vermonters for whom they were intended.

It is reasonable for the state to ask beneficiaries to assist us in enhancing their individual health and welfare. We must focus our assistance, invest in Vermonters, and ensure we are building transformational bridges: from poverty to economic success; from chronic illness to health; from drug dependence to independence. That's the covenant: the state provides assistance and beneficiaries work to amplify the state's investment and improve their lives.

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Although common-sense changes to our human service programs are vital, there is no substitute for a good-paying job to bring real renewal into an individual's life. While it's hard to think about creating jobs as businesses close and lay off employees, now is the time for us to redouble our efforts to support existing companies, encourage entrepreneurship and attract new employers by transforming our economy to meet the demands of the 21st century.

During the fall I introduced a series of proposals – an Economic Growth Plan – to make our state more competitive and position Vermont to be on the first wave of recovery. As the economy continues to soften, it is important that we act to enhance our economic development efforts and pass this practical plan in the first 100 days of the session.

Many of the principles that bind these proposals together are shared across the political spectrum. We understand the value of renewable, clean and affordable energy. We've seen the power of information and the potential of technology. And we know that in a rapidly changing economy, our ability to grow and attract innovative, emerging industries will be the difference between success and failure.

That is why I have called for the development of Green Growth Zones to join commercial, residential and renewable energy facilities together in an arrangement that benefits an energy producer with access to a ready market, and benefits businesses and individuals with reduced rates for clean power. And that is why it makes sense to provide greater regulatory certainty to assist in the creation of a Smart Grid for Vermont.

As part of last year's Economic Growth Initiative, we provided a higher level VEGI incentive to green industries. By expanding this successful program to technology-based

employers, such as software developers, we can encourage growth in this fast moving sector of our economy.

Whether it is a more fuel-efficient car or a breakthrough in biomedicine, Vermont must aspire to be the home of innovation and invention. By enticing entrepreneurs through the Vermont Innovation Challenge, we can help meet the needs and employment potential of our workforce.

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As I travel Vermont and talk with employers, too often I hear the same stories about the time, expense and uncertainty of obtaining necessary permits and approvals to begin a project to grow their companies.

I believe that some in Vermont have lost sight of what a permit application really means. It is easy to characterize applications in the negative: this project will add that much traffic or require this much mitigation.

But to me, a permit application really says something very positive.

It says, "I'm hiring."

It says, "I'm prepared to make an investment in Vermont."

It says, "I'm ready to put down roots in this community and create jobs."

For many Vermonters what that permit application really means – above all else – is the difference between checking in for work and waiting for an unemployment check.

When an employer has made the commitment to grow responsibly in Vermont, we must make the commitment to speed the process from permit application to shovels in the ground.

Over the years, we have advanced reforms to parts and pieces of the process, sometimes with success – as we had five years ago in streamlining appeals – but most often without closure. The current system remains a labyrinth, fraught with unpredictability, which threatens job creation for years ahead – unless we are prepared to make substantive changes that will modernize the system.

As we strive to protect that which is so special about Vermont, we must recognize that a "working landscape" requires Vermonters to be actually working - not simply admiring the view.

We must preserve and strengthen our gold standard of environmental protection, but we can do so while making it easier for companies to invest in Vermont and grow with

certainty. We can build a better, more practical system based on clear guidelines, professional assistance, a good dose of trust and strong penalties for non-compliance.

I propose we broaden Act 250 so proposals are not only judged on impacts, but also on the positive economic, social, or cultural benefits that may flow from a project into a community or region.

We must bring greater predictability to all interested parties by ensuring that once you've obtained your permit from an agency of state government, that permit will not be challenged in an Act 250 proceeding.

Further, we must expedite the chilling and costly effect of our lengthy appeals process by instituting "on the record review" – one formal hearing, where all evidence is submitted and examined.

Finally, we must expand the use of the self-certifications, general permits and permits by rule that are now used in stormwater, air pollution control and other programs. Instead of complex front-end regulation, we can provide clear guidance to businesses and trust them to design appropriate systems with the help of a recognized professional, obtain a general permit, and move towards better and faster construction.

Businesses will not be let off the hook from environmental protection. Non-compliance will bring costly penalties, motivating developers to complete legally and environmentally sound projects. Furthermore, self-certification will allow agency staff to spend more time in the field ensuring compliance, rather than micro managing proposed permits upfront.

I have directed the Secretary of Natural Resources to examine every permitting program within the Agency, identify those for which self-certification and other strategies make sense, and design approaches for each.

By creating a more responsive regulatory process we will uphold our cherished environmental standards and at the same time allow our state to grow and thrive.

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In the short term, however, the extraordinary realities of the current economic crisis demand immediate action. I have asked my administration to work with the legislature and others to create the Vermont Economic Response Team, which will marshal all available public and private resources to assist companies at risk. Similar to the Fuel and Food Partnership model, the Response Team will cut through red tape, expedite the deployment of resources and examine temporary measures to help a business that is in trouble. When Vermont companies are in distress, I want to be absolutely sure that we do everything possible to help them weather this storm.

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Agriculture and forest products remain pillars of our rural communities and, like other industries, are struggling.

Unfortunately, we expect the price of milk to drop significantly this spring. Although there is little the state can do to insulate dairy farmers from the volatile national milk pricing system, especially during these lean fiscal times, the Agency of Agriculture has been working closely with counterparts in New York and Pennsylvania, and the northeast dairy cooperatives to offset falling milk prices.

We will continue to work diligently with our congressional delegation to explore all options to help our traditional industries survive a difficult economic climate in the coming year.

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While education, social services and jobs are all vital to the future of Vermont, the safety of our children trumps all else. The tragic events of the last year are a sobering reminder that more must always be done to keep violent sexual predators off our streets and away from our children.

I am confident that we can work together to quickly pass a comprehensive package of laws that focus on prevention, strengthens investigations and prosecutions, requires stiffer sentencing – particularly a 25-year mandatory minimum sentence – and enhanced supervision for sexual offenders. We have no time to waste in ensuring that law enforcement, the courts, families and communities have the tools they need to keep the children of Vermont safe.

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I would like to take a moment to address the more than 8,000 Vermonters who work in state government and make this \$4.3 billion enterprise run. State government remains the most far-reaching organization in the state. And now more than ever, our fellow Vermonters need us to lead by example – to find in every department, in every division, new ways to generate economic activity and ensure that those who most depend on our services receive them. I know you don't always receive the credit you deserve, but your work has a tangible impact on the lives of those you serve. And I am confident that at day's end the work we do will help our state emerge quickly and strongly from this downturn.

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For the moment the clouds of recession have obscured our view of a more prosperous future. The task ahead is difficult and demanding, but Vermont will succeed. We will achieve our goals and realize the full potential of a people whose legacy is the diligence of its industry and the inspiration of its innovation.

Today, as our will commands, Vermont moves forward.

We will move together, past old ideas and embrace new solutions. We will address our challenges directly and completely. We will re-balance and strengthen our system of education, secure our social safety net and, most importantly, we will create a new, lasting framework for sustained growth.

Today, we inaugurate new ideas and real solutions to restore our economic security, awaken our optimism and produce new opportunities.

When this work is complete, and when the clouds of recession lift, we will look back at this session of the General Assembly as the moment we ushered in a new era of prosperity in our state's history.

God bless each you and the great state of Vermont.

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