

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.

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 Vermonter's 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.

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.

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.