

Journal of the Joint Assembly

IN JOINT ASSEMBLY, JANUARY 22, 2009

2:00 P.M.

The Senate and House of Representatives met in the Hall of the House of Representatives pursuant to a joint resolution which was read by the Clerk and is as follows:

J.R.S. 5. Joint resolution to provide for a Joint Assembly to hear the budget message of the Governor.

Resolved by the Senate and House of Representatives:

That the two Houses meet in Joint Assembly on Thursday, January 22, 2009, at two o'clock in the afternoon to receive the budget message of the Governor.

Presiding Officer

Honorable Brian E. Dubie, President of the Senate, in the Chair.

Clerk

David A. Gibson, Secretary of the Senate, Clerk.

Committee Appointed

Senator Peter E. Shumlin of Windham District moved that a Committee of three Senators and three Representatives be appointed by the Chair to wait upon His Excellency, the Governor of the State of Vermont, to inform him that the Joint Assembly is now convened and to escort the Governor to the Chamber to deliver his budget message.

Which was agreed to.

The Chair appointed as members of the Committee:

Senator Susan J. Bartlett, of Lamoille District
Senator Ann E. Cummings, of Washington District
Senator Vincent Illuzzi, of Essex-Orleans District

Representative Sandy Haas, of Rochester
Representative Warren F. Kitzmiller, of Montpelier
Representative Patti Konline, of Dorset

The Committee performed the duty assigned to it and appeared within the Joint Assembly accompanied by His Excellency, Governor James H. Douglas, who delivered the following message.

Governor's Budget Message

“Mr. President, Mr. Speaker, legislators, guests, my fellow Vermonters:

“The legitimate object of Government,” Abraham Lincoln once wrote, is “to do for the people what needs to be done, but which they can not, by individual effort, do at all, or do so well, for themselves.”

“The task of crafting a responsible budget is one of our most important duties in any season. But with our nation mired in recession and state government facing steep declines in revenues, building a budget that honors Vermont’s long held traditions of fiscal restraint, neighborly compassion and forward looking resolve is absolutely essential. Indeed, a focus on what must be done – on that which Vermonters cannot do at all or so well for themselves – must guide us in these most difficult times.

“The priorities we set through this budget will impact how quickly and strongly we emerge from this downturn. The course we choose will determine whether an out-of-work mother or father has a chance for new employment, a homebound grandparent has access to critical services, or a young student can afford an education that prepares him or her for a lifetime of success.

“Today, I present a responsible budget that looks to the future with necessary investments in the economic independence of our people, while preserving important programs that so many depend on everyday.

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“When I addressed this body two weeks ago, I proposed a new framework for progress – one that matches the real needs of people with the true capacity of government to serve. I recognize that some of my proposals are uncomfortable departures from past practices – but as I said then, we are in unusual times.

“The national recession is leaving countless unemployed; families struggling to stay ahead are falling behind; and more Vermonters are depending on critical state services. At the same time, state revenues have fallen sharply. Today, we have fewer and fewer resources to meet growing demands. Compounding this challenge is the fact that certain areas of

government have been on an unsustainable track, regardless of fiscal realities, for too many years.

“The short-term fixes of deep cuts or higher taxes, waiting solely on help from Washington, or reaching for reserve funds now, will only mask these underlying challenges. We must look beyond what has been done in the past and commit ourselves to lasting solutions, sharing the sacrifice broadly and breaking down the barriers that shelter certain areas of government from tough choices and place a greater burden on others.

“While these imbalances are not the cause of this recession, only by addressing these fundamental inequities can we make necessary investments in the economic potential of Vermonters, secure vital programs for those most in need and hasten a robust recovery. For that reason, the budget I propose today is not only balanced at the bottom line, but brings greater balance among the many important priorities of government.

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“Congress is now debating a substantial recovery package. Our federal partners will play an important role in bringing our nation out of this recession. Make no mistake: this is a needed investment as we realign our priorities with the realities of declining revenues.

“As vice-chairman of the National Governors Association I have met with the new President and Congressional leaders to advocate for such a state directed plan. Within my Administration I have created the new Vermont Federal Recovery Office to coordinate projects and ensure that we expedite the deployment of federal resources. Throughout this process, I will continue to work closely with our Congressional delegation and this assembly so that we can meet our most pressing needs.

“Many of the ideas being discussed in Washington are familiar to Vermonters. Proposals to reduce health care costs by using information technology and increased investment in preventive care are in line with Vermont’s groundbreaking Blueprint for Health. Increased funding for weatherization and energy-efficiency programs is consistent with steps we have taken to help businesses and families save money by consuming less. New investments to expand broadband internet access to rural areas would support our e-State initiative. And funding to transform the nation’s energy transmission and distribution system goes hand-in-hand with a Smart Grid for Vermont – part of my Economic Growth Plan.

“Indeed, we are well positioned to take advantage of any package that Congress ultimately passes to grow good jobs here in Vermont.

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“During the past year, the Joint Fiscal Committee and my Administration have worked together, on a bipartisan basis, to responsibly trim \$43 million from the current year budget. However, we must still address a \$49 million gap.

“While a significant portion of federal aid will be directed at projects that will have an immediate economic stimulus and create jobs, there will be resources to help states meet their current obligations.

“At this time, we cannot be sure of the exact amount or nature of these funds, but it is prudent for us to build into this budget certain agreed upon assumptions. That is why I am recommending that we use the expected savings from a greater Medicaid reimbursement to free up resources to help fill the fiscal 2009 and 2010 shortfalls.

“We must avoid the temptation to balance our budgets on the promises of federal aid alone. As President Obama has indicated, this aid will be temporary and once the money is spent, Washington must begin to reform its spending practices to address our mounting national debt. I will continue to urge the Legislature to join me in realigning our own priorities, so that when the federal well runs dry in two years, we will not confront an even wider gap between the demands for services and the resources of government.

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“To begin this process, I propose a budget adjustment that includes a number of difficult changes. Eliminating the VPharm programs, which provide supplemental prescription drug assistance to Medicare beneficiaries, is particularly difficult. When the federal Medicare prescription drug benefit, part D, was instituted, my Administration and the Legislature authorized a new wrap-around benefit to allow coverage comparable to the state assistance programs that were previously in place.

“That was the right thing to do – and VPharm has been a program I have fought for since – but times have changed. Seniors eligible for assistance will still receive a prescription drug benefit through Medicare. However, it is responsible to allocate those savings to VPharm to ensure continued health care coverage for Vermonters with no other options.

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“There will be some who argue that increasing taxes is a viable alternative to these difficult decisions. But we must acknowledge that Vermonters and Vermont businesses are already facing an unpreventable tax increase.

Employer contributions completely support the unemployment insurance trust fund, which is feeling the strain of increasing unemployment. Trust funds in most other states are facing similar challenges, as unemployment rates continue to rise. While adjusting benefits must be part of the overall solution to keep the fund solvent, an increased employer contribution is unavoidable.

“This increased assessment will have a painful impact for employees and employers alike, and makes it all the more certain that we must not raise broad-based taxes that can be avoided – such as the gas tax, income tax, and property tax. With one of the highest burdens in the nation, raising these taxes now would slow a recovery and offset any gains that might be achieved through the federal stimulus. In fact, one purpose of a federal recovery package – as the President’s top economic advisors have noted – is to prevent states from making draconian cuts or raising taxes that will prolong this recession.

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“Although meeting our fiscal 2009 obligations has been difficult, the challenges we face for fiscal 2010 are even greater. This will be the most dynamic budget process any of us remember. With such volatile markets and information from Washington changing weekly or even daily, assumptions will change as these unknowns reveal themselves. As a result, this proposed budget may be much different when finally adopted.

“However, what we do know is that revenues will be far below previous levels. In the General Fund, revenue forecasts are down \$152 million from a year ago. Accounting for upward pressures – largely resulting from increased needs in our human services system – we must address a gap of over \$200 million, roughly 18% of available fiscal 2010 revenues. In the Transportation Fund, purchase and use tax receipts have dropped sharply, and high fuel prices over the summer and fall accelerated the decline in gas and diesel tax revenues. For fiscal 2010, transportation revenue projections are down \$22.5 million.

“Without restructuring the relationship among government’s priorities and spreading the impact of these declining revenues broadly, the effects on individuals and services would be devastating and our capacity to make necessary investments in the economic well-being of all Vermonters would greatly diminish.

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“Fundamental transformation must begin with our largest commitment. Bringing education spending in line with other important aspects of government is the first step toward a more equitable budget.

“While the debate over how to bend the curve on increasing school spending is not new, we cannot wait to find a sustainable solution to this challenge.

“Some have argued that declining student populations do not necessarily reduce the operating costs of a school, especially when those numbers are spread out among several grades. While it might be difficult to *reduce* costs, specifically staff, in such a situation, it is hard to understand how we have seen a 22% *increase* in the number of staff at the same time that there has been a 10% *decrease* in student enrollment. Not reducing costs is one thing – substantially increasing them is quite another.

“If left unchanged, the transfer from the General Fund to the Education Fund will grow by \$7 million to \$298 million in fiscal 2010. Another \$40 million from the General Fund will pay the employer’s contribution to the state teachers’ retirement system. These two obligations combine to account for nearly 32% of the entire General Fund – and have been held harmless during the fiscal 2009 rescissions.

“This means that in fiscal 2010 there is just \$734 million available in the general fund for spending outside of K-12 education. In contrast, for fiscal 2006 there was \$828 million available. Even though total General Fund revenues will be 4% below fiscal 2006 levels, the amount available for spending outside K-12 education will, in fact, be 11% less.

“That is why I propose paying the employer’s portion of teachers’ retirement from the education fund. While there will be no change in benefits, this change strengthens the link between wages and benefits and education costs, and allows Vermont to leverage an additional \$57 million in federally matched Global Commitment funds for a total of \$97 million in Medicaid programs. Without this money, our choices for additional cuts would be dire. For example, in our human services system, it could mean ending health coverage for 7,500 Vermonters in poverty by cutting the Vermont Health Access Plan by 25% – plus stopping medical transportation for all Medicaid recipients – plus ending our Traumatic Brain Injury programs – plus completely eliminating our Dr. Dynasaur program, terminating health coverage for 24,000 kids. Choices such as these are unacceptable.

“I also propose linking the Education Fund transfer to changes in the level of General Fund spending. By taking this step, we will free at least \$23 million that can be used to make necessary investments in early and higher education.

“Some have argued that these changes will place a greater burden on property taxes. Let me be absolutely clear: moving funding for teachers’

retirement and linking the Education Fund transfer to levels in General Fund spending must be part of a comprehensive package that reins in property taxes. These proposals cannot stand alone, but together they represent a necessary step toward a more equitable budget and long overdue relief for property tax payers.

“Others have suggested that a freeze on school budgets would present difficulties for school boards who are under time constraints. Many of us in this building have been struggling for the last year with extremely difficult budget decisions that will have an impact on state services and personnel. In fact, just nine days ago, we learned that fiscal 2010 state revenue projections once again declined – this time by \$34 million. While it was not easy, we moved quickly to make the necessary changes to present a responsible budget here today. Of course, nine days would be a luxury for a Vermonter who just lost a job and must adjust the family budget with no notice. We are in extraordinary times that require us to move beyond business as usual.

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“Bringing education spending in balance with other obligations will relieve some of the pressures in the General Fund, but certainly not all. Necessary reductions across state government cannot be avoided.

“The truth we must all accept is that we can no longer afford the level of services we have come to enjoy. In developing a balanced and compassionate budget, Vermonters expect us to preserve basic services for the many, and not just a more generous benefit for the few.

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“Our rate of uninsured – 7.6% – is among the lowest in the nation, and confirms that we have made great strides toward meeting our health care reform goals. Yet, in order to preserve our health assistance programs for future generations and continue our forward progress, we must make changes to align our programs with the stark realities of our current budget.

“At a time when health care premiums are rising and placing a strain on the pocketbooks of families and small businesses, we must ask some of the 25% of Vermonters who receive Medicaid assistance to share more of the cost. Accordingly, I propose restoring monthly premiums for both Dr. Dynasaur and VHAP to their 2007 levels, as well as a 4% reimbursement reduction for many of our Medicaid providers.

“Although some have suggested the elimination of Catamount Health, I propose modifications to sustain this necessary program for Vermonters. These changes will preserve the current benefits, but increase the plan

deductible on a sliding scale based on income. Also, I will introduce a lower cost Catamount Health HSA Plan, which would be more affordable, especially for young adults, who still comprise the highest percentage of our uninsured population. These benefit adjustments and others are necessary in order to avoid drastic wholesale program eliminations.

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“We must make similarly difficult decisions in the rest of the human services budget, and prioritize our spending. One of the effects of the national recession is that our human services caseload will continue to increase, placing further pressure on the state budget. In order to preserve essential programs for the most vulnerable, and focus on getting Vermonters back to work and on a path toward independence, we must adjust our investments in other initiatives.

“Vermont was ranked the healthiest state for the second year in a row. This success is based, in part, on our statewide focus on innovative prevention programs through our Vermont Blueprint for Health. To preserve these gains, we must carefully focus our resources, even among prevention programs, and reduce our funding for tobacco control. In 2007, the smoking rate among Vermont adults had dropped to an all-time low of 17.6%; yet the number of Vermont adults who are overweight or obese continues to climb – greatly increasing the risk for many chronic conditions, including high blood pressure, diabetes, and certain cancers. By preserving access to health care and reshaping the system through which care is delivered, successful prevention strategies can be applied across an array of health risk behaviors.

“As the economy worsens, we must respond to the needs of those most dramatically affected. Low income families who are struggling to enter the workforce are served by our state’s Reach Up Program. The fiscal 2010 budget has been raised substantially to address the increasing number of families now eligible. To partially offset some of those new costs, I propose strategically decreasing the level of some benefits. I have put several proposals forward that I believe can strengthen the program and increase incentives for work participation.

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“The entire burden of these reductions cannot fall on the shoulders of beneficiaries and service providers alone. Although we have taken steps to curb the growth in government in recent years, including a recent effort to reduce positions through attrition and retirement, the state workforce continues to grow in both size and cost at unsustainable rates.

“Since the beginning of this decade, the number of classified and exempt employees has increased by 15% while payroll costs have increased nearly 70%. Over the same period, the state’s cost of medical benefits has increased over 150% and retirement benefits over 100% – far greater than the rate of inflation.

“Some organizations and businesses have many options available to them when it comes to reducing labor costs. They can make across-the-board salary cuts, trim benefits, furlough employees, or modify retirement plans to forestall layoffs.

“For exempt employees, I have taken steps to exercise those alternatives – as well as eliminating positions – to save state money and share the sacrifice broadly. Last summer, I denied cost of living adjustments to exempt employees making over \$60,000 per year. Further, as part of the most recent rescission, I ordered the same group to take a 5% reduction in pay. I am grateful that most elected officials and the Judiciary voluntarily joined me in this cost saving measure.

“Unfortunately, the state’s multi-year contract precludes such options for classified employees – despite the fact that many state employees have requested such measures to avoid layoffs. This leaves a single, blunt instrument, reductions-in-force, as the only option to reduce labor expenses for remaining state employees.

“Reducing our workforce in the middle of a recession is not our first choice. But the growth in payroll costs in the current economy make this difficult step a necessity. In addition to 60 positions eliminated through program changes, my recommended fiscal 2010 budget includes \$17 million in General Fund savings by eliminating 600 positions within state government. While some of these positions may be cut through further vacancies and retirements, there will be reductions-in-force and an impact to state services.

“I know this is difficult news that will affect the lives of many people. But given our current contract and the need to make labor costs sustainable for the long-term, a reduction in the state workforce must be part of our overall plan.

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“According to recent studies, Vermont ranks first in the country for the number of non-profit organizations per capita. This speaks well to our civic-minded culture, always ready to start a new effort to make positive change in our state.

“Many of these non-profit groups derive a significant portion of their revenue from tax dollars through state support. At a time when we are making

difficult choices within state government, it is essential to evaluate these providers to ensure they harmonize with our values and mission.

“In reviewing the multitude of state grants, it is clear that many state-supported non-profits have similar, albeit not identical, goals and objectives. For instance, there are a number of housing organizations in Vermont with similar missions that might find efficiencies through consolidation. While mergers might not be attractive at first glance, the prospect of severely curtailed public support might make such efforts worth pursuing. Furthermore, a review of salaries for non-profit executives reveals some with robust compensation packages well in excess of state or municipal employees managing like-sized or larger organizations.

“While the state can neither mandate consolidation between private groups nor dictate salary decisions, I ask state-funded organizations to consider such steps in the face of a protracted economic downturn. While the reductions in the fiscal 2009 and 2010 budgets to grantees are difficult – yet still manageable – I will be looking closely at these organizations for future savings.

“As a first step to share the sacrifice and encourage efficiencies, my budget proposes a 4% reduction for nearly all human service grants to achieve approximately \$2 million in general fund savings. These reductions will include programs that I have championed during my tenure.

“Further, I propose an \$8.3 million property transfer tax reduction to the Vermont Housing and Conservation Board. This proposal freezes \$4.3 million in land conservation efforts for one year, while replacing the additional \$4 million with federal Neighborhood Stabilization Program funds to keep affordable housing efforts on track. When given the choice between deeper cuts to human services and temporary reductions in land conservation programs, I believe the choice is obvious.

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“With so much focus on the bottom line – on crafting a compassionate budget that protects the fiscal integrity of our state – we cannot lose sight of the urgent need to grow our economy. This afternoon, I entered this chamber with the chairs of the Senate and House economic development committees to symbolize our shared understanding that a growing economy directly impacts our bottom line – now and in the future. New businesses, new industries and new opportunities for Vermonters expand our tax base and contribute to our ability to meet the needs of our people.

“To that end, investments in our roads, bridges, transit and rail are not only investments in the short-term employment of Vermonters, but also in the long-

term potential of our economy. That is why I recommend we increase our transportation construction budget by supplementing federal recovery funds with increased state bonding for a total of \$200 million in new transportation projects over the next few years.

“By switching to an every-other-year inspection on cars, motorcycles, and trailers and adding an infrastructure investment fee to registrations as part of our triennial fee review, we can support up to \$100 million in a state revenue bond – and hold Vermonters harmless from unnecessary cost increases. When coupled with increased federal recovery money, this has the potential to create up to 4,000 jobs.

“While it is important to move quickly, from a practical perspective, we must first know the level of federal support before moving to extend state borrowing. If federal assistance exceeds contractor capacity, we would wait to issue state bonds until such time as they could reasonably be put to use. I look forward to working with Speaker Smith on his proposal and with this assembly’s transportation leaders to advance this important endeavor.

“In addition to the supplemental investment in transportation, my budget recommends continued support of the *Road to Affordability* – a realignment of our transportation priorities to preserve and improve our existing infrastructure, ensuring that these assets do not deteriorate to the point where they require major reconstruction at substantial costs. These principles will guide our decision making as we increase our transportation investment.

“The Agency of Transportation budget includes a 34% increase for preventive maintenance activities. This constitutes a 240% increase in this critical area since fiscal 2007. In addition, the base transportation budget includes \$68 million for construction of 45 interstate, state, and town highway bridges, as well as dozens of culverts.

“Furthermore, as we look to expand bonding and increase transportation spending, we must hasten efforts to redirect transportation revenue for its rightful purpose. Since taking office, I have steadily reduced the diversion of transportation funds by nearly \$9 million. This year we will further reduce that transfer by an additional \$4.5 million – a significant step toward ending the raid.

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“As we create jobs by strengthening our transportation infrastructure, we must harness the innovative spirit of Vermonters to create new economic opportunities. That is why I have introduced an Economic Growth Plan to help position our state to be on the first wave of recovery.

“This budget supports plans to redevelop existing buildings for affordable housing and businesses, as well as to encourage innovation and creativity with incentives for cutting edge inventions and research. We will also continue to strengthen our signature green brand and encourage the development of more renewable energy sources, as well as reform our permitting process to uphold our cherished environmental standards and allow our state to grow and thrive.

“We must build on what is so great about Vermont with initiatives that will help spur job growth and opportunities for those struggling to get by. I welcome new ideas and proposals from all corners and look forward to working with the Legislature in a collaborative effort to get our economy back on track.

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“By increasing our commitment to lifelong learning, we will invest in the economic independence of Vermonters and build a more flexible workforce. Employment statistics are unambiguous: those who graduate from an institution of higher learning have a lower unemployment rate. That is why I propose a 20% increase in general fund support for higher education.

“At the other end of the spectrum, I propose increased support by 20% for early care and education to bring greater balance to our education continuum. This funding will be directed through the Department for Children and Families for increased quality to ensure that more children arrive at kindergarten ready to learn and for improved access for lower income families through the child care subsidy program.

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“Additionally, an investment in new and existing infrastructure throughout Vermont is critical to small businesses and the employees who depend on jobs created by these projects. I propose a \$70 million Capital Bill that focuses on the quick deployment of resources into our communities to get Vermonters back to work. In fact, 94% of the proposed appropriations are directed toward “ready to go” projects – up from 60% last year.

“To supplement our increased investment in higher education, I recommend capital appropriations of \$3 million each to the Vermont State Colleges and the University of Vermont.

“To address the long overdue improvements for acute psychiatric care, I propose a capital appropriation of \$500,000 for final planning, permitting and eventual construction of a secure residential recovery program located on the grounds of the Waterbury Complex. And to realize our goal of an integrated care setting for inpatient services, I recommend an appropriation of \$250,000

to continue the process for new inpatient beds at the Rutland Regional Medical Center. These two projects are consistent with our commitment to a long term solution, and move over half of the present Vermont State Hospital population into new settings that will meet or exceed current standards of care.

“While these investments in bricks and mortar are necessary, in the 21st century economy an investment in bits and bytes is just as important. That is why I propose a capital investment to upgrade the state’s human resource system – modernizing state government and allowing employees to spend more time serving Vermonters. We will also begin the process of replacing our 1980’s-era Medicaid eligibility system, which is outdated and no longer meets the needs of our social safety net. And I propose another \$1 million to assist the Vermont Telecommunications Authority to reach our vision of an e-State by the end of next year.

“This capital budget also supports the Clean and Clear program through a \$2.4 million appropriation to the Agency of Natural Resources and a nearly \$2 million appropriation to the Agency of Agriculture. Our commitment to a healthy and vibrant natural environment is a legacy we must always honor.

“Similarly, we have a duty to honor those who have sacrificed so much for us. Therefore, I propose funds to make needed upgrades and repairs to our Vermont Veterans Home.

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“Ensuring that law enforcement, families and communities have the tools they need to keep our children safe from sexual predators is a fundamental obligation of government.

“Senate Bill 13 addresses our shared commitment to protecting our children – from the prevention of sexual abuse to the investigation, prosecution, and sentencing of sexual predators. This bill is a testament to our ability to work together toward a common goal and shared responsibility. I applaud the work of all those involved.

“A critical component of implementing this bill and providing law enforcement with the best technology available is our new crime lab. My Administration has made this a priority and I am pleased to announce that the capital bill includes \$2 million – bringing total appropriations to \$15 million – for the construction phase of the lab. We will break ground this summer with an expected completion in 2011.

“In order for Vermont to remain one of the safest states in America, this budget strongly supports our state police force and builds on our shared commitment to develop the very best investigation and prosecution response to

crimes of sexual violence. I propose appropriations to support Special Investigation Units throughout the State through additional grants and continued funding of the new troopers who are graduating from the Academy this year.

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“This is the seventh budget I have presented to the General Assembly and by far the most difficult. There is no joy in making cuts at such a challenging time in our state’s history and I have agonized over many of the proposals in this budget.

“I understand well the consequences of our actions – we cannot pretend they will have no effect – but the implications of inaction are far worse. If we do not make tough choices now – if we do not share the sacrifice for the common good – if we do not ask more from ourselves – then our promises will be unfulfilled and our legacy tarnished.

“In these times, all programs and services must be examined and considered – whether priorities of mine or priorities of others. Few choices will find easy solutions, but we must not allow what is easy to take the place of what is right.

“Together, in these dark hours, we will conquer collective anxiety with shared resolve –beat back cold fear with a hope as deep as the green of a Vermont spring – and push past partisanship to serve the people in a way that honors their struggle.

“Our differences pale to our common purpose. I pledge my hand in that spirit and stand ready to work day and night with you to lead our state through this tempest.

“God bless each of you and the great state of Vermont.”

Dissolution

The Governor, having completed the delivery of his message, was escorted from the Hall by the committee appointed by the Chair.

The purpose for which the Joint Assembly was convened having been accomplished, the Chair then declared the Joint Assembly dissolved.

DAVID A. GIBSON
Secretary of the Senate
Clerk of the Joint Assembly