

Remarks of Governor Peter Shumlin
January 21, 2016

Mr. President, Mr. President Pro Tem, Mr. Speaker, Mr. Chief Justice, members of the General Assembly, distinguished guests, and fellow Vermonters, thank you so much.

My top priority as your Governor has been to make the lives of Vermonters more secure. Our state budget is the roadmap for how we get there.

In my first budget speech, coming on the heels of three consecutive budget shortfalls, I pledged to match our spending with Vermonters' ability to pay, and I said let's keep "with the long tradition of frugality and common sense that is the lifeblood of Vermonters."

We have done that. This will be my sixth budget that does not increase income, sales, or rooms and meals tax rates that are already too high.

Today, I am proud to present to you a budget that:

- Closes a 68-million-dollar budget gap.
- Does not rely on one-time money for on-going state expenses for the first time since the Great Recession;
- Increases General Fund spending by a modest 3.1 percent, which is matched by an identical projected increase in revenues.
- Protects our most vulnerable Vermonters and helps working families get ahead;
- And helps fund the health care expansion that has given coverage to nearly 20,000 Vermonters who were living in fear that they were one sickness away from bankruptcy just a few years ago.

While it is easy to criticize a budget, and I know many will, it's difficult to make the tough choices involved in crafting a responsible one.

Let's remember where we started. Five years ago, our state was staggering from the blows of the Great Recession, revenues were in free-fall, and there were no easy choices. Vermont's General Fund revenues had fallen by nearly 15 percent, and we were faced with a 176-million-dollar budget gap.

We didn't take the easy way out. We proposed 83 million dollars in General Fund budget reductions and discontinued the prior Administration's phantom savings of 23 million dollars from the failed Challenges for Change program that had been booked but never realized.

Despite what you may hear from those who practice revisionist history, five years later our fiscal responsibility has paid off. The state's revenues have grown every year, employers continue to add jobs, our unemployment rate remains low, and personal income growth outpaces the national average. We've done all this while:

- Fully funding pension payments;
- Refusing to raid our rainy day funds;
- Meeting our debt service;

- And honoring our statutory obligation to the Education Fund because Vermonters can't shoulder additional property tax increases.

The single biggest challenge to affordability for Vermonters and our job creators is the unsustainable rising cost of health care. It's also the single biggest challenge we have to maintaining a sustainable state budget. In fact, this year alone, expanded health costs are driving nearly 75 percent of our budget gap.

The math is simple – Vermont embraced Obamacare and signed up nearly 20,000 Vermonters for health care, helping us to achieve near universal coverage – long a goal of mine and many of you. Today, over 200,000 of our residents are on some form of Medicaid. But while we're eager to expand Medicaid to families that had been making horrid choices without it, we have refused to summon the courage to pay for it.

Last year I stood here before you as a Governor who has an aversion to taxes, and proposed a modest payroll tax to pay for the promises we have made. Had that proposal become law, this year's budget discussion would be very different. The 55-million-dollar shortfall we face in Medicaid would be virtually non-existent. We would have collected 100 million dollars in federal money, which we're currently leaving in Washington, that could have been used to adequately compensate our health care providers who are being driven out of business by a system that pays them just 40 to 60 cents on the dollar.

If you don't believe me, talk to the folks in Franklin County who just lost four family docs because of inadequate and unfair reimbursement rates. Vermont should not be the state that signs people up for Medicaid just to turn our backs on them. Vermont should not be the state who begs our doctors and nurses to take care of folks on Medicaid just to turn their backs on them. That's not leadership and it's not good government.

In order to help plug this year's Medicaid budget hole, I am proposing that the provider assessment now applied to hospitals and nursing homes be expanded to physicians and dentists, at half of the rate that other providers are currently paying. This will raise 17 million dollars in state funds and draw down 20 million of the federal dollars that we've been leaving on the table.

These funds will be used to increase Medicaid primary care and dental reimbursements for providers and hardworking family docs who are currently struggling. Specifically, we will restore the ill-conceived cuts made by the Affordable Care Act, which make it more difficult for our small, rural providers to treat those on Medicaid.

Rising health care costs don't just threaten our state budget; they continue to create challenges for Vermont families and businesses. In the last ten years, health care costs have doubled. Without systematic change, premiums could nearly double in the next decade. If you're worried about affordability, and as Governor I've been worried about affordability every single day, then rising health care costs are public enemy number one.

That is why since Day One of my Administration we have been working to change the way we pay

for healthcare by moving from a fee for service payment method to an outcomes-based approach, or what is known as the All-Payer Model. That's a convoluted term for a strategy to achieve two simple, common sense goals that go hand-in-hand: Enhanced care that leads to better health outcomes for Vermonters and smarter spending by hospitals and providers that is focused more on making people healthy and less on running tests and procedures to get paid.

Let me be clear about what the All Payer Model will mean for Vermonters:

- You will get to choose your provider and see the doctor whom you trust.
- Your doctor will get paid to keep you healthy, meaning they will get to spend the time they need with you and you will have a relationship that is more than a yearly 15-minute physical.
- And for those on Medicare, your benefits will not change.

The All Payer Model is about restoring the relationship between Vermonters and their family doctor or health care provider. It is no small irony that our future in health care is about restoring this decades old relationship that has been eroded under our current money-gobbling, fee-for-service, managed care system.

We have been working hand-in-hand with the Green Mountain Care Board to negotiate the terms of Vermont's All Payer Model with the federal government. Next week, we will detail for you what specifically we are asking of the federal government. It is my hope that we can come to terms with them quickly, and begin the transition to a new, better health care system that will save money and make Vermonters healthier. The Chair of the Green Mountain Care Board Al Gobeille is here today. Thank you Al for all your hard work.

Some will claim that we should stick with the system we have because change is scary. We can't. Under the fee-for-service system we have now we spend more on health care than anyone else in the world, and our outcomes are not as good – we have higher infant mortality, higher obesity, and we don't live as long as the countries that are spending less than us. We must do better.

When I ran for this office, I said we must spend our tax dollars to educate Vermonters, not lock them up. We've done that. By getting non-violent addicts into treatment rather than jail, we have reduced Vermont's incarcerated population to the lowest level since the early 2000s. That has saved us nearly 50 million dollars, money we are now using to ensure universal pre-k for three and four-year-olds, school meals for all who need them, and dual enrollment and early college, which is giving more Vermont kids a free start on a higher education.

Today those efforts continue. My budget recommends that we close the work camp at the St. Johnsbury Correctional Facility because of our falling inmate population. Instead, let's use those savings to fund my Step Up program, which will help those in low-wage jobs get back on the academic track and the road to a brighter future. Let's use our tax dollars to educate, not incarcerate.

File this under something no one seems to know: Vermont currently charges the lowest mutual fund registration fee in New England. I am proposing we raise that fee to match the other New England states, which will raise over 13 million dollars, and use some of the additional revenue to fund a \$250 college savings account for every child born in Vermont and a \$500 savings account for low-income kids. Research shows that a college savings account can increase by three to four times the likelihood that low and moderate income kids will attend college. My proposed fee increase is modest – it's half of what Massachusetts currently charges – but the impact on Vermont kids will be great. Let's get this done.

My Administration has set a goal to end family homelessness by 2020, not only because we know it is the right thing to do but because we know that safe and stable homes serve as a platform for economic opportunity and community revitalization. That goal is achievable, but only if we commit ourselves to making it happen. That is why I am directing my Administration to develop a plan to ensure that 15 percent of taxpayer-funded housing in Vermont is dedicated to homeless families and those with special needs. My Agency of Human Services and Agency Commerce and Community Development will work with the Vermont Housing Conservation Board, our non-profit housing developers, service providers, my Poverty Council, and others to develop a pathway to make this happen. Working together, we can end family homelessness by 2020.

When Vermont took on the opiate and heroin crisis two years ago, we expanded the use of the overdose reversing drug naloxone because we refused to avert our eyes to neighbors dying in our streets from addiction. That single act has saved hundreds of lives. We will not turn back now. My budget includes funding to make permanent the naloxone pilot program that we launched two years ago, keep needle exchange programs operating across the state, and open a new treatment hub in northwestern Vermont that will treat an additional 400 Vermonters.

My budget will also provide resources for those on the front lines of the opiate and heroin battle, including 5 million dollars to fund positions for the Department of Children and Families, the judiciary, the States Attorneys, and the Defender General, as well as 2 million dollars to improve safety for state employees doing this important and difficult work.

It is time for our state to open our eyes to another disease that is too often kept as a family secret and spoken about in the same hushed whispers that I used to hear from victims of opiate addiction. Suicide is the second leading cause of death for Vermonters ages 15 to 34, and the third leading cause of death for those 35 to 44. We learned recently of the tragic loss of a Vermonter and my neighbor, Betsey Catlin of East Montpelier, when her family took the courageous step of publicly acknowledging her suicide. Betsey's obituary said that after a long struggle with depression, she "ultimately decided she did not fit in this world." Her dad Mark said that while Betsey tried to get by, "she couldn't get by." My heart goes out to the Catlin family and all the families across Vermont who have been impacted by suicide.

That's why my budget will almost double funding to the Vermont Suicide Prevention Center to ensure help is available for Vermonters who struggle to get by.

The budget I present today closes the General Fund budget gap of 68-million-dollars by trimming the projected growth rate by 38 million dollars and raising 30 million dollars from the mutual fund fee and expansion of the existing provider assessment. But we all know a budget is about more than an accounting of numbers or a collection of line-items. It is a document that puts into action our values, priorities, and hopes for a Vermont that is more secure for all who call this state home. Creating jobs and an economy that works for every Vermonter. Ensuring everyone has access to an education that will set them up to make a good living. Pursuing a rational criminal justice system. Improving a health care system that delivers on the promise of universal access at an affordable cost. Confronting addiction that threatens Vermont's quality of life.

The budget I present to you turns these values into action. I ask for your support. Thank you so much.