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State of Vermont
OFFICE OF THE GOVERNOR

Economic Growth Initiative
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As Governor, I have no more important job than securing and strengthening the economy for all Vermont families. Indeed, the foremost responsibility of **all** elected officials is to tackle the economic challenges that face our state. And the dimensions of our current challenge are clear.

Over the last several years we've taken a number of positive steps to make our economy stronger, but the unusual conditions of the national economy—a sub-prime mortgage crisis, spiking energy costs, and an international credit crunch—require Vermont to take decisive action.

As the national economy softens and the country confronts a recession, our families are feeling the economic squeeze. Vermonters want Montpelier to take immediate and aggressive steps to strengthen the economy, create jobs and provide relief from rising costs for those who need it most. Those actions will be my main focus with the Legislature in the coming weeks.

The majority in Montpelier must understand these economic realities – and must refocus their attention away from boutique issues, endless studies and pet projects; they must join me in the hard work of economic relief.

On Tuesday, we heard from the State's economists who reported that Vermont would not be immune from the effects of this national downturn—confirming what Vermonters already feel at the gas pump and grocery store.

It may not be a problem of our making, but some of the solutions to the recession are in our hands today. That's why, in anticipation of Tuesday's economic analysis, I asked my team to pull together a robust and responsible plan to get Vermont back on track.

I asked them to reach beyond the usual solutions of Montpelier. I told them clearly – and this plan reflects it – that Vermont cannot tax or regulate its way out of this downturn.

We must promote business growth. We must welcome new jobs and new industries. We must tear down barriers to recovery, and keep them down for a return to prosperity. We must control spending and lower taxes. And we must work tirelessly for the people of Vermont.

Today, I present a 15 point initiative that will encourage immediate economic growth, create jobs, and help to ensure that Vermont emerges from this challenge with a stronger and more resilient economy. In total, this package has the potential to generate more than \$214 million in direct economic activity and millions more in indirect economic multipliers.

The proposals I present today are by no means the *only* steps we can take—in fact, there is more we can do over the long term—but these are steps that we can take before the Legislature adjourns.

Today, I offer the Legislature a simple invitation: join me in helping Vermont become the first state to emerge from the national recession. Join me in shaping an economy for the future. Join me in the hard work we were sent to Montpelier to do.

Expanding the economy requires that we put homeownership within reach of every family and help those who may be perilously close to seeing that dream slip away.

With the lowest foreclosure rate in the country, Vermont has done much better than other states. Because of our strong consumer protection laws Vermont continues to have one of the lowest percentages of sub-prime adjustable rate loans of any state in the country. Nevertheless, Vermonters have not been entirely immune from predatory lending practices or the repercussions of the national economic down turn in the real estate markets. I believe we must do more to help families at risk of losing their homes.

That's why I am pleased to announce today the creation of the ***Vermont Mortgage Assistance Program***. This program will have a dedicated Mortgage Assistance Specialist within the department of Banking, Insurance, Securities and Health Care Administration (BISCHA), who will staff a new toll-free assistance line for Vermonters who are at risk of defaulting on their mortgage. That number is 1-888-568-4547.

I've asked the Banking Division to help Vermonters on the brink of foreclosure negotiate with their lenders ***60 day grace periods***. This will provide relief and time for our mortgage assistance specialist to help homeowners and lenders map out other financing mechanisms and alternatives to foreclosure.

In 1976, as my wife Dorothy and I were just starting our family, we struggled to find a lender to finance the purchase of our first home. Luckily, the Vermont Housing Finance Agency was there to help. Through one of VHFA's assistance programs, we were able to buy our home in Middlebury that we still live in today.

During this economic crunch, we need to extend assistance to homeowners who are having trouble making ends meet or first-time buyers who need an extra boost. Through VHFA, I am proposing to leverage state retirement funds to provide \$17.4 million in additional capacity that will provide affordable and responsible financing and refinancing options for low and middle-income Vermonters.

This initiative will make **\$10 million available for Vermonters to finance manufactured homes** and an additional **\$7.4 million available for cash down payment, closing or repair assistance** to other borrowers.

I'm also proposing that we pledge a portion of the State's moral obligation commitment to **back \$30-\$60 million** that the VHFA can use to provide low interest mortgage financing to eligible low and middle-income borrowers.

These targeted proposals are an important bridge for those Vermonters who need a helping hand to afford their first home or simply to stay in the home they love.

Safe and affordable homes are important economic assets for families, peace of mind for workers who want to live near their job and their children's school, and important recruiting tools for employers. The economists have been clear: housing development and related industries are key to our economic success, and making homeownership more accessible to working Vermonters has to be a significant piece of our economic growth strategy.

The problem we have is a simple one: Supply. There just aren't enough moderately priced, affordable houses being built. Permitting costs and a short supply of developable land are instead driving the market to produce expensive homes that are priced out of reach of working Vermonters.

I've advanced responsible, common sense reforms to address the housing crisis—without increasing the tax burden. The most important proposals are the creation of a land bank to make surplus state land available for housing, and the New Neighborhoods initiative to expedite permitting for housing in existing residential areas.

I again call on the Legislature to pass the updated **New Neighborhoods initiative**—or something substantially like it—that streamlines our permit process and provides incentives for communities to approve new construction.

They should also act on my **Urban Homestead** proposal. All throughout Vermont's downtowns there are buildings with thriving commercial space on the first floor but underutilized space on the upper floors. By providing Urban Homestead tax incentives, we can encourage first-time homeowners to invest in these spaces—helping to significantly increase economic activity in our downtowns and village centers.

The economic value of these housing and job creation provisions alone are very substantial. The Agency of Commerce and Community Development projects that over the next year the New Neighborhoods initiative can result in more than 400 new homes, create more than 600 new jobs and inject into our economy nearly \$22 million in direct construction wages, while adding \$44 million to the grand list. Over three years, this initiative could result in 1,200 new homes, over 1,000 new jobs and \$90 million or more in construction wages.

I want to thank Senator Illuzzi, chairman of the Senate Economic Development Committee, for proposing language that moves the pending housing bill in the right direction.

The House, on the other hand, has resisted this idea. But I'm hopeful the Speaker will recognize that now is not the time to erect barriers to job creation and economic growth. Now is the time to remove these barriers and put the economic security and prosperity of our families ahead of politics.

To help create more jobs, I also call on the Legislature to pass my proposal to immediately target up to \$10 million in ***Vermont employment growth (VEGI) tax credits*** toward Vermont businesses that use environmentally friendly processes or create environmentally friendly technology. And I will also present to the Legislature Tuesday a package establishing ***Opportunity Zones***—Industrial facilities that have been vacant for five years or more and can be renovated and leased tax free to employers who locate there and create more jobs.

The Vermont Economic Development Authority (VEDA) can provide an economic stimulus by offering very low-interest capital to businesses. The ***Economic Growth Subsidy Program*** I propose would offer \$18 million in low cost capital for business expansion and start-ups. These resources are a proven means of stimulating business capital investment, which in itself encourages additional economic activity.

In addition, I am offering a ***Targeted Manufacturing Payroll Tax Credit*** designed to provide support to manufacturing companies in areas of our state with the highest unemployment rates. These companies are particularly important to their communities—in many cases employing multiple generations of the same family—and they are important to the manufacturing legacy of Vermont.

Based on an analysis conducted by the Department of Labor, this 2% credit on taxable payroll would apply to manufacturers in many northeastern and northwestern communities.

Vermont's wood product industry has faced difficult times in recent years. I will be asking the Agency of Natural Resources to continue to ***increase the amount of timber offered on state land*** each year. This will be done in a sustainable manner, in keeping with our commitment to the health of forest ecosystems. By extending the State's forest resources responsibly, we can provide an important opportunity to an industry that is essential to the Vermont way of life.

On a beautiful spring day like today, it's easy to forget that we had such a long and difficult winter. The most visible reminder is what we see on our roads – the heaves, cracks and potholes brought out by Mother Nature. But weather is not the only culprit: the State has underfunded proper maintenance of our roads, bridges and culverts for decades and the cracks – both literal and figurative – are starting to show.

While we have been spending more on preventative maintenance in recent years with my *Road to Affordability* approach, there are few Vermonters who would disagree that we need to spend more on our aging infrastructure. The real question is: where do we find the money?

Over the years, I have expressed my frustration regarding the annual raid on the transportation fund. For some 20 years now, hundreds of millions of dollars have been siphoned out of that fund and into the state's general coffers for non-transportation-related programs.

Some have suggested big-ticket borrowing – well above the annual bonding cap – to help pay transportation expenses. Bonding is an important tool, that—when used properly—can help our state prosper. But borrowing more money than the state can reasonably afford threatens the long-term financial stability of Vermont, and would saddle our children with unnecessary debt. Bonding for transportation should be done judiciously and with support of all political leaders.

Both the House and the Senate Transportation committees have offered proposals to study how we can increase transportation funds through bonding. In light of Vermont's economic situation and the pressing needs of our infrastructure, now is the time to move this idea forward, to build our state's future, and put people to work today.

That's why I am also proposing ***a five-year, \$80 million transportation plan*** that will infuse new capital into the repair and rehabilitation of Vermont's infrastructure and create hundreds of new jobs.

The funding will come from a combination of responsible levels of new bonding – expressly for transportation projects – and by ending the raid on the transportation fund over the next five years. The money will be directed to critical road, bridge and culvert projects in all parts of the state. In 2008 alone, my proposal will create more than 450 new transportation construction jobs.

To ensure that additional bonding does not threaten Vermont's long-term economic health, I will seek approval of my plan from the State's nonpartisan Capital Debt Affordability Advisory Committee. This Committee is constituted to provide balanced advice on bonding and the State's financial stability.

I understand that a bonding proposal of this breadth is difficult to implement during the final weeks of the legislative session. That's why, once the current budget process is complete, I will work with legislative leaders to convene a special committee to review my proposal and make recommendations before July 1st on how Vermont can obtain \$10 million that the Agency of Transportation can put to use this year. Putting the money to work now, means putting people to work right away.

Earlier this year, the General Assembly adopted a resolution that called for Congress to include transportation projects in its economic stimulus bill. It was a great idea, but Congress didn't act and that was a mistake.

In Vermont, we'll get it right. I will strongly urge the Legislature to move on my transportation package as soon as possible. Transportation jobs are good jobs, and Vermonters know that repairing our roads and bridges is money well spent.

To further encourage immediate economic activity, I am proposing to suspend the State sales tax for a ***Sales Tax Independence Weekend***. And, to provide Vermonters with a second opportunity to make an investment that can help reduce their energy bills, I propose to ***suspend the sales tax for an entire week on Energy Star rated appliances***.

Working with Vermont's retailers, we will select dates that provide the most substantial economic value.

These sales tax holidays will provide Vermonters, and visitors, an opportunity to save on purchases large and small. It's a great way to encourage economic activity, help local businesses and enhance the value of the federal economic stimulus rebate checks.

Before I conclude, I want to take a moment to address concerns I've heard from legislative majority leaders.

I have heard complaints that this Economic Growth Initiative will disrupt the current budget process. My response to that is simple: Vermonters need help now and their prosperity is more important than process. With a willing Legislature, these proposals can be easily accommodated within the budget.

Some claim that a focus on economic growth will jeopardize our environment. That's simply not the case. The choice we face is not between jobs or a healthy environment. We must have both, or we will have neither.

And, some have said that the Legislature won't have time to consider these proposals. While the timing is not ideal, our response must be swift. In the past, we've enacted bipartisan property tax reform and landmark farm aid packages in a matter of days. Two weeks is enough time to get this work done if legislative leaders agree to put prosperity ahead of politics. And my entire administration is prepared to work with them, night and day, to get the job done.

These proposals are a roadmap back to prosperity.

As I said earlier, I will work for Vermont to be the first state to emerge from the national recession, not the last. I will work for Vermont to emerge with a smarter, leaner government that puts innovation ahead of regulation. I will work for a Vermont where families can grow knowing their kids will be able to stay here for college, find a job and start families of their own.

It is clear to me Vermonters demand Montpelier move from the trivial to the crucial: a focus on real issues like job growth, economic relief and a firm foundation for future prosperity.

Vermont is unique in so many ways. We have a deeper and richer tradition of citizen involvement in government than any other state. We have a state where people know one another, depend on one another and are neighbors in the truest sense. We have a sense of compassion for our fellow Vermonters—a connection that helps us join together to move forward as one in meeting the challenges of this economy.

We are Vermonters, and there is no challenge we cannot face together.

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