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The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

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Rob Roper Named New President of Ethan Allen Institute

The Board of Directors of the Ethan Allen Institute is pleased to announce the election of Robert Roper, of Stowe, as its new President.

Roper, who has served on the Institute's Board for the past year and hosted its influential Common Sense Radio weekday talk show on WDEV, will spearhead an aggressive new program to educate Vermonters on the fundamentals of a free society – individual liberty, limited government, lower taxes, competitive free enterprise, economic opportunity, fiscal responsibility, and respect for the constitution.

"The values and principles that made our country the most prosperous society the world has ever seen must be celebrated and protected," said Roper. "We believe in and fight for the ideals laid out in our Declaration of Independence and Constitution because they work. Today, we are witnessing a systematic erosion of our rights and, sadly, the Vermont government is leading the way with a host of confiscatory taxes, unjust mandates, and ideological experiments in social engineering. Our task is to wake Vermonters up while there is still time to avert a tragedy."

The Ethan Allen Institute will make the case for commonsense policy proposals with research and commentary on taxation, education, health care, energy and other important issues.

EAI Board Chair Jack McMullen said "I have known, worked with and respected Rob Roper for many years, and I am thrilled that he will now bring his talents to the service of free markets and economic opportunity by leading the Institute."

Roper, a graduate of Kenyon College in Ohio, came to Vermont in 1998 after eight years as an advertising writer and marketing strategist with three international advertising companies. His accounts included such firms as Unilever, Kraft, Bronx Zoo, Colgate Palmolive, and the U.S. Postal Service.

In Vermont, Rob has provided marketing services for a number of local businesses and organizations. In public life, he has worked in several political campaigns and

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The Ethan Allen Letter

The Ethan Allen Institute is an independent, non-profit, nonpartisan public policy research and educational organization, incorporated in 1993 under Vermont law.

The Institute sponsors and conducts research on important public policy questions facing the people of Vermont, and makes its findings and recommendations known through various channels to the general public, the news media, and civic leaders at all levels.

MEMBERSHIP

The Ethan Allen Institute relies upon the generous support of its more than 600 members to support its work. Contributions to the Institute, a 501(c)(3) educational organization, are tax deductible to individuals, corporations, and foundations. The Institute neither solicits nor accepts funding from government sources.

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Members receive the monthly Letter, invitations to all Institute events, periodic email news, and (on request) all publications. For a list of available publications or other information, please contact the Institute by phone, fax, mail, e-mail. Most publications can be downloaded from the web site.

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PRESIDENT'S MESSAGE

Resolutions (and Resolve) for 2013

If the Ethan Allen Institute has one New Year's resolution for 2013, it is that we are going to do a better job of reaching out to people – our members, legislators, and Vermonters in general. We have a number of initiatives in the works to ensure we succeed in this endeavor.

One is a new website that will be up and running in January. This will allow us to utilize a variety of social media to provide you with real-time, easy-to-access, relevant information on what is happening in Montpelier, around Vermont, and, through our membership in the State Policy Network, around the country. It will also make it easier for you to provide us with feedback and information, as well as share it with your friends and neighbors. It's all about better communication.

Another is an idea called "EAI in your neighborhood". The 2013 EAI budget allows for a hefty ration of gasoline. Too often we've asked our members to come to us – come to Burlington, Montpelier, wherever. Now, we want to come to you – your local library, your local Rotary Club, or, if you like, your living room. We want to bring our message of free markets and constitutional government to a wider audience. But, to make this work we'll need your help, and I will be in touch!

2013 is going to present a significant opportunity: the butcher's bill is coming due for this far-left experiment we call Vermont, including the first hints at how the Shumlin Administration intends to raise the $2 to $3 billion in new taxes it will need to fund its single payer healthcare scheme. None of this is going to be popular. It's not what Vermonters bargained for, and, in fact, it's no bargain at all. Eyes and ears will open, and when they do, the Ethan Allen Institute will be ready.

Thanks for your confidence and the opportunity to lead this fine orgaization. I look forward to working with each and every one of your for a freer, mor prosperous Vermont.

President

Tax Prospects for 2013

COMMENTARY

In just over a month the 2013 legislature will convene, and a large question will as usual be "where will we get the money to pay for all this?"

Administration Secretary Jeb Spaulding has tasked the agency secretaries to submit General Fund budget requests that maintain "current services", and add on any new initiatives separately. Unlike, say, rebuilding the Champlain Bridge, General Fund expenditures just keep rolling on year after year, growing with more people, depreciated dollars, new political demands, and governors thinking up new things to spend tax dollars on. Those agency requests are likely to produce a FY2014 "budget gap" of $50-70 million

Five years ago Senate President Peter Shumlin, already marching toward the governorship, repeatedly declared "We are spending too much, and have used up our tax capacity… There is no more money in the bank… We are tapped out."

Since that time Shumlin has nonetheless discovered all sorts of General Fund tax capacity, and proposed or enacted all sorts of new taxes. Here's a partial list: Higher taxes on hospitals, nursing homes, and visiting nurse services; tobacco; electric bills (Efficiency Vermont); health insurance claims; and the $21 million pilfered from the CVPS ratepayers to finance his favorite renewable energy subsidy programs, notably the Clean Energy Development Fund.

This list does not include the $27.5 million "penalty tax" on the Education Fund, because local voters failed to heed the Governor's urging to restrain their school budgets. Nor does it include the two cent increase in both school property taxes, to raise the education money to compensate for the penalty tax.

Also urged by Senate President Shumlin, but rejected, were a new "thermal efficiency" heating fuel tax, a "gas guzzler" tax on SUVs and pickups, a tax on milk distributors, a novel "unanticipated profits" tax on Vermont Yankee, and a state cap-and-trade energy tax program.

So the tight fisted Senate leader of 2007 has since found lots more tax capacity, and numerous new ways to spend it, if he can get the bills passed by his hitherto largely compliant legislature.

There is plenty of pressure to accelerate General Fund spending. The entire Vermont labor movement and their many allies, chanting "Put People First", are vocally demanding that state government spend lots more to meet "every person's need for health, housing, dignified work, education, food, social security and healthy environment."

This is clearly impossible, but Shumlin himself has committed to single payer Green Mountain Care in 2017. This will require $3 billion from somewhere, and his hoped-for new Federal funds will surely fall far short of that amount. He also knows well that Vermont's two state-managed retirement funds show an alarming $3 billion gap between promised benefits and expected revenues.

Reducing state spending, aside from completed Tropical Storm Irene repairs, is not an acceptable option for a liberal majority. So where can Governor "No More Tax Capacity" go to find the money to fuel all the state's obligations and his ambitions?

Raising income taxes "on the rich" is not a good bet. The Tax Foundation reported last month that Vermont in 2010 had the 13th highest state and local tax burden, a finding that the Shumlin administration concedes is pretty close to the truth. Taxing the incomes of people who make a lot of money is an obvious stimulus for them to make and spend it somewhere else. Also, Shumlin himself has boasted of reducing income tax rates in 1999 and 2009 (in both cases disproportionately benefiting high income taxpayers, although he never mentions that).

The short list of potential new taxes comes down to some form of carbon tax on fossil fuel energy (proposed by Shumlin in 2008), extending the sales and use tax to services (offered earlier this year by Speaker Shap Smith, who is now backing off), and a General Fund "penalty tax" of up to $276 million on the Education Fund, that translates into higher school property taxes. Green Mountain Care, if and when it happens, will almost certainly require stiff new payroll taxes, so that source can't be tapped now to meet other demands.

Of course the Shumlin administration, staring the facts in the face, could relieve a lot of people by telling them and the union red shirts that 2013 will be the year of "Putting Solvency First". That thought brings to mind that popular Buddy Holly song of 1958, "That'll Be the Day…".

Averting the Fiscal Cliff Catastrophe

COMMENTARY

Averting a catastrophic fall over the fiscal cliff looming six weeks off may well be the ultimate test of a working American democracy. The elections are over. The winners are, basically, the same people who were in charge a year ago.

There is a Democratic Senate that has failed to even debate, let alone pass, a budget three years in a row. There is a Republican House that has tried conscientiously to deal with unbridled deficit spending, but adamantly refuses to raise income tax rates on the rich ($250,000 income and up) or again increase the national debt limit without major restraints on more spending.

And there is the newly reelected Democratic President, whose budget proposals were unanimously rejected by both House and Senate, who hasn't been able to discipline the leaders of the chamber controlled by his own party, who abruptly discarded the recommendations of his own budget commission, and who on November 9 announced again that any budget deal be "balanced" by raising income tax rates on taxpayers who now pay about 45 percent of all income taxes.

These people now, somehow, will have to take enormous and politically unpopular steps to rescue our country from a fiscal cataclysm.

Earlier this year the Committee for a Responsible Federal Budget, composed of a bipartisan host of former budget directors and Members of Congress, set out the magnitude of the approaching precipice.

The income tax rate cuts of 2001 and 2003 will expire. Capital gains will be taxed at 20 percent instead of 15 percent, and dividends will be taxed at as much as 39.6 percent instead of 15 percent.

The Alternative Minimum Tax, created in 1969 to catch 155 high income households that had escaped the income tax by claiming large deductions, will again hammer 30 million mostly middle income taxpayers.

Doctors serving Medicare patients will see a sudden 27 percent reduction in their reimbursements, likely resulting in many of them refusing to accept more Medicare patients.

With a fourth consecutive year of trillion-dollar-plus deficits, the federal government has now run the gross national debt over $16 trillion, 102 percent of the Gross Domestic Product. The federal debt held by the public is now 70 percent of GDP, a level not experienced since 1950. The national debt limit of $16.4 trillion will be reached by New Year's Day.

In an analysis released a day after the elections, the Congressional Budget Office pointed out that if all the presently mandated sequestering of spending and raising of tax rates is allowed to happen, unemployment is likely to rise from the present 7.9 percent to 9.1 percent, and the country will fall back into recession.

While this has been going on, the Federal Reserve has maintained an ultra-low interest rate policy in the apparently vain hope of driving down unemployment. If the Fed should be forced to raise interest rates to combat inflation caused by the trillions of new dollars it has put into circulation, the interest cost of Treasury obligations – and the deficit – will expand rapidly.

Erskine Bowles, the former Clinton chief of staff who co-chaired Obama's ignored deficit reduction commission, recently said that "Going over the fiscal cliff would mean allowing a massive and immediate cut to nearly every major government agency and activity, including those vital to our national security or economic growth. It would mean a large and immediate tax increase on nearly all Americans, not just the highest earners. It would mean a double-dip recession at a time when the economy is still very weak and many Americans are struggling to find work."

From another perspective, the aforementioned Committee concluded that "allowing the country to hit the fiscal cliff at year's end would be a dangerous mistake, but adding $7.5 trillion to our debt by extending the expiring policies and repealing the sequester, without putting the budget on a more sustainable path, would be a travesty."

There is a solution to this unprecedented fiscal challenge. It includes reining in the insupportable excesses of Big Government: tightening Medicare, Medicaid, disability, and welfare, reducing defense and nondefense discretionary spending, deregulating the American economy, spurring low-cost energy production, forswearing crony capitalist bailouts of favored industries and labor unions, and – to make these essential steps just barely acceptable to liberals – installing a pro-growth tax code that has the effect of extracting more tax dollars from the rich and successful.

The very big question is whether the present cast of characters can actually put the country on this path. Let's hope so.

NEWS & VIEWS

Coming Event: The 22nd annual Vermont Economic Outlook Conference will be held Friday, January 11, 2013 at the Sheraton Burlington. The luncheon speaker is nationally known author Amity Shlaes. Details: 802 879 7774, rheaps@vteconomy.com.

Higher Property Tax Rates: "Unless schools make an effort to cut spending or the state makes a change in the base education rate formula, the statewide property tax rate will go up five cents for every $100 worth of property value. The current rate for commercial property is $1.38 and the rate for homestead property is 89 cents. Rates can be higher in local jurisdictions, which are based on local spending levels." – *VT Digger* (11/27/12)

Watch for Gov. Shumlin to levy another "penalty tax" on residential property tax payers to punish them for not holding spending down. – JMc

Vermont Unemployment: "The state's unemployment rate ticked up to 5.4 percent continuing the climb from 4.6 percent just four months ago. The recent rate increases have wiped out the steady decreases in unemployment rate reported in the previous eight months." (*Vermont Economy Newsletter* 11/12)

I, Pencil is a new short film adapted from the 1958 essay by Leonard E. Read, founder of the Foundation for Economic Freedom. The invaluable Competitive Enterprise Institute has produced a video version of *I, Pencil*, available online at www.IPencil-Movie.org.

This classic story shows how an ordinary lead (graphite) pencil appears on the market for pennies, as a result of the voluntary free-market cooperation of a vast network of actors, who earn a profit by doing so. This is especially persuasive to teenagers (and others) who have never thought about how things are actually made and marketed where no one seems to be in charge.

More Media Climate Bias: "In 2006, BBC [UK] announced that based on a panel of experts, it would no longer give equal time to climate change skeptics. A lonely British subject, who pays taxes supporting BBC, inquired who was on the panel. He has been thwarted by the BBC and the courts on claims by BBC executives that the panel met only under commonly used conditions of secrecy.

This week, a blogger discovered the names of the panel from apparently completely legal and open sources. As expected, few on the panel were climate experts and many were from organizations hostile to use of carbon based fuels." (SEPP 11/19/12)

McKibben on Hurricane Sandy: "@BillMcKibben: Chevron made largest political contribution ever last week, NYC swamped by largest storm this week. Pretty much a straight line, no?" (10/29/12)

Hurricane Sandy ravaged New York, and a week later America reelected Obama. This can't be a coincidence. More than likely, it's an omen. – JMc

Vermont Rated 9th in CNBC rankings of "Most Expensive States to Live In" (based on Burlington consumer prices, not factoring in taxation.).(www.cnbc.com)

Liberals and Vouchers: "Liberals' strenuous objection to vouchers is that vouchers, as the functional equivalent of cash, empower individuals to make choices. It is the business of the liberals' administrative state, staffed by experts, to make choices for inexpert individuals." – George Will (WPost 11/28/12)

Shumlin on Mental Health: "Shumlin then cited his successes over the past two years in the realm of mental health, moving from a central state hospital to regional and mostly outpatient treatment. 'Together were building the best community based mental health system in the country, where you can get service close to home….so, you don't have to get to the stage of acute care where you need the most acute hospitalization.'"

"The Governor may need a reminder that beginning with the community-based California mental health system begun in the 1970s, homelessness actually increased. Nowhere in Vermont is this more visible than Burlington's own Church Street, which suffers from a terrible overrun of mental health outpatients who routinely menace visitors." – K.J. Ryan (TNR 11/20/12)

We refer the Governor to *Don't Send Me to Waterbury*, EAI's prescient evidence-based 2007 report on designing community based mental health services.

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Rob Roper Named New President

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served for three years (Jan. 2007 – Nov. 2009) as chairman of the Vermont Republican State Committee.

Rob and his wife Hilary live in Stowe with their two children. He succeeds interim President Bruce Shields of Eden, who will return to the Institute's 18-member Advisory Council.

The nonprofit, nonpartisan member-supported Ethan Allen Institute has long been a leading and well informed voice for limited government and greater prosperity for Vermonters. Its website is www.ethanallen.org, and it will celebrate its 20th anniversary in 2013.

NEWS & VIEWS

Mixed Message Department: At the Peoples' Budget hearing of 11/13, F&M Commissioner Jim Reardon offered "We are asking corporations to come to Vermont….this adds jobs." Knowing this concept would be lost on the challenging audience, [Admin Sec] Jeb Spaulding added, "The Governor does not agree with the United States Supreme Court that corporations are people, and we would like to get that changed." (KJ Ryan TNR 11/19/12).

So, make way for all the non-people eager to come to corporation-friendly Vermont.

Home Health Unionization Fails: Michigan's Proposal 4 would have amended the state constitution to allow some 42,000 home health workers to unionize, give them limited collective bargaining rights and list them in a statewide registry. It would re-establish the Michigan Quality Home Care Council in the executive branch of state government and make it the "public employer" of home health aides.

Michigan voters rejected this proposal 57-43. That probably won't slow down Gov. Shumlin and his legislature from trying it again in January.

Succeeding in Business in Vermont: "What we have found in the U.S. and emerging markets is that when a business confronts a political environment that is uncompetitive and populated with ideological opposition, it often chooses not to invest. When a business does move forward, simultaneously investing in a costly political strategy to manage the risk is prudent, particularly if that business is on the political radar screen." – Prof. Alison Kingsley UVM (VBM 11/29/12).

Translation: when the screaming Left takes critical notice of a business in Vermont, its best options are either to buy them off, or move out. -JMc

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EAI Active on Many Fronts in 2012

REPORT

This year was, of course, an election year. EAI doesn't get involved in campaigns, but we do play an important role in educating voters on the issues.

To that end, we distributed thousands of copies of our biennial Vermont Voters Report Card, reporting nine House and nine Senate key votes and how each legislator voted. We also distributed a little pocket card with Ten Questions for interested citizens to put to those seeking public office.

Our Sheraton Series featured pension expert David Coates CPA, whose presentation on the state's $3 billion pension fund shortfall received considerable media attention. Our Friedman Day program, also at the Sheraton, featured three leaders of the movement to privatize the North Bennington Village School, in danger of being swallowed up and closed by an anticipated Regional Education District.

Our annual Jefferson Day program featured EAI founder John McClaughry's presentation on "Mr. Jefferson's Economics", in which he concluded "We can all hope that those elected to high office this November will be forced by the steadily growing, government-caused economic threat to the American republic to return to the sound economic principles elicited and advocated by Thomas Jefferson two hundred years ago – and act upon them as if our republic and our children's future depend upon it. Because they do."

Our Energy Education Project, led by Meredith Angwin, had a busy year explaining nuclear energy and defending Vermont Yankee against the anti-nukies trying to shut it down.

Common Sense Radio, hosted each weekday on WDEV by Rob Roper and Bill Sayre, offered balance to the outpourings of the Left.

John McClaughry continued his biweekly media commentary appearing in all nine of the state's dailies, several weeklies, and online sites such as vtdigger.org and truenorthreports.com. His total count of WDEV commentaries has now reached 2,085. John was also invited to give a talk on "Useful Rules" to newly elected legislators at the Snelling Institute's state house orientation program in late November.

My own major project is the complete upgrading of the EAI web site, which you'll be able to see in a month or so. I also have partnered with other organizations studying proposed amendments to Vermont's Current Use Valuation program affecting farm and forest property owners.

As I step down after a year as President, I remain enthusiastic about the Institute and especially about my energetic and respected successor, Rob Roper. Thanks to all those who contributed and supported our work – Vermont needs more of you!

– Bruce Shields,
President 2012

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NEWS & VIEWS

Rates on the Rise: "According to federal Energy Information Administration data, as of July, Vermont's average residential retail electric rate of 16.84 cents/kWh was third highest in the contiguous United States and our commercial and industrial rates were 4th and 7th highest respectively. Relative to national averages, Vermont's rates are an eye popping 40 percent higher. Further, since 2008, Vermont's residential, commercial and industrial rates have increased by 17.5 percent, 14.9 percent and 10.8 percent respectively while comparable rates in New England are down by 11.1 percent, 11.9 percent and 8.3 percent." – Tom Pelham (CFV 11/29/12)

Shumlin's Plug-In State: "A September Congressional Budget Office Report has concluded that all that [electric vehicle] spending '…will have no impact on the total gasoline use and greenhouse gas emissions of the nation's vehicle fleet over the next several years.'

It also found that even with the $7,500 tax credits we taxpayers generously provided to purchasers, electric cars are still a bad buy, costing owners far more over the life of the car than traditional gas-powered vehicles." – Larry Bell, *Forbes*, 10/30/12)

Collapsing Single Payer in Quebec: Claude Castonguay, the father of the Quebec health system, has released a new book entitled *Santé: L'Heure des Choix [Health: The Hour of Choices]* . From the dust jacket: "It is necessary to recognize that our health system contains serious problems. It does not function as it should with regard to the needs of Quebecois and the enormous resources that we devote to it. Quebec can no longer permit itself to invest tens of billions each year, practically half the government's budget, without objectives, without accounting for results, without real progress."

The Green Mountain Care Board will assuredly not read this book, because it is convinced that it can avoid any and all the mistakes that Quebec has made. What they won't admit is that Vermont can't have a government run, $6 billion single payer system without all these same problems.

More Forced Unionization: "A group of childcare providers conducted a survey of their ranks and found strong opposition to the AFT push for the unionization of childcare providers. The following question was among those asked in the survey: "As a home childcare provider in the State of Vermont, do you want the legislature to pass a bill to allow childcare providers the right to unionize?" 75 percent of the respondents answered "no", with 14 percent undecided. Only 12 percent supported the idea." (TNR 11/28/12)

Unfortunately Gov. Shumlin has joined the fight on behalf of the 12 percent – and of course the AFT union pushing the cause.

The School Staffing Surge: Another new Friedman Foundation report examined the difference between public school student percentage growth (1992-2009) to the change in total public school staffing over the same period.

Vermont lost 3.6 percent of its students, while increasing its staffing by an astounding 39.1 percent, putting it second highest in the country (+42.7 percent, after Maine). Now, on to unionized government-run health care!

Teacher Union Power: A new Fordham Institute study ranks Vermont as having the 11th most powerful teachers' union in the country. Hawaii with its one big school district and statewide teachers' contract ranked 1st.

Here He Goes Again: "The governor is committed to finding methods to fund CEDF [Clean Energy Development Fund". – Admin Sec Jeb Spaulding (VIT hearing 11/19/12)

Ever since the $28 million coerced from Entergy was handed out, Shumlin has concocted scheme after scheme to find more money to revive his renewable energy slush fund, including diverting some of the $21 million snatched from the CVPS ratepayers. The quest continues….

Educating Special Needs Students: A Friedman Foundation report (Ladner, *The Way of the Future*) examined NAEP math and reading gains for special needs students 2003-2011. Florida, with Jeb Bush's extensive parental choice and accountability program, showed by far the greatest gain (+54 points). Fourteen states saw actual losses. Vermont's 30 point loss put it ahead of only South Carolina (–44).

Renewal Time's A-Comin' …

Ethan Allen Institute
Ideas for Vermont's Future

In a week or so you'll receive your renewal letter and response envelope for 2013. Next year the Institute will be much more active than last year – so please help us "move the needle" with an increased contribution. Suggestions you may have for "Ideas for Vermont's Future" are always welcome. Thanks for keeping the Institute in the action at this critical time! – RR

The Ethan Allen Letter

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Vermonters for Health Care Freedom *November 9, 2012*

Big Political Money in Vermont

MEDIA

"This week [November 9] Paul Heintz wrote an interesting piece for Seven Days about party and PAC spending on the Vermont elections this cycle. While final numbers will not be available until after the November 15th filing deadline, Heintz looked at the contribution and expenditure reports available on the Secretary of State and the Federal Election Commission web sites and discovered that notwithstanding reported expenditure of $814,000 by Vermonters First through October 15, a gaggle of Democrat and left-leaning PACS have surpassed this total.

As of October 15, the Vermont Democratic Party expended $934,000, Vermont Senate Democrats PAC $110,000, Vermont House Democrats PAC $157,000, and two independent but sympathetic PACS, 'Priorities' and 'Vermont Leads' reported $16,000 and $35,000 respectively. Further investigation by Newsletter discovered another PAC, 'Senate Leadership Committee', which expended another $31,000.

All told, Democratic Party and supportive independent PACs expended over $1.3 million – and that does not include the last 3 weeks of the campaign. And a scan of the contributors indicates that these committees each received between one-quarter and 100 percent of their contributions from out of state sources.

By comparison, Republican Party Committees and PACs expended about $343,000, not including transfers of funds that did not benefit the state party. If we add Vermonters First's $814,000, that gives a total of $1.16 million. And despite all the criticism leveled at Vermonters First and their main patron, philanthropist Lenore Broughton of Burlington, Vermonters First was 100 percent funded by Vermont donors."