



The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

A Monthly Publication of The Ethan Allen Institute

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Playing Thimblorig in Montpelier

COMMENTARY

The street game of thimblorig, more commonly known in this country as “the shell game”, has a long and fascinating history. But wherever found, it invariably has one objective: to separate a “mark” – a gullible bystander – from his money through sleight of hand.

The “shell man” sets up a folding table with three walnut shells. As a crowd gathers, herded by the “skills”, the operator performs some slick hand movements, and invites the mark to win his bet by picking the two shells which do not cover the

pea. Actually the pea has migrated into the operator’s palm, to magically appear under the shell not chosen. Sorry, pal, you guessed wrong.

This ancient game has reappeared on State Street in Montpelier. The chief shell man is the dexterous Gov. Peter Shumlin. He is aided by numer-

ous skills in the large building called the State House.

A year ago Shumlin badly needed for other purposes the \$27 million General Fund dollars assigned by law for transfer to the Education Fund. If he diverted it to other General Fund purposes, a \$27 million shortfall would appear in the Education Fund. The only way of making it up would be to increase the two education property tax rates, for the first time since Act 60 was enacted in 1997. Not popular!

So, rather than doing that, Shumlin came up with a subtle plan called “re-basing”. It permanently redefined the transfer formula base downward by \$27 million. That way he could divert the money arguably without breaking the law.

But that, of course, ensured that the Education Fund would suffer the shortfall. To cure that, the Miscellaneous Tax Bill now pending before the Senate raises the residential school property tax rate from 87 cents to 89 cents per \$100 of Grand List, and the nonresidential (business and

second home) school property tax rate from \$1.36 to \$1.38. That will shift more school costs onto property taxpayers who are not likely to figure out what was being done to them. Sorry, pal.

Last month the House, to its credit, acted to replace the \$27 million Shumlin took by “re-basing”. But the Senate Appropriations Committee, chaired by Sen. Jane Kitchel (D-Caledonia), has a very different idea.

Kitchel declared that the House proposal for “putting the money in the Ed Fund doesn’t guarantee any relief to Vermont property taxpayers”. She might have added, but didn’t, “besides, we have lots of things we would rather spend it on than ship it off to the Education Fund.”

So Kitchel won’t support the House plan to repay the purloined \$27 million, and at the same time she and the Senate’s Democratic majority will, in all likelihood, vote to raise both school property tax rates. To shift attention from these awkward facts, Kitchel offered this novel proposal: if

See **Thimblorig**, Page 5

The 2012 legislature is a week from adjournment, there are likely to be some last minute surprises.. In our June edition we’ll have a wrapup of the biennial session – the good (hopefully) and the bad (more likely).

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.

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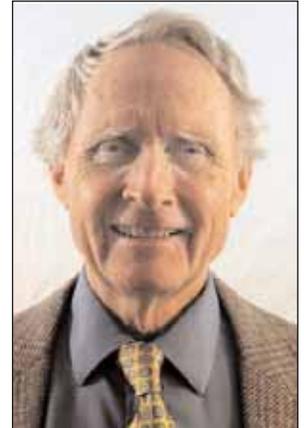
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PRESIDENT'S MESSAGE

Peddling Liberal Plans



Health care policy will still be debated in Vermont long after the great chambers in the State House go quiet at adjournment. The single-payer management group in Montpelier is busy organizing their advocates to promote and manage the implementation.

To provide the illusion of public participation, there will be endless field hearings to receive "public comment". The dedicated backers of single payer will simply outlast opponents who have other jobs they must attend to. At the end, the executive branch will announce that the public has been highly supportive of single payer.

As an example of how support for single payer has been manufactured, look at the career of Peter Sterling, one of the most vocal proponents for a government takeover of health care. He first appeared in Vermont as a Wilderness Society advocate during the 2005 battle over declaring additional wilderness in Green Mountain National Forest. Wilderness designation is an exercise to shrink Vermont's working landscape.

Soon after that, he moved to Hardwick to help establish the farmers' cooperative venture, Vermont Milk Company. VMC was designed to allow farmer-owners to retain the obscene profits earned by commercial operators. Within two years Vermont Milk required the services of a business rescue specialist, who was unable to save it from liquidation.

During the summer of 2006, Sterling formed the nonprofit Vermont Campaign for Health Care Security Education Fund, relying on \$112,000 of grant money primarily from the Vermont-NEA, the teachers' union. The Fund provides publicity and outreach for Catamount Health, Dr. Dynasaur, the Vermont Health Access Program (VHAP), Medicaid, and support for the even more far-reaching (and unaffordable) Green Mountain Care.

In today's Vermont, liberal legislators need and welcome lobbyists such as Peter Sterling to sell the public on programs developed to benefit special interest groups, and pushed into law without concern for costs.



PRESIDENT

Pirates of the Winooski

The highly popular Disney movie series *Pirates of the Caribbean*, starring the lovable rogue Captain Jack Sparrow, has captured the imagination of a new generation, as Errol Flynn and Burt Lancaster pirate movies did half a century ago.

In Montpelier a similar but less appealing series has been playing for the past several years. Its current lead character is the less lovable Captain Pete Shumlin. Now he and his crew are deeply engaged in a scheme to loot millions of dollars from the people of the state.

Captain Pete is far more devious than the earlier generation of swash-bucklers. Instead of boarding treasure ships to take their chests of gold, Captain Pete has a penchant for relieving people of their money in ways that they are far less likely to notice.

Also, Captain Pete isn't in the piracy game to enrich himself. He wants to collect the gold to underwrite the ventures of his favorite cause, the renewable industrial complex. But straightforwardly taking the money from people at sword point produces resistance. So Captain Pete has concocted all sorts of devices to relieve Vermonters of their money without letting them know what is being done to them.

For a decade Vermont's Captain Petes focused their piratical urges on a non-voter, Entergy Nuclear. They extracted millions of dollars from the company in return for permission to produce more electricity, and

to store spent fuel rods on its own property.

The prime beneficiary has been Captain Pete's Clean Energy Development Fund. This body, created in 2005, was charged with passing out the revenues collected from Vermont Yankee to a variety of renewable energy projects, all in the name of making Vermont a world leader in combating the Menace of Global Warming. Notable among these are tax credits – later outright grants – to upscale homeowners who install expensive solar electric systems.

But with Vermont Yankee now free from further extortion by Captain Pete, the Fund will quickly run out of money to distribute. That would require the renewable energy purveyors to sell their products in a competitive market where, unsubsidized, they are simply not competitive.

Since most of the money-raising schemes promoted by Captain Pete during his Senate leadership have fizzled out – the \$150 surtax on the purchase of minivans, SUVs and pickup trucks, the “heating fuel savings charge”, the “unanticipated revenues” tax on nuclear electricity, and the cap-and-trade plan come to mind – the desperate search is on to find something, anything, to continue funding the CEDF.

Captain Pete's mates in the legislature have ginned up one solution: force Vermont's utilities to buy lots of renewable electricity at four times the market price (“renewable portfolio standard”), or pay the value of any carbon credits required to cover a shortfall into – yes! – the Clean Energy Development Fund. This is contained in Rep. Tony Klein's H.468, now before the Senate.

But that's complicated and uncertain. The ingenious Captain Pete has a better idea. In 2001 the Public Service Board allowed a struggling Central Vermont Public Service Company to raise its rates, but on the condition that if the company were sold, ratepayers would receive a rebate of (now) \$21 million.

Now CVPS is being sold to Gaz Metro of Montreal, and will be merged with Green Mountain Power. Captain Pete and his Department of Public Service are the leading cheerleaders for this acquisition.

But Captain Pete doesn't want Gaz to have to dribble out \$21 million by “sending back small checks to people we can't find”, and has denounced – no other verb seems adequate – “quibbling” over the matter. All those little ratepayers don't need the money! The renewable industrial complex needs the money! Don't quibble with Captain Pete!

This intricate – some might say underhanded – scheme was brilliantly explained by Rep. Oliver Olsen on vermonttiger.com (April 6). Concludes Olsen, “After forking over more money in our rates to pay for these [mandated renewable energy] investments, we get the ‘benefits’ and they [Gaz] keep the money ... In effect, it's a clever way of raising revenue to fund state programs that came up a little short in this year's budget. In other words it's a hidden tax.”

Of course it is. Worse yet, it's a tax designed not to help the poor, sick and struggling. It's a tax to benefit Captain Pete's cronies who will wax fat while ratepayers forego the rebate and pay higher electric bills to boot.

Maybe someday someone will make a modern pirate movie about this misadventure, hopefully after all the parties to it have been (figuratively) keelhauled.

Vermont's Health Care Petri Dish in Full Operation

COMMENTARY

BY JOHN MCCLAUGHRY

While the rest of America steels itself for the onset of ObamaCare, little deep blue Vermont is well on its way toward installing its own Canadian-style single payer health care system...

To its enthusiasts, the emerging Green Mountain Health Care plan will finally deliver on their long proclaimed assertion that “health care is a human right”; that is, everyone has a right (of unspecified origin) to have the government force someone else to provide them with health care services.

The providers of these services – doctors, dentists, nurses, hospitals, nursing homes – will be remunerated at rates established by the five-member Green Mountain Care Board. The costs of this sweeping program – over twice the present state general fund budget (\$1.3 billion) when it’s implemented in 2017 – will be covered (its backers hope) by Medicaid, General Fund revenues now paid to cover state employees and retired teachers, and above all, new taxes.

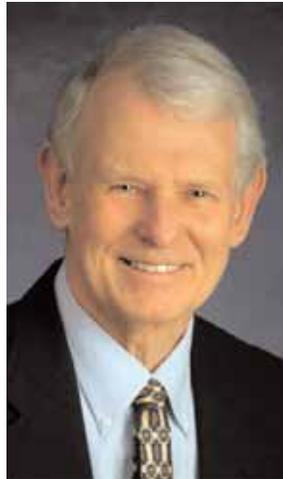
The menu of new taxes was thoughtfully scheduled to be revealed in January 2013, after Gov. Shumlin’s expected reelection. It will presumably include some mix of payroll, income, and sales taxes.

The governor believes that single payer is the only hope for “cost containment”. With government sitting astride the only money pipe paying out to all health care providers, government can tell them which treatments are “inappropriate” for which patients, and how much they will be paid for their services.

The single payer system will, it is said, also curb duplicate billings, prevent fraud, rationalize the technology available for treatments, and end the dead weight waste that results from multiple insurers promoting their products and pocketing profits...

By 2014, according to the ObamaCare law, the state must establish a health insurance Exchange. ... Shumlin has made it clear that the Exchange will only be temporary. If he can obtain a host of waivers from ObamaCare – highly doubtful – he intends to fold ObamaCare’s promised premium tax credits into the huge pot of money needed to pay for Green Mountain Care when it springs full blown in 2017.

Meanwhile the Green Mountain Care Board is laboring to produce the many policy and price control decisions required by the Vermont law. Its decision to hire a public relations consultant to explain its workings to citizens produced a tempest. Gov. Shumlin, supposedly far removed from the “inde-



pendent” board, publicly disapproved. The Board members expressed their independence by grumbling as they reversed the decision.

During the single payer debate, the out-gunned critics argued that Green Mountain Care will quickly degenerate into Quebec-style rationing, waiting lines, maddening bu-

reaucracies, demoralized doctors and nurses, shabby facilities, obsolete technology, declining quality of care, and economy-wrecking taxation. There is little reason to believe otherwise.

As the enormous difficulties inherent in creating such a system become ever more apparent, some are speculating that at some point the governor will bail out. At a business meeting in Rutland last year he said “We will only go ahead [with Green Mountain Care] if we’re convinced together as a state, that the system is better than what we have, that it costs less, it’s going to help create jobs, and we’ve got the cost containment system right. If we can’t do that, we’ll take our marbles and go home.”

If this comes to pass, it will mark the end of yet another costly failed experiment from little Vermont, long notorious for being the nation’s Petri dish for foolish and expensive collectivist schemes that end badly.

Coming Event: “Green Mountain Care – What It Means to You”. Saturday, May 12, 10 am, Manchester Elementary School. Featured speakers are BISHCA Commissioner Steve Kimbell; Jerry Stein MD; Peter Sterling, Vermonters for Health Care Security; Wendy Wilton, Rutland City Treasurer (and EAI Director); Dan McCauliffe MD.

Mr. Jefferson’s Economy: John McClaughry’s Jefferson Day address and ensuing discussion is now available on the CCTV web site at is <http://www.cctv.org/watch-tv/programs/mr-jeffersons-economics-john-mcclaughry>. It will be shown on CCTV Channel 17 Burlington but air times are not yet posted. See www.cctv.org.

News From Montpelier: On April 24 the Vermont Senate voted 12-15 against an amendment to H.559 allow small businesses to have insurance plans outside the regulated Exchange urged by Obama and Shumlin. The Senate then passed the bill 20-7. The roll calls are on pp. 987-989 of the Senate Journal of that date.

Kudos to www.VTDigger.org, Vermont’s independent news report-

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ing bureau, for its thorough and impartial reporting on legislative doings this year. You can support Digger by donating to the Vermont Journalism Trust, 64 Main Street, Suite 27, Montpelier VT 05602.

ABCs of School Choice is the title of a new booklet from the Friedman Foundation for Educational Choice. It’s available online (download or hardcopy) at www.edchoice.org/ABCs.

Sierra Club Sells Out: “On February 2, Sierra Club Executive Director Michael Brune admitted that between 2007 and 2010 the organization took \$26 million from Chesapeake Energy Corporation for the Sierra Club’s campaign against coal-fired electrical power plants. Chesapeake is one the nation’s largest producers of natural gas and extensively uses deep underground hydraulic fracturing (“fracking”) and sees its future in natural gas-fired power plants.”

“In making the announcement on the Sierra Club’s web site, Brune im-

plied that it will be joining in the campaign against “fracking” for natural gas. No doubt, the leadership of Chesapeake Energy is elated to hear that the animal they fed so generously to use against their competitors may soon turn on them, probably using the same tactics it used against Chesapeake’s competitors in fuels to power electrical generation.” (SEPP 2/4/12)

Hold It Right There: “Treasurer Beth Pearce might ask the Legislature and governor to revisit the [health care] reform effort now unfolding and consider its effect upon Vermont’s treasured bond rating. Treasurer Pearce recently opposed the purchase of a 51 percent stake in VELCO, which owns Vermont’s electrical transmissions lines, because it would cost, coincidentally, \$500 million and hurt Vermont’s AAA bond rating.” – former Tax Commissioner Tom Pelham (TNR 3/12/12)

Bad News from Washington: In response to a question from Rep. Alan Nunnelee (R-Miss.) about whether the Administration’s poli-

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Playing Thimblorig in Montpelier

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there is a General Fund surplus next year, then half of that surplus would be sent back to residential property taxpayers, but not businesses or second home owners, sometime in 2013.

Sen. Robert Hartwell (D-Bennington) didn’t buy it. “This is a short term fix,” he said, correctly. “I disagree that putting more money in Education Fund won’t help property taxpayers.”

To believe that there’s actually a pea under this shell, you have to believe that there will actually be a FY 2013 surplus. With General Fund spending increasing by over five per-

cent a year, there would have to be a breathtaking upsurge in the state’s economy to put the pea under the tax rebate shell a year from now.

In addition, the elephant in the Appropriations room is the fact that the two big state retirement funds are over \$2 billion out of actuarial balance. Indeed, the retired teachers’ health care benefits are being drained out of the fund instead of being covered by annual appropriations.

Admittedly slicing a \$1.3 billion state general fund pie among so many claimants is a challenging task. But the people of this state would be bet-

ter and more honestly served if its budget operators swore off intricate shell and pea games like the Shumlin rebasing, and making empty election year promises of future tax rebates out of funds never likely to materialize.

As Wikipedia says of the old shell game, “the game should not be mistaken for an honest game. Through very skilled sleight of hand, the operator can easily hide the pea without the mark’s seeing him or her do so.” That’s why shell men always have to keep moving, one jump ahead of the law.

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cies were intended to lower gasoline prices, [Obama Energy Secretary Stephen] Chu replied, “No, the overall goal is to decrease our dependency on oil...” (2/28/12)

Legislative Hat Trick: “The legislature has now crafted at least three unconstitutional laws, which makes it seem less like an honest mistake than a bad habit. One almost feels sorry for [AG] Sorrell for his choice of clients. He’s stuck with a serial violator of the Constitution, a recidivist legislature.” (Geoff Norman, C-R 2/11/12)

Your Legislature at Work: “Sen. Anne Cummings (D-Washington), an H.559 and Green Mountain Care supporter, had it right when she said supporting H.559 was an ‘act of

faith, like driving down a highway in a thick fog and hoping you don’t hit something.’ A majority in the Vermont Legislature is on record as willing to take that risk, for the hoped-for reward of more federal dollars to prop up GMC. But they should remember they are bringing 100,000 Vermonters along for the ride. The exercise of less faith and more caution would seem advisable.” – Jeff Wennberg (Vt. Tiger 4/26/12).

Vermont’s Astonishing Renewable Energy incentives – all 34 of them – are catalogued by the U.S Department of Energy at its DSIRE site: www.dsireusa.org/incentives/. And more on the way!



Typical view of anti-nuclear activists (Brattleboro 4/21/12).

New Hampshire View: “In New Hampshire we are very supportive of Vermont adopting single payer health care and absorbing

all health in the state into Montpelier’s grip. Vermont’s health care choices are part of our New Hampshire economic development plan.” – Charlie Arlinghaus, (Josiah Bartlett Center, Concord NH, 3/2/12)

Shumlin Administration Spin Job: Vermonters for Health Care Freedom has prepared a succinct rebuttal to the spin document supplied by the Shumlin Administration in April to Democrats in the legislature, defending the Shumlin Exchange and Green Mountain Care. Some of the spin is clearly false, and most of the rest of it is disingenuous at best. See the chart at www.vthealthcarefreedom.org

How’re We Doin’? “Medicare is expected to start operating in the red in its largest fund in 2024, according to the annual assessment by the trustees charged with overseeing the programs.

“And the Social Security trust fund will be unable to fulfill its obligations in 2033, three years earlier than projected last year.” (*Chicago Tribune* 4/23/12)

Support for the ObamaCare Mandate: Gallup Poll found that “a majority of Democrats – 56 percent – believe the health care mandate is unconstitutional and 37 percent defend it as constitutional. Among Republicans, 94 percent view that part of the law as unconstitutional.” (2/27/12)

Canadian Health Care Wait Times: “Canadians seeking surgical or other therapeutic treatment faced a median wait time of 19.0 weeks in 2011, the longest wait time since 1993. The median surgical wait time in 2011 jumped to 19.0 weeks from 18.2 weeks in 2010, exceeding the previous all-time high of 18.3 weeks

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recorded in 2007, according to the 21st annual edition of *Waiting Your Turn: Wait Times for Health Care in Canada*, released by the Fraser Institute. (12/21/11)

Tough Luck for Seniors: An analytical group called 24/7 Wall Street compiled data on the gap between the costs of living in various states and the average elderly income, also known as the economic security gap. (3/15/12)

Vermont gap: \$7,780, sixth largest in U.S. Median household income ranks 25th, but the cost of living is the ninth highest. The average independent elderly person in Vermont needs to have \$455 set aside each month to cover health expenses, more than any other state. The report doesn't say whether this is because of sicker seniors, higher utilization, higher prices, or excessive government regulation.

Greenpeace on Free Speech: "Don't the deniers [of human caused global warming] have a right to free speech?" Greenpeace asks rhetorically on its FAQ page. Answer: Apparently not. "There's a difference between free speech and a campaign to deny the climate science with the

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goal of undermining international action on climate change," Greenpeace argues. "However, there's also responsibility that goes

with freedom of speech – which is based around honesty and transparency. Freedom of speech does not apply to misinformation and propaganda."

Presumably they refer to misinformation and propaganda that questions theirs. (WEx 4/19/12)



Mr. Jefferson's Economic Prescription

(Excerpted from John McClaughry's *Jefferson Day address April 18, 2012.*)

I believe one denies at his peril the essential and timeless economic and fiscal truths to which Thomas Jefferson gave such eloquent voice.

Private property, widely distributed among the people, protected by well accepted rules of law enforced by an independent judiciary, is indispensable to the preservation of individual liberty, a republican form of government, and an economy that continues to produce new wealth for the people.

Free exchange of goods and ideas among interdependent producers and consumers, wherever located, has been since ancient times a potent stimulator of intellectual advance,

efficient production, and widespread benefits for all the societies involved.

Public debt incurred merely to support an enormous meddlesome public bureaucracy, or to make spurious investments in things offering little or no long range benefits to the economy and society at large, or to redistribute money from those who earned it to those who have little or no claim on it, is a sure recipe for, in Jefferson's words, "profusion and servitude."

Finally, sound money, backed by something of economic value, facilitates trust, commerce, progress, and civilization. False money, created in the Treasury printing plant or the electronic accounts of the central banks, and backed by nothing more than the promises of deceitful governments to print more of it, cannot

fail to cripple and eventually destroy any economy.

To these propositions I believe Jefferson, were he with us this evening, would give his hearty assent.

In his 73rd year, the retired President remarked in a letter to John Adams, "my temperament is sanguine. I steer my bark with Hope in the head, leaving Fear astern." We can all hope – perhaps at this moment without much conviction – 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.



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We'll Vouch for Them

MEDIA

Fifty years of polling proves, unambiguously and overwhelmingly, that parents want school choice for their children. They haven't gotten it because the teachers unions buy politicians who protect their public education system, inflated salaries, benefits, and pensions...

The universal model of public education, until the past few years, has confined kids to the public schools in the geographic districts where they live ... That confinement is independent of school quality (or lack thereof) and there is no way out – no matter how bad the fit between the kid's needs and their school...

Though most Democrats and all teacher unions virulently oppose vouchers, there is no downside

to them. They drive competition which works the same in education as it does in every private enterprise. You serve your customers or you go out of business.

Independent schools typically provide a better education than their public school counterparts and they do it for far less money. It is axiomatic for independent schools that they must offer a product that parents want at a price they can afford. Where public schools have to compete with independent schools, they are being forced to improve.

School choice, vouchers, and competition are the public school wave of the future. It remains only for the politicians and entrenched professionals administrators, teachers and union leaders to lead, follow, or get out of the way.



Have You Renewed Yet?

If you've renewed your membership for 2012 – please accept our profound thanks. If you haven't – great news! It's not too late. We will welcome your contribution (by mail or online) – and any suggestions you may have or bright "Ideas for Vermont's Future". Thanks for keeping the Institute in the action at this critical time!