



The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

A Monthly Publication of The Ethan Allen Institute

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A Pro-growth State Energy Plan

COMMENTARY

The guiding principle of the Shumlin administration's draft Comprehensive Energy Plan is "to set Vermont on a path to attain 90 percent of its energy from renewable sources by 2050."

The plan also advocates for moving toward "energy independence" by requiring Vermonters to reduce their consumption of imported fossil fuels that now comprise two thirds of the state's total energy consumption. It also supports reducing

greenhouse gas emissions to 25 percent below 1990 levels by 2012, and 50 percent below by 2050, to "lower the state's contribution to global warming."

The most startling omission in this voluminous plan is the absence of any chart or graph showing the sources of Vermont's electrical energy now, and the sources we can expect to enjoy in future

decades if the Plan's recommendations are acted upon.

Vermont now obtains 33 percent of its electrical consumption (GWhrs) from Vermont Yankee. If that safe, reliable base load plant is closed down in March 2012 – as Governor Shumlin directed this Plan to assume – one third of our electricity supply will disappear. How then will this be made up?

In particular, what level of ratepayer and taxpayer subsidies – tax credits, rebates, government financing, mandates, Feed In Tariffs, Renewable Portfolio Standards, and outright capital subsidies – will be required to achieve the required efficiency, and attract this amount of renewable electricity into the market?

How many acres of solar panels? How many more 450 foot wind turbines? How many gas-fired backup plants to keep grid load reasonably level? Will the resulting price of that electricity keep Vermont businesses competitive and residences affordable? This information is not included in the Plan.

In short, the plan's vision of a state with 90 percent of its total energy produced by renewables by 2050 can only be achieved by heroic, costly government intervention into the energy market, over the growing protests of taxpayers and ratepayers called upon to finance the ever-expanding renewable industrial complex.

There are some useful proposals in the plan, but overall the plan resolutely heads off in the wrong direction. It anticipates enormous taxpayer and ratepayer costs, ever-growing bureaucracies, and ever more extensive controls over the choices of the ordinary Vermonter, all to send Vermonters galloping after a wrong-headed goal of "90 percent renewable energy by 2050".

The Ethan Allen Institute submitted 20 recommendations for a realistic energy plan. The first is to abandon the "vision" of this plan that requires state government to use its coercive powers to see that Vermont gets 90 percent of its energy from renewable sources by 2050 or any other date.

See **Pro-growth**, Page 6

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.

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EDITOR'S MESSAGE

Vermont's Economic Prospects



On November 10 the legislature's Joint Fiscal Office will explain the state's budget situation to members and the public (see Coming Events, p6).

The setting is this: the state's revenues won't support the state's expenditures (again). The FY2012 General Fund deficit is projected at \$74.5 million. The Governor has called on each department to somehow squeeze another four percent out of its spending. The uninsured costs of repairing highways and bridges damaged by Tropical Storm Irene will surely exceed the entire Transportation Fund.

And looming over all this is Gov. Shumlin's dream of Green Mountain Care. This sweeping socialized medicine plan will cost more than the General Fund, Education Fund and Transportation fund combined.

Rutland City Treasurer Wendy Wilton has conscientiously worked over the GMC financing for six months (while the Shumlin Administration refuses to publish even a preliminary estimate). Based on the 14.5 percent payroll tax financing proposed by the now largely ignored Hsaio report, GMC will run a \$300 million deficit in each of its first five years, cumulating to \$2 billion. (You can examine Wendy's spread sheet at www.vthealthcarefreedom.org.)

Where will Shumlin find the additional billions? Either by expanding the sales tax to services, or imposing the income tax rates on Federal Adjusted Gross Income, which is much larger than Taxable Income.

Can any fair-minded person reach any conclusion other than that the state is facing an eventual fiscal and economic collapse?

One eminent person who has determined to head off this calamity is Burlington-born ex-Wall Street financier Bruce Lisman. Working with former Tax Commissioner Tom Pelham, Bruce aims to wake Vermonters up to the gloomy prospects presently facing the state. They will propose practical ways of putting Vermont on the road to prosperity, before the problems become totally unmanageable. You can learn more at www.campaignforvermont.org.

EDITOR



A Forum on the Future of Health Care in Vermont

Featured Speakers

Sally Pipes

President and chief executive officer of the Pacific Research Institute, a San Francisco-based think tank founded in 1979, Ms. Pipes is the author of *Miracle Cure: How to Solve America's Health-Care Crisis and Why Canada Isn't the Answer*, *The Top Ten Myths of American Health Care: A Citizen's Guide*, & *The Truth About Obamacare*. Her op-eds and essays have appeared in the *Wall Street Journal*, *Washington Post*, *USA Today*, *Financial Times of London*, and many other periodicals.

Joel Allumbaugh

Director, Center for Health Reform Initiatives
The Maine Heritage Policy Center
CEO, National Worksite Benefit Group

Panel Discussions on Financing & Stakeholders

Panelists: Darren Allen, VT NEA; Wendy Wilton, Rutland City treasurer; Representative Cynthia Browning, Vermont Legislature; Melbourne Boynton, M.D.; Dan McCauliffe, M.D.; Bob Gaydos, Digital Benefit Advisors; William Brownlee, businessman

Moderators: Anson Tebbetts, News Director, WCAX; Stewart Ledbetter, senior reporter, WPTZ

Tuesday, November 8, 2011

8:30 a.m Registration
9:00 a.m. to 4:00 p.m.

Hilton Burlington Hotel
Battery Street
Burlington, Vermont

\$125 per person (includes lunch)
\$60 legislator rate

Register Here:

(<https://secure.piryx.com/donate/eYUGG058/Grow-Vermont-Inc-dba-Vermont-Tiger-/>)

Getting Out from Under NCLB

COMMENTARY

Early in 2002 a Republican Congress, responding to the urging of their “compassionate conservative” President, adopted what has rightly been described as “the most intrusive federal education law in American history.”

The 1,100 page No Child Left Behind Act (NCLB) reflected President Bush’s belief that the federal government could, by offering the states a package of education “reforms” along with substantial federal funding, induce the states to improve public education.

Liberal Democrats who had long supported a flood of new federal funding to their state and local public education constituencies readily signed on. They were confident that any annoying federal mandates imposed on those bureaucracies would be soon weakened, repealed or easily evaded without reducing the flow of federal dollars.

NCLB gave out the money on condition that states require schools to establish standards and annually assess students for “proficiency” in reading, science and math. It required all schools to achieve 100 percent student proficiency by 2014.

The act required “Adequate Yearly Progress” in approaching that astounding goal. If schools fail to make AYP, they must allow pupils to transfer to better public schools within the district (sorry, no transfer to independent schools). Then comes outside tutoring paid for by the district. Then comes big changes in staffing and curriculum. Finally, in the fourth year of AYP failure, the state would take over the school.

What is notable in NCLB, and essential to its passage, is that each state remained free to adopt its own standards and the test for measuring student “proficiency”. Rather than run the political risk of having a low proficiency rate, states naturally contrived standards that a very high percentage of students could meet.

For example, Vermont, New Hampshire, and Rhode Island went together to adopt standards keyed to a test called NECAP, spending millions of dollars in the process. The test is conspicuously less demanding than the national gold standard, the National Assessment of Educational Progress. (NAEP results are reported by state, not by individual school district, so can’t be used for NCLB.)

A comparison of Vermont eighth grader reading performance over the past four years shows NECAP proficiency scores in the 65-70 percent range. The Department of Education regularly extols this success.

But over the same four years the Vermont eighth grade students achieving proficiency under the NAEP test range from 40-43 percent. Faced with this embarrassingly low rate, the department points out, correctly, that Vermont students are in the top tier of all U.S. students.

Clearly the NECAP test is much less demanding than the NAEP test, and the state Departments of Education set NECAP “cut scores” low to increase the fraction of students who qualify as “proficient.”

On September 15 Governor Shumlin and Commissioner Armando Vilaseca joined in a letter to the President, extolling Vermont’s educational leadership and successes, and requesting “relief from the one-size-fits-all requirements and sanctions imposed by the sections on Accountability, Assessment, and Improvement” in NCLB.

It is universally conceded that it will be impossible for states to achieve 100 percent student proficiency on any test, no matter how dumbed down, by 2014. Already 72 of Vermont’s 306 schools fail to meet the AYP benchmark, and complying will become ever more difficult.

To spare public school educators disruption and embarrassment all across the country, President Obama last month announced a new policy of NCLB “flexibility”. Since Congress is not of a mind to amend the law to his liking, Obama will essentially rewrite the law himself to let states off the NCLB hook if they comply with a whole new bunch of federal requirements. These new mandates, arguably extralegal, will according to former Rutland Northeast superintendent and longtime NCLB critic Dr. William Mathis, “have massive cost, educational, and ethical implications”.

Mathis, incidentally, is the state’s most fervent defender of ever increasing public school spending. He also vigorously opposes parental choice and any form of “high stakes testing”. Gov. Shumlin named Mathis to the State Board of Education earlier this year.

NCLB was a bad idea when President Bush thought it up. Just saying no to it now, and regaining control of our own public education system, would deprive Vermont of \$58 million handy federal dollars, almost \$5 million of which feed the commissioner and his Montpelier staff. So that won’t happen.

Instead, governor, commissioner, board, and superintendents will keep on seeking a minimally demanding NCLB compliance deal with Washington that protects the public school establishment, avoids any branding of failure, and above all, keeps the money coming.

Governor Shumlin Wants a Plan – Without Vermont Yankee

COMMENTARY

By MEREDITH ANGWIN

Shortly after Governor Peter Shumlin took office, he said he was very surprised that the State Energy Plan included Vermont Yankee operating past March 2012. Now his team has put together a proposal for Vermont without Vermont Yankee, the Comprehensive Energy Plan (CEP). It covers electricity, heating, transmission, and transportation. It is over 600 pages long, including the appendices. The main volume is 368 pages.

Even a cursory review shows some serious flaws. The CEP includes ambitious renewable goals, but little actual planning. Among other things, it doesn't address the issue of electricity supply without Vermont Yankee in a straightforward fashion.

The electricity section of the summary document includes expanding the standard offer (feed in tariff) program for renewable energy, and hiring a new "renewable energy project development director" for DPS. The electricity section does not mention natural gas or acknowledge any gap in the electricity supply.

However, the home and business heating section of the summary does note that there might be an electricity supply gap. The heating section encourages the expansion of a gas pipeline into Vermont because "natural gas can address two key needs: reduce Vermonters' reliance on overseas oil for heating....and help fill a gap in electric supply."

Continuing with electricity concerns, the CEP contains goals such as 90 percent of our energy needs by renewable sources by 2050. There are no numbers or dates for future construction of renewable sources, however. There are no statements such as "this much wind energy by this date."

Vermonters need facts: costs, timelines, sites, hard data about proposed generation and transmission choices. The Institute for Energy and the Environment of Vermont Law School (VLS) announced that they had extensive input on the CEP. Indeed, the plan includes references to "process" and "stakeholders" and many proposed legislative changes. Montpelier will be busy, but there is little here that an engineer would call a plan.

Despite its lack of content, the plan has already come under fire from the Vermont Public Interest Research Group (VPIRG). VPIRG spokesmen said Governor Shumlin should be more aggressive about building renewables than the plan indicated.

However, it is unclear how VPIRG derived the numbers on build-out rates for renewables. These numbers are not explicitly in the plan.

The plan's discussion of future greenhouse gas emissions is also problematic. A chart of greenhouse emissions shows that greenhouse gases from the electricity sector rise after 2012. Presumably, this rise occurs after Vermont Yankee closes – although this fact is not specified. The chart also shows aggressive and unworkable projections for lowering greenhouse emissions, along with a note that the greenhouse goals will not be met.

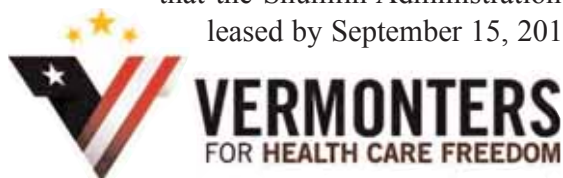
The State of Vermont claims that controlling greenhouse gas emissions is a major energy policy goal. The CEP chart shows that closing Vermont Yankee will lead to more greenhouse gas emissions. However, Shumlin's policy is to close Vermont Yankee anyway. This makes no sense.

People in Vermont need to see more content in the plan and fewer massive inconsistencies. At this point, it is hard to take this lengthy document very seriously.

Meredith Angwin is the director of the Energy Education Project of the Ethan Allen Institute. She is a physical chemist with long experience in the utility industry, including responsible positions in renewable and nuclear energy research.

Make Them Tell Us the Tax Bill Before the Election!

Vermonters for Health Care Freedom is collecting petition signatures demanding that the 2012 legislature direct that the Shumlin Administration's plan for financing \$3 billion in new health care spending be released by September 15, 2012, instead of January 2013 – safely after the 2012 election. You can



print out copies of the petition for you and your friends to circulate across Vermont at www.vthealthcarefreedom.org. Twenty or thirty thousand signatures ought to get their attention!

Coming Event: Joint Fiscal Office public and legislative briefing on flood relief, state finances and Green Mountain Care, Thursday, November 10, 10-3:30, House Chamber, Montpelier.

More Bad Green News: “The 2009 Stimulus awarded the Department of Labor \$500 million to create 80,000 so-called “green jobs.” This week the Labor Department Inspector General published an audit showing that the program so far has spent \$173 million to create only 1,336 permanent jobs, at a cost of almost \$130,000 per job. The Inspector General recommended that the remaining \$327 million available to the program be returned to the Treasury Department.” (Cooler Heads, 10/7/11)

Red Tape Breakthrough: HHS secretary Kathleen Sebelius says: “It’s time to cut the red tape. Our new proposals eliminate unnecessary and obsolete standards and free up resources so hospitals and doctors can focus on treating patients.”

She then released 955 pages of new regulations. (Jonah Goldberg, 10/22/11)

NEWS & VIEWS

More on Vermont Wind: “These wind projects will destroy our landscapes and ecosystems. In exchange, Vermont secures unreliable and expensive power, meaningless carbon-dioxide reduction, and divided communities. Green Mountain Power, acting on legislative mandates, gets huge tax credits, subsidies, and kilowatt-hour rates five times higher than those we pay for the carbon neutral power we buy from Vermont Yankee.” – *Caledonian-Record* editorial (10/26/11)

Green Mountain Care: Rutland City Treasurer Wendy Wilton has worked for months on a thorough, documented projection of the costs of Green Mountain Care. Her analysis reveals clearly that “creating a state public health care plan will result in a \$300+ million *annual* shortfall in the fund, culminating in a \$2 billion cumulative deficit in five years.” Download her analysis from www.vthealthcarefreedom.org.

RomneyCare in Action: “[Massachusetts] Health Insurance Connector Authority spokesman Richard Powers said officials haven’t sorted the data to identify why the 2010 and 2011 fines were handed out but said between 46,000 to 49,000 people were fined in 2009 for having no insurance or having less insurance than the state demands.” (*Boston Herald* 10/20/11)

Remedial Economics: “‘Stealing is our biggest problem at the moment,’ the 18-year-old [Occupy Wall Street] protestor told the *New York Post*. ‘I had my Mac stolen – that was like \$5,500.’ Why? Because she left it in a public place amid a crowd demanding the redistribution of wealth. Imagine that.” (WSJ 10/27/11)

Remember this Statement: “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 con-

Continued on Page 7

A Pro-growth State Energy Plan

Continued from Page 1

Instead, the state should adopt a vision like this: “to set Vermont on a path to assure safe, reliable and competitively priced energy that will make possible a strong, competitive and growing economic base, both for creation of new wealth and income for the people of the state, and for expanded tax revenues to enable the state to meet its fiscal obligations.”

In addition, the legislature should repeal the requirement that Vermonters be forced to reduce their greenhouse gas emissions to

50 percent below the 1990 baseline by 2050, or any other year, and also the state’s “climate action plan”, inasmuch as nothing the people of Vermont can do, even at crippling economic cost, will ever have any detectable effect on any metric of climate change (formerly “global warming”).

While they’re at it, they should repeal the SPEED and Feed In Tariff requirements; abolish the Clean Energy Development Fund; repeal the ratepayer-financed PSB energy efficiency program; abandon con-

sideration of Renewable Portfolio Standards for Vermont utilities; and review all existing energy regulatory schemes to remove barriers to creative energy innovations by a free people.

Legislators, bureaucrats and Governor need to consistently remind themselves that markets work, and that ordinary people usually turn out to make better use of their resources than what is prescribed for them by the experts who prepare “comprehensive energy plans.”

Continued From Page 6

tainment system right. If we can't do that, we'll take our marbles and go home." – Gov. Peter Shumlin, Rutland, July 26, 2011.

Remember This Quote: Speaking of the legislature's fiscal performance, Gov. Shumlin said to the Lake Champlain Chamber "They did it the old-fashioned way – without raising taxes." (5/9/11)

Actually they raised the health claims tax, the cigarette tax, the health providers tax, and the residential and nonresidential property tax rates. Wait 'til they start raising \$3 billion to finance Green Mountain Care – the new-fangled way.

The Biomass Enthusiasm: "Both the Springfield, NH and Ryegate, VT [biomass] plants are 20 MW. They burn about 200,000 tons (100,000 cords) of wood apiece

NEWS & VIEWS

through woody biomass, is impossible." – Meredith Angwin EEP (TNR 10/26/11).

[per year]. Vermont Yankee makes 620 MW of power. It would require 31 Ryegate or Spring Power plants to replace Vermont Yankee on the grid. Replacing Vermont Yankee with wood-fired plants, or going "25 percent by 2025" for electricity

School Choice Fears: "We suggest that parents and students who are neurotically frightened of school choice ask the people who have it two questions: Do you like it? Would you give it up? A century of satisfaction will dictate their answers." *Caledonian-Record* editorial (10/8/11)

Reagan on Freedom: "If you lose your economic freedom, you lose your political freedom and, in fact, all freedom. Freedom is something that cannot be passed on genetically. It is never more than one generation away from extinction. Every generation has to learn how to protect and defend it. Once freedom is gone, it is gone for a long, long time." – Ronald Reagan (Hillsdale College, 11/10/77)



EAI's Energy Education Project invited pro-nuclear friends to show support for the refueling team at Vermont Yankee on October 23, a week before a planned Clamshell Alliance anti-nuclear demonstration.

Government Health Care at Work

In the latest sign of how desperate they are to control rising Medicaid costs, a small but growing number of states are sharply limiting hospital coverage – to as few as 10 days a year. Advocates for the poor and hospital executives say the moves will restrict patients' access to care, force hospitals to absorb more costs and lead to higher charges for privately insured patients.

States defend the actions as a way to balance budgets hammered by the economic downturn

and the end of billions of dollars in federal stimulus funding this summer – funds that had helped prop up Medicaid, the state-federal health insurance program for the poor. Arizona, which last year received national attention for stopping coverage of certain transplants for several months, plans to limit adult Medicaid recipients to 25 days of hospital coverage a year, starting as soon as the end of October.

Hawaii is going even further. In April 2012, it plans to cut Medic-

aid coverage to 10 days a year – the fewest of any state, experts say. Both efforts are pending federal approval, which state officials consider likely because several other states already restrict hospital coverage, among them Alabama (16 days), Arkansas (24 days), Florida (45 days), and Mississippi (30 days). Last year, Massachusetts started a 20-day per stay limit. – Kaiser Health News by Phil Galewitz (October 24, 2011).



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November 2011

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The Caledonian-Record

October 22, 2011

The Moby Yankee Obsession

MEDIA

All things regarding energy in the state of Vermont come back to Moby Yankee [nuclear plant] and the Ahabian obsession of those determined to close it down.

With Yankee on line, pumping out the megawatts, Vermont can worry about things other than energy.

Like how to rebuild the state's infrastructure without bankrupting its finances.

Like finding a way to reverse its lamentable demographic trends before the entire state is

on Social Security.

Like finding ways to streamline our K-12 education system so that we have a more typical student- teacher ratio instead of the lowest – and most expensive – in the nation.

Like promoting growth and prosperity as attainable goals rather than potentially menacing outcomes requiring ceaseless regulatory vigilance.

Instead we are obsessed with the nuclear white whale and this lust to slay Moby Yankee.

– GEOFF NORMAN, Vermont Tiger