



The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

A Monthly Publication of The Ethan Allen Institute

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The New Governor's Fiscal Challenge

COMMENTARY

The most immediate challenge facing Vermont's new governor is the projected \$112 million FY12 General Fund shortfall. Last year the legislature faced a budget gap of \$154 million. Thanks to the final year of federal stimulus funding and hopeful projections for Challenge for Change (CfC) savings, legislators went home believing that they had delivered a balanced budget.

If that begins to appear doubtful, the new legislature will have a chance to make mid-year corrections early in the new session. If, despite those corrections, the FY11 budget actually ends up well in the red, that will increase the gap not only for FY12, but also for the following three years.

In the past two years the legislature harvested the low-hanging bud-

get fruit. Future savings will be increasingly harder to come by. The vaunted Challenge for Change process, adopted in 2010, promises to achieve \$38 million in FY11 savings by improving the efficiency of government operations – without diminishing services.

The October CfC progress report illustrates how difficult this is. Each department is given a series of sweeping outcome statements, such as “produce outcomes for Vermonters that are the same as or better than outcomes delivered prior to redesign” and “increase employees’ engagement in their work.” The department must then select appropriate metrics, and show that they are moving positively. This is no easy task.

Corrections selected as a metric “the number of people returned to prison for technical violation of probation and parole, while ensuring public safety, shall decrease.” It can improve this metric simply by having its probation officers overlook violations, “while ensuring public safety”.

Another metric selected is “percent of students who report they feel that they help decide what goes on in their school.” To get the data, the students are given a questionnaire. This will produce savings?

The CfC authorizing legislation explicitly rules out practically anything that would actually produce significant savings. Programs must be maintained “without reducing government benefits, limiting benefit eligibility, or reducing personnel”. There can be no competition with the designated agency monopolies. Savings must be “reinvested” in program expansion.

Finance and Management Commissioner Jim Reardon reported that all but \$3.1 million of the required savings have been “allocated”. But, he is quick to point out, “allocations” may or may not translate to dollar savings. If the CfC changes don't turn up by next spring, the \$112 million general fund deficit grows accordingly.

See **New Governor's**, Page 5

Don't miss Tom Palmer, December 1! – See page 3.

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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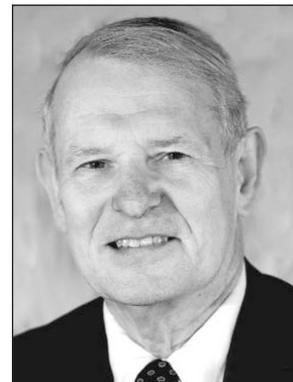
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ETHAN ALLEN INSTITUTE

4836 Kirby Mountain Road
Concord, VT 05824
Phone: 802-695-1448 Fax: 802-695-1436
E-mail: eai@ethanallen.org
Web page: <http://www.ethanallen.org>

PRESIDENT'S MESSAGE

Down the Path to California?



With the ballots counted, we can begin to see what Vermont's future will look like, at least for the next two years.

The new legislature, by the numbers, is almost a copy of the present one. Three of the most influential Democratic Senators have departed, but one – the Senator from VPIRG – will occupy the Governor's chair. Another, Sen. Susan Bartlett, will be his top-level assistant.

One intriguing question is how Speaker Shap Smith, who appears to be a reasonable liberal, will perform, freed from the pressure of his former Senate counterpart's schemes and ambitions – but now facing those same schemes and ambitions from the same senator, now Governor.

Another intriguing question is whether the popular new Republican Lt. Gov. Phil Scott, a leader of the loyal opposition to the ambitious concepts of the new Governor.

And speaking of opposition, a huge question is whether the state's Republicans, business community, Tea Party patriots, libertarians, friends of decentralized government, and plain citizens can, after eight years of (some) protection by Gov. Jim Douglas, organize to wage a battle on their own.

A battle for what? For fiscal responsibility, limited government, economic opportunity, competitive free enterprise, strong local communities, private property, constitutionalism, and individual liberty. Those are, not coincidentally, the components of EAI's mission statement.

Failing to engage in this battle assures that Vermont will slide down the path of California, the nation's most pathetic example of fiscally irresponsible, rent seeking, energy deficient, high dependency, high tax green socialism.

PRESIDENT (acting)



Ethan Allen Institute
Ideas for Vermont's Future

Special Event

Tom Palmer, Ph.D.

*General Director, Atlas Global Initiative for Free Trade,
Peace and Prosperity*

*Senior Fellow & Vice President Center for Promotion of
Human Rights, CATO Institute*

*Vice President for International Programs, Atlas Economic
Research Foundation*

Topic:

“Greatest Myths About Free Markets”

“I’d walk across a bed of hot coals to hear Tom Palmer speak.”

JOHN McCLAUGHRY, PRESIDENT EAI

“I heard Tom a few years ago. He is extremely knowledgeable. Exceptional.”

DR. ART WOOLF, UVM ECONOMICS DEPT.

“Author, scholar, speaker, advocate; Palmer is a crusader for liberty.”

DR. ROBERT LETOVSKY, CHAIR, BUSINESS DEPT, SMC

Tom Palmer, Oxford University PhD, is an internationally known advocate for the advancement of liberty and free markets throughout the world. Seen on national television programs, read in prestigious journals, and sought after around the world as a speaker, Palmer is among the most knowledgeable experts on classical liberal/libertarian thought, Constitutional history, globalization, and economic studies. He was also a plaintiff in *District of Columbia v. Heller* in which the Supreme Court recently overturned the D.C. ban on handguns. Much of Tom’s time is spent meeting with and supporting groups and individuals in countries where individual and economic liberty are threatened or non-existent. Within the past few years, Tom has traveled to China, Malaysia, Afghanistan, Viet Nam, Kyrgyzstan, Indonesia, India, Russia and The Philippines to work with lovers of freedom. He will come to Vermont in December shortly after returning from a planned five-day visit to North Korea.

For Tom Palmer’s full bio and Curriculum Vitae go to: http://en.wikipedia.org/wiki/Tom_G._Palmer.

MARK YOUR CALENDARS NOW!

Wednesday, December 1, 2010 • 7:00 P.M.

McCarthy Arts Center

Saint Michael’s College – Colchester

(Book signing after talk.)

This presentation is free and open to the public.



The Ethan Allen Institute

Citizens Guide To Vermont Education

Contents

- » [Public Education Spending in Vermont 1997-2009 \(chart\)](#)
- » [Vermont Teachers, Students, Staff 1997-2009 \(chart\)](#)
- » [Educational Finance in Vermont](#)
A clear, accurate description of Vermont's school finance laws (Act 60 and 68).
- » [School Boards, Teachers Unions and the Voters](#)
- » [Managing Education Resources Cost Effectively: Hugh Kemper](#)
 - » [The Spending Paradox](#)
 - » [The Overstaffing Problem](#)
 - » [Red Flags](#)
 - » [Tax Scenario](#)
 - » [Myths, Phantoms, & Solutions](#)

Special topics

A concise survey of eight issues facing local school boards.

- » [Construction](#)
- » [Special Education](#)
- » [Preschools](#)
- » [Charter Schools](#)
- » [Tuitioning and Choice](#)
- » [Consolidation](#)

Introduction

On this compact disk you will find a wealth of useful information and opinion on public education in Vermont.



John McClaughry
Ethan Allen Institute

It begins with two easy to understand graphs: one showing the rise of education spending since 1996, and the other showing the increase in public school teachers and staff, compared to the steady decline in students.

The **Educational Finance** section is a clear, accurate description of Vermont's school finance laws.

School Boards, Teachers Union and the Voters describes the budget making and approval process, including the politics.

Managing Educational Resources Effectively may be the most useful section for school board members. It was prepared by Hugh Kemper of Londonderry, a retired financial manager for J.P. Morgan & Co. who has served as finance chair of the Flood Brook Union School District. These modules graphically show how to manage the school budget.

The **Special Topics** section briefly discusses eight issues facing local school boards.

The **Resources** section gives web addresses for twelve organizations, beginning with the Vermont Department of

Ethan Allen
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Renewal Time Approaches!

You'll receive your renewal mailing next week. If you believe EAI is doing a valuable service, please respond promptly and generously. Your much appreciated support keeps our voice strong.

Do we have your correct email address? We need it to keep you informed of upcoming events and issues. You can put it on the response form, or email us at eai@ethanallen.org and let us know.

Thanks again for all you do.

– JMc

EAI Project Reports

Last week we sent the long-gestating *Citizens Guide to Vermont Education* to all Vermont school boards, plus some 45 additional education policy makers. The cover page for this CD appears on the facing page. The new House and Senate Education Committee members will receive copies when they convene in January. This is a piece of the Institute's transparency project.

On other transparency matters, www.vttransparency.org now displays the updated compensation files for all state employees for FY 2011. The file is searchable by last name, title, and position. Still to come: the long-awaited vendor files.

The Energy Education Project is in full swing. Project Director Meredith Angwin has been very busy blogging, speaking to local groups and professional societies, and will soon do a cable TV debate in the Hartford area. Please sign up with her (meredith@ethanallen.org) to receive blog information and event announcements.

We have posted the roll call votes on 2009-10 nuclear (actually, anti-nuclear) legislation in the project web site www.energyeai.org. Her blog is www.yesvy.blogspot.com.

Project advisor Howard Shaffer (nuclear engineer) authored a letter to Vermont newspapers explaining that the radioactivity ingested from drinking two liters of 20,000 picocuries/liter tritiated water each day for a year is equivalent to eating 19 bananas a year. (Expected VPIRG response: Shut down fruit markets!)

Help us out here: Meredith is available to speak to luncheon clubs, chambers of commerce and radio talk shows in your town. Invite her!

Hold the date: The Project will bring an outstanding science author to speak on energy issues in Burlington (at the Sheraton) and Montpelier (at the State House) on January 20. Watch the web site and the January *Letter* for details.

The New Governor's Fiscal Challenge

Continued from Page 1

And that's not all. Shumlin has promised to initiate single payer health care, universal preschools, and the extension of broadband services to every "last mile" in the state. He is eager to shut down Vermont Yankee in 2012, thus foregoing the millions of dollars in tax revenues it generates along with the state's cheapest electricity. He has told the state employees union that there won't be any more layoffs.

Will raising tax rates be his answer? During his recent campaign, Shumlin repeatedly boasted that he had been a key figure in three income tax rate reductions. (All three produced tax cuts for the wealthy, but that didn't stop Shumlin from condemning his Republican opponent for favoring "tax cuts for the wealthy".)

Ever since he was first elected to the House, Shumlin has been a deter-

mined opponent of sales tax increases. It would seem unlikely that he would succumb to the temptation to levy sales taxes on services. This is especially so because such service taxes are enormously unpopular with the service providers (accountants, lawyers, doctors, taxi drivers, barbers, beauticians, auto mechanics, plumbers, etc.). It would create a highly motivated constituency for "anybody but Shumlin" in 2012.

Shumlin also blasted his Republican opponent during the campaign for supporting a Douglas proposal that would have increased residential property tax rates (by shifting teachers retirement contributions onto the Education Fund.) Doing a 180° on this issue would also invite serious adverse political consequences.

One would think that Shumlin would thus rule out jacking income

tax rates back up, or expanding the sales tax, or increasing the educational property tax burden. He is, however, justly renowned for his flexibility.

The crux of the problem is this: there is little prospect of further curbing state expenditures without making disruptive changes in services offered, client eligibility, employee compensation, provider payments, and protected monopolies. To get (narrowly) elected, the new Governor proposed sweeping new programs, and denounced every proposal for increasing taxes.

There was once a justly celebrated man who fed a multitude of thousands with a few loaves and fishes. Unfortunately Peter Shumlin is not likely to exhibit the requisite ability.

EAI Winds Up Another Productive Year

REPORT

EAI's landmark report *Better Value, Fewer Taxpayer Dollars*, released in December 2009, set out a dynamic model for education based on consumer choice and provider competition. Unlike most other such reports, EAI's Commission on Rebalancing Education Cost and Value

focused on the savings that could be expected to accrue to taxpayers if only 20% of present public school students chose to attend independent schools, virtual schools, and other similar programs at half the taxpayer cost of the present public school system (now over \$15,000 per pupil per year). This model yielded \$81 million in savings annually.

Alas, the leaders of both parties seem determined to try to "contain costs" by Soviet-style mandates from above, rather than letting market choices save money and satisfy consumers. (See our August commentary "The Vicious Acts of 2010".)

The Sheraton Economic Series blossomed into a major program in 2010. Prof. Meir Kohn (economics, Dartmouth) explained financial regulation in March. Prominent Vermont-born financier Bruce Lisman addressed a standing room crowd in May. David Hale, another Vermont-born economist, took the podium in June. Ed Crane, founder and president of the Cato Institute, spoke on the prospects for liberty in September.

By far the most influential Sheraton program featured former U.S. Comptroller General David Walker on August 19. Introduced by Gov. Jim Douglas, Walker gave a power-

ful analysis of where our federal government is heading. David Coates, Art Woolf, Tom Salmon and Mary Alice McKenzie provided a Vermont perspective.

EAI Director Bill Sayre, a pupil of Milton Friedman's, gave a good talk at the Sheraton at EAI's 4th annual Friedman Day observance on July 30. Vermont Tiger publisher Geoff Norman, an Alabaman, spoke on "What Yankees Need to Know About Thomas Jefferson" at the Institute's 17th annual Jefferson Day event on April 16.

Dr. Tom Palmer, director of the Atlas Global Initiative for Free Trade, Peace and Prosperity, will complete the Institute's speaker's program for the year when he speaks at St. Michael's College on December 1 (see p. 3)

Other events included EAI's day-long activist training session, conducted by American Majority, on July 17. Forty-six Tea Party, Campaign for Liberty, and other pro-freedom activists got a large dose of practical experience. They also went home with bundles of EAI's biennial *Vermont Voters Report Cards*, and the pocket card showing the state's fiscal shortfalls.

I spoke at a Tea Party event in Bradford and the St. Johnsbury and Bennington Rotary Clubs, and Board Chair Jim Gatti addressed Washington County Republicans.

The Institute's issues focus for the year included the state's deteriorating fiscal situation, the inadequate Challenge for Change fig leaf, the menace of Obama Care and government health care generally, the continuing centralizing of ever more costly public education, the need for election law reform, and the foolish war to exterminate Vermont Yankee.

EAI's Vermont Transparency web site continued to grow in breadth and usefulness, but the state has yet to deliver the long sought vendor payment data. In November we distributed, at long last, the *Citizens Guide to Vermont Education* to all school boards and other key education policy makers (see p. 4).

The Energy Education Project got under way in October, with the purpose of providing sound scientific and economic facts for the coming debate over shutting down Vermont Yankee and replacing its 600 Mw with... cow power? Meredith Angwin, a physical chemist, launched the project with a public meeting at Montshire Museum in Norwich on September 30, followed by appearances at the St. Johnsbury Rotary and a Hartford cable TV program.

The Board elected former House Transportation Chair Frank Mazur of South Burlington to replace former State Board of Education member Chris Robbins, who moved out of state. Brad Zuber of Pawlet joined the Advisory Council. Board members devoted a lot of time and effort raising funds to underwrite the transition to a new CEO in 2011.

In addition, EAI published 12 issues of the newsletter and 26 bi-weekly print commentaries (plus Vermont Tiger, True North and Vermont Digger). I also did occasional VPR commentaries and 250 week-day commentaries on Radio Vermont WDEV.

This will be my last annual Activity Report. Thanks to everyone whose time and financial support made all of this possible. I truly hope EAI will expand its influence in the cause of less government and more liberty in 2011.

– John McClaughry

Coming Event: The Twentieth Annual Vermont Economic Outlook Conference, "Recovering from the Great Recession", will be held at the Sheraton Burlington on Friday, January 14, 2011, 9-2. Call the *Vermont Economy Newsletter* at 899-7774 (rheaps@vteconomy.com) for a conference brochure.

View from the Left: "Nor were voters in overwhelming numbers persuaded by the calls of Republican Brian Dubie to place *draconian caps* on state spending." (*Rutland Herald* editorial 11/3/10)

Dubie's "draconian caps" proposal: "The state budget should not grow more than 2-3 percent per year... holding growth in state government to inflationary levels." – (Blueprint 9/10)

Would an 8-10 percent annual increase satisfy the *Herald*? 10-12 percent?

Useful Observation: "GM is being subsidized to make subsidi-

NEWS & VIEWS

dized electric cars that are being subsidized for sale to subsidized corporate buyers...." (Dan Foty)

Business Tax Climate: The Tax Foundation released its annual business tax climate story last month. Vermont rose to 38th, after a string of 46-44-43-43-41 over the years 2005-09. A major factor in the rise was the reduction of individual income tax rates in 2009, an example of Senate President protem Peter Shumlin's program for cutting taxes for the wealthy.

Now They Tell Us: "Also driving up [electricity] costs are the state's feed-in tariffs for micro-generation projects... Feed in tariffs make sense to seed a small-scale renewable power industry in the state, but they make no sense as an ongoing method to generate power." (*Herald* 11/8/10)

I Want Your Money is the title of a dazzling independent political infomercial out in theatres in much of the country. A cartoon Reagan lecturing a cartoon Obama on economics is worth the price of admission. For a sampler, go to www.iwantyourmoney.net. (EAI would love to make a similar video for Vermont: donors invited.)

Single Payer Efficiency: "A report by the charity Age UK found that many elderly patients are left to starve in [British single payer] National Health Service hospitals. The study found that nurses often place trays out of patient's reach or do not give them needed help cutting food or opening covered plates." (*Reason* 12/10)

Any why not? The hospitals are on a government-allocated budget. Too many patients and too many services (like feeding them) push expenses above the budget cap, where somebody might get laid off.

James Madison's Warning

On his last day in office, in 1817, 30 years after the Constitutional Convention, President James Madison received from Congress a bill to spend money on internal improvements. He vetoed it. Here's what he said:

"The legislative powers vested in Congress are specified and enumerated in the eighth section of the first article of the Constitution, and it does not appear that the power proposed to be exercised by the bill is among the enumerated powers, or that it falls by any just interpretation within the power to make laws necessary and proper for carrying into execution those or other powers vested by the Constitution in the government of the United States.

"Seeing that the power [to improve roads and canals] is not expressly given by the Constitution, and believing that it can not be deduced from any part of it without an inadmissible latitude of construction and a reliance on insufficient precedents; believing also that the permanent success of the Constitution depends on a definite partition of powers between the general and the state governments, and that no adequate landmarks would be left by the constructive extension of the power of Congress as proposed in the bill, I have no option but to withhold my signature from it."

Bear in mind, this is from the leading framer of the Constitution. How sad it is that so many politicians today have lost sight of this timeless reasoning.

– JMc



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4836 Kirby Mountain Road
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December 2010

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St. Johnsbury Caledonian-Record

October 22, 2010

Economic Suicide By Tritium

MEDIA

The anti-Vermont Yankee forces are doing their absolute best to panic Vermonters with horror stories about leaking tritium. The truth is that there is more exposure to radiation from sunlight than there is from the imputed leaks at Vermont Yankee. The unfortunate truth, too, is the public is listening to the Shumlins of Vermont and panicking, even though there is not a single recorded atomic energy plant effect from tritium on a human being in the whole history of nuclear energy production. Atomic energy scientists say a human would have to ingest a massive amount of tritium for there to be any effect.

Here are some truths that are far more frightful for Vermont's people and economy than any tritium leak in Vernon. We have heard over and over that we can replace Vermont Yankee with wind and other renewable power. That is utter and complete nonsense. There isn't any renewable source of 600 megawatts of power to replace Vermont Yankee. Worse, what wind power there is will cost more than four times what nuclear power now costs us: 4.5 cents a kilowatt hour will become 20 cents a kilowatt hour. With that kind of price hike we can say good-bye to IBM, EHV Weidmann and 50 other major industries whose utilities cost is among their highest manufacturing costs.