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The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

A Monthly Publication of The Ethan Allen Institute

INSIDE:

A Better Idea for Renewable Energy

COMMENTARY

The long-running saga of Vermont's "Clean Energy" subsidies took another interesting turn last week, featuring the duo who gave us last summer's distasteful rent seeking exhibition, Peter Shumlin and David Blittersdorf.

Then, it will be recalled, the Clean Energy Development Fund was preparing to hand out tax credit subsidies to wind and solar electricity projects. The available credits came from $12 million extorted from Entergy as the 2005 legislature's price for allowing Vermont Yankee to store spent fuel rods on its own property at its own expense, over the six years that remained to the nuclear plant before the 2011 legislature voted it off the island forever.

Actually, Vermont Yankee is now being non-voted off the island, since the leadership of the present legislature refuses to risk a recorded vote that might come back to haunt some anti-nuclear legislators when their constituents examine their electric bills in the months just before the 2012 election.

Then-Sen. Shumlin had named entrepreneur David Blittersdorf to the board of the Clean Energy Development Fund. There was some logic to this, since Shumlin had earned the nickname "senator from VPIRG", Blittersdorf had been a major VPIRG fundraiser, and VPIRG had aggressively lobbied for ever more renewable energy subsidies.

As a board member, Blittersdorf was in a position to influence the awards process to favor enterprises linked to his company. When that became apparent, the CEDF chairman asked Blittersdorf to leave the room when the awards policy was under discussion. Taking note of the potential conflict of interest , Shumlin asked Blittersdorf to resign from the board.

Blittersdorf did so, but only after voting to direct the executive director to set the preference policy for tax credit awards. That official promptly established the first come, first served policy that favored Blittersdorf's enterprises. Two months later CEDF announced the award of $4.3 million in tax credits to those enterprises

Now the Clean Energy Development Fund is running out of money. With Vermont Yankee scheduled to go out of business in March 2012, it can't be made to pay millions more when it will no longer have the revenues earned by selling Vermont's lowest cost baseload power to the state's utilities.

To the fund's rescue came Rep. Tony Klein, the very green chair of the House Natural Resources and Energy Committee. On April 5 he brought out a bill to replenish the dwindling CEDF subsidy coffers. It proposed to levy a regressive 55 cents a month tax on everybody's power bills. The Republicans protested. No matter. The Klein plan handily advanced to third reading.

But then the media asked now-Gov. Shumlin if the Klein electric poll tax violated his campaign pledge not to increase broad based taxes. Ouch! Shumlin quickly reversed course. He told his legislative friends to scrub the 55 cent a month tax, and declared that he would come up with a better plan shortly. So the House that voted 99-39 for the new tax on Tuesday, enthusiastically voted 134-0 to delete it on Wednesday.

Five days later Shumlin unveiled his new plan. Instead of the CEDF making annual payments over five

See ***A Better Idea***, Page 5

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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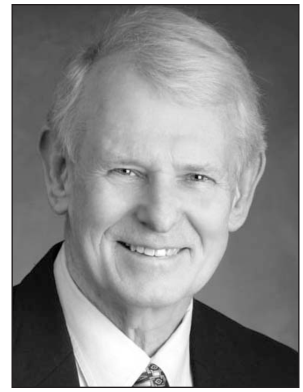
EDITOR'S MESSAGE

The Recurring Problem of Fools



One of the biggest annoyances encountered when debating public policy is the self-important fool who, facing your knowledgeable critique of the grand idea he favors, blurts out with a sneer, "What is the alternative? Do nothing, I suppose."

To one such letter writer last week I responded by pointing out that "on the EAI website [www.ethanallen.org] Mr. M will find six of our major reports and 37 commentaries addressing Vermont's growing health care problem dating back to 1994, and offering specific recommendations. Perhaps the most informative would be our report to the Hogan Commission in 2002."

"These may not change Mr. M's mind, but they will go a long way to relieve his ignorance."

I doubt that Mr. M will follow that suggestion, but I hope I may be forgiven for recommending that 17-year archive of health care analysis to anyone interested in understanding the intricacies of health care policy. I am well satisfied that it has stood the test of time and events.

It doesn't tell you all you need to know (although the reference sections of the published reports come close), but it will help you understand how government meddling has produced a health care situation which more government meddling will certainly not repair, and indeed will make much worse.

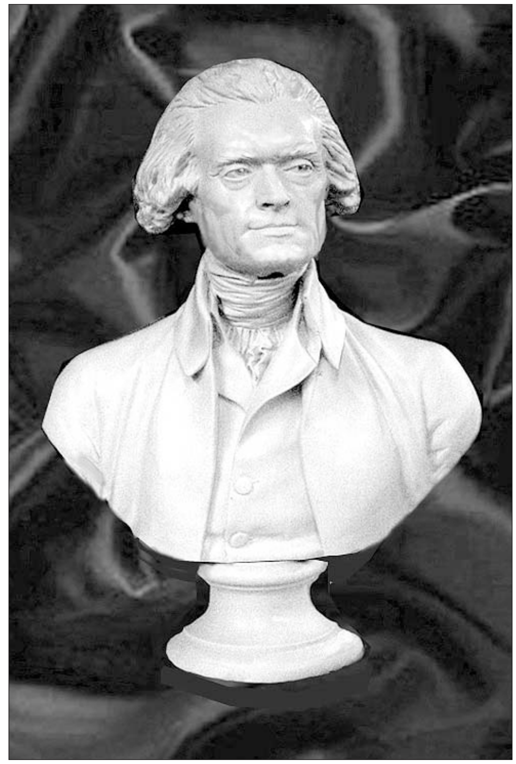
Editor

Important Reminder

If you're not on the EAI e-mail list, please send a message to eai@ethanallen.org with your name and email address. We expect to be using email more often as the year goes on, and want all of our members to be in the loop. – JMc

The Ethan Allen Institute's
18th Annual Jefferson Day Dinner –

Mr. Jefferson's Timeless Message to America and the World



A Dinner Talk by John McClaughry

Thursday, April 28, 2011
Rutland, VT – South Station Restaurant
170 S. Main (US Rt 7)
Social hour at 6 – Dinner at 7

Since his college days half a century ago, John McClaughry has been a student and acolyte of the career and philosophy of the author of the Declaration of Independence. For the past 17 years, under John's leadership, the Ethan Allen Institute, founded on Jeffersonian principles, has sponsored a Jefferson observance during the month of Mr. Jefferson's birthday – April 13, 1743.

For this year's celebration, John will speak on "Mr. Jefferson's Timeless Message to America and the World." Among John's writings on the subject are a featured op ed piece in the *New York Times*, an expose in *Insight* magazine of President Bill Clinton's attempt to portray himself as the heir to the 3rd President, and. a tribute offered to Mr. Jefferson by Ronald Reagan, who John served as a speechwriter and White House Senior Policy Advisor.

This dinner will be an excellent opportunity for friends of the Institute to learn more about Mr. Jefferson's political philosophy and its meaning for dwellers in the 21st Century, from a well-informed and entertaining speaker.

Members, friends, guests and the general public are invited. Reservations are required and may made by April 26 by email to anne@ethanallen.org or by phone at 802-695-1448. The ticket price is $30.

The 2011 Jefferson Celebration Dinner is cosponsored by the Jefferson Legacy Foundation.

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COMMENTARY

Restoring Accountability to "Green Mountain Care"

The 85-page Green Mountain Health Care bill now before the Vermont Senate is quite possibly the most ambitious, complicated, and portentous piece of legislation ever to come before that body.

A trip through the lengthy bill reveals not only enormous tasks assigned to bureaucrats to make the plan move forward, but also an astonishing collection of boards and advisory committees obviously designed to keep all the "stakeholders" on board for what could be a long, bumpy and expensive ride.

As passed by the House, the bill declares that Vermont shall have a fully government controlled and taxpayer financed "health delivery system". This was formerly known as "single payer", until that term became a political liability as more and more Vermonters discovered what it stood for. Now we'll get a "public-private universal health care program" making "single payments" and enforcing its "global budgets" on health care providers.

The creation and management of this megasystem will be directed by a five member Green Mountain Care Board appointed by Gov. Shumlin. Once the Board establishes the roster of eligible patients, the package of approved benefits, and the schedule for what all medical providers will be paid, the cost of the plan can be calculated. The state will then call upon the taxpayers to foot the bill.

This bill of course doesn't specify how the state is going to extract the billions of tax dollars needed to pay those bills. The legislature's consultant Dr. Hsaio strongly advocated a new state payroll tax – at least 9.4% on employers and 3.1% on employees – to finance his plan, but higher income and sales taxes are still on the table.

The 2013 legislature will presumably have a say over which taxes are to be raised for Green Mountain Care. They will not, however, have any vote on the benefits or the eligibility or the costs of the grand plan. A major sales pitch for the Green Mountain Care Board – now being called the "Jedi Council" – is that it is "independent" of such annoying political considerations.

It's useful here to contrast Green Mountain Health Care with the state's land use and development law, Act 250 of 1970. That act (14 pages as enacted) established a nine member Environmental Board appointed by the governor. It supervised enforcement of the permit criteria (air, water, traffic, etc.) applied by district environmental commissions. Only people engaged in "development" were directly affected, a very small percentage of the population.

But the Board was also directed to develop a state Land Use Plan to designate the appropriate and allowable uses for every square inch of Vermont. The legislature directed that the Environmental Board bring its proposed Land Use Plan back for legislative approval.

That proved to be a death sentence. Three times the legislature rejected increasingly weaker Land Use Plans. The by then embarrassing requirement that there be a Land Use Plan was quietly repealed in 1984.

Compare this experience with Green Mountain Care. Same appointed board, similar sweeping mandate. But the all-powerful Green Mountain Care Board will be completely unaccountable to the people once its five members are confirmed by the Senate. After that, elected legislators can only vote on which taxes to raise to finance its ambitions.

The Land Use Plan would have affected the rights and economic interests of every property owner in the state. The Green Mountain Care plan will affect everyone who lives and breathes in the state (plus whatever new "residents" suddenly appear to enjoy "free" health care).

If Vermonters believe that the officers of government are "the trustees and servants" of the people and "in a legal way accountable to them" (Ch. I Art 6th Vermont Constitution), they should now insist that their representatives require that the far reaching and costly plans of the Green Mountain Care Board go forward only after majorities in the House and Senate have voted to approve them.

Single Payer Cost Containment in Canada

"Why are Canadians forced to wait for the care they need? Patients face no user fees or deductibles for most health care services, so health administrators have almost no ability to temper the *demand* for health care. Thus, they restrict the *supply* of health care: restricting access to specialists, reducing the number of medical graduates, closing hospital beds, deinsuring certain services, capping physician income, limiting the use of modern equipment – the list stretches on." Ontario doctor David Gratzer, in *The Cure* (Encounter Books, 2006, p.169).

Finally – We Hit the Jackpot!

Transparency: After a year and a half of negotiating, prodding, and occasionally end-running, the Ethan Allen Institute and the Public Assets Institute are pleased to announce that the state's vendor payment data for the past three years is now on www.vttransparency.org . At this writing (4/17), it's on our web wizard's hard drive and will appear online as soon as some last-minute server complications are ironed out, hopefully by the time this reaches your mailbox.

When you go to the site, you should be able to search for a vendor's name, or for the purpose of the expenditure. You can also find the salaries paid to state employees and legislators, the current and recent past state expenditures, and much more.

We are especially grateful to Deputy Finance and Management Commissioner Sue Zeller for keeping their end of the agreement, despite some serious challenges in keeping track of state government finances for a new administration.

Energy Education: Our project director Meredith Angwin has kept up an exhausting schedule of speaking on nuclear science to luncheon clubs, chambers of commerce, and even high schools.

The Putney School set up a debate on nuclear policy for May 5 between Meredith and VPIRG chairman and Ben and Jerry's operative Duane Peterson. Unfortunately for the audience, Peterson abruptly canceled, claiming he couldn't make his case in *only an hour*. Yeah, right.

If you'd like Meredith to speak to your favorite group, email her at Meredith@ethanallen.org

Common Sense Radio: Rob Roper is doing a terrific job with our daily talk show on WDEV (550 and 96.1, 11:05-noon). He's had great guests and great audience response. Tune in!

True North Reports is Rob's other project (not EAI's). He and Angela Chagnon dig out the news from state government and bring it to you on weekdays. Sign up at www.truenorthreports.com. Indispensable!

Vermonters for Health Care Freedom isn't an EAI project (it does political action), but it relies on our educational material to explain to Vermonters what Green Mountain Care is likely to do to them (not pretty). Get informed and sign up at www.vthealthcarefreedom.com.

Chairman Larson Speaks

"[House Health Care Reform chair Mark] Larson stated [at a presentation in Shelburne] that the new health care system would save $1 *trillion* dollars over the next 10 years. He was asked directly if that was a misstatement. Rep. Larson insisted that $1 *trillion* dollars over 10 years was the correct number. Given that current medical spending in Vermont is approximately $5.2 billion dollars a year, $1 *trillion* dollars represents 190 years of health care spending at current levels." – Ed Pomicter MD (VT 4/7/11)


"Numbers Wizard"

The Hsaio report that Rep. Larson referred to as his source (p. xiv) projects total "savings" of $11.32 billion over the period 2015-24 if the report's Option 3 is implemented. (Rep. Larson's committee bill significantly departed from Option 3, in ways that will reduce expected savings.)

Rep. Larson's facility with numbers is said to come from his life experience as an independent domestic violence counselor. – JMc

A Better Idea for Renewable Energy

Continued from Page 1

years to successful subsidy seekers, he proposed that it offer them half the amount of their credits on Day One. The other half would then be available for the Fund to hand out in later years. This would replenish the Fund and make the Klein tax unnecessary.

Who thought this up? Shumlin's friend and former CEDF board member David Blittersdorf. And what's the advantage to the Blittersdorf-linked clean energy credit applicants? They can't get private financing for their installations, because commercial lenders rightly think that projects so heavily dependent on deep subsidies are not creditworthy investments. To most applicants, getting even as little as half of the subsidy value as a grant up front, instead of tax credits that may not turn out to be useful in the future, looks like a bird in the hand.

Rep. Patti Komline has reported that of the 68 (of 92) approved tax credit applicants responding to a query, four preferred the tax credit and 64 wanted the upfront grant. Of those 64, 62 are Blittersdorf's projects.

There's a far better path out of this ever more complicated politically infected subsidy swamp. Forget taxing everybody's electric bills, scrap the Clean Energy Development Fund, approve 20 more years of low cost nuclear electricity from Vermont Yankee, and let David Blittersdorf's upscale customers pay for their boutique energy investments out of their own pockets.

NEWS & VIEWS

The Governor Speaks: "At his Wednesday press conference, Governor Peter Shumlin was asked if IBM's opposition to the single payer health care bill was a concern to him. His response was, 'I think that every businessperson in Vermont has concerns about change. I think that frankly, every hospital and every healthcare provider has concerns about change, because government has gotten this wrong every single time.'" (TNR 4/7/11)

So why will government get it right this time? Because it's led by Peter Shumlin?

The Former Governor Speaks: "Restrictions need to be put on the system to prevent people from moving to the state just to get free health care." – Gov. Howard Dean MD (C-R, 6/18/92).

Apparently this isn't a concern any more.

Email from NH: "I am hopeful that VT goes ahead and passes single-payer healthcare… I can't help thinking it will be good for our economy." – Charlie Arlinghaus, Josiah Bartlett Center, Concord, NH 03311

Atlas Shrugged: The distributors of the just-released movie based on the famous Ayn Rand novel will book it in a local theater when there is sufficient demand. Visit www.atlasshruggedpart1.com/demand and enter your demand – use 05401 as your zip code (Burlington). For info about the making of the film, see the May issue of *Reason* magazine.

Pointed Question: To a legislator, after reciting the emerging record of the new legislature and governor: "This is some great cocktail that the wizards have concocted for all of us to swallow, but what happens when most of the big businesses, the wealthy, the young and a sizable portion of the health care professionals leave the state?" – Ralph Colin, Dorset, 3/30/11.

On Catamount Health: "It is symptomatic of what happens to government health care programs when they run short of money – the legislature cuts payments to providers and then creates an even larger program to replace the failed program it had previously created! As Santayana reminded us: "Those who refuse to learn from history are condemned to repeat it." – Rep. Tom Koch (R-Barre), 3//30/11.

Bad News Department: 72 percent of Vermont's public schools failed to make Adequate Yearly Progress last year. (*Herald*, 4/1/11) Obviously we need more and better paid teachers…

New Shumlin Tax: "The Shumlin Administration and House Ways and Means Committee want to *impose more taxes directly on our health insurance plans*. The House Democratic leadership [is] calling this a "Health Care Claims Assessment." But let's be clear: this is a tax, in the amount of .8 of 1 percent of total health care claims, which will be used to cover shortfalls in state government, much of which is a result of rising costs for Medicaid, Catamount Health and VHAP...

This tax is being levied on all private insurance claims plans. So, this new tax to support our state medical programs will be built into health care premiums for anyone with BCBSVT, MVP, CIGNA, a Medigap policy, and every employer-sponsored, self-insured plan administered by a carrier or third-party administrator. The only people who won't be affected are those on Medicaid, VHAP, Catamount or on Medicare but without a Medigap policy. (Jeanne Keller, TEBHR, 4/11/11)

RomneyCare Revisited: A Suffolk U. poll (4/11/11) found that 49 percent of Massachusetts respondents did not feel that the RomneyCare legislation of 2006 was working, compared to 38 percent who believed it was. By 54-22 percent respondents said that RomneyCare would damage former Gov. Mitt Romney's presidential hopes. Meanwhile, Gov. Deval Patrick is in court fighting to impose price controls

Continued on Page 7

Single Payer Déjà Vu

"The urge to have an all-knowing, all-powerful government order the 'rational allocation of health resources' is the heart and soul of this bill. And there can be little doubt what the outcome will be of a health care system based upon that principle."

"It will be a system of monumental inefficiency, swarming with bureaucrats, teeming with regulations, and dragging down our economy and taxpayers with its horrendous costs".

"It will make every decision into a political decision, and invite every provider group to gain influence in the government to feather its own nest and discomfit its potential competitors."

"Have we learned nothing from the collapse of socialism all over Europe and the former Soviet Union? Are we so blind that we will stumble down this same road, littered with the wreckage of schemes for 'rational allocation of resources'?" – Sen. John McClaughry, in the Vermont Senate, April 13, 1992. (They didn't listen then, either. – JMc)

Continued From Page 6

NEWS & VIEWS

on insurance premiums to keep RomneyCare from going broke.

MIT Professor Jonathan Gruber bills himself as the architect of RomneyCare (which Romney disputes). Gruber produced the "savings" projections for the $300k Hsaio Report advocating single payer for Vermont. Is there any reason to believe he'll get it right this time?

***Rutland Herald* in Denial:** "Legislators need to understand that if the state takes responsibility for setting rates and compensating providers, it will not be possible to underfund physicians and hospitals the way Medicaid and Medicare have done." (Editorial, 3/22/11).

Whoa! Tell us why the politicians that have drastically underfunded health care providers for the past two decades won't find it possible to underfund the same providers with Green Mountain Care in place. And why should rational citizens give any credence to single payer advocates who are living in such a state of denial?

Susan in Wonderland: "A single payer system wouldn't interfere with employer plans. It would make them unnecessary. Employers would flock to Vermont." – Susan Leigh Deppe MD (BFP, 10/30/10)

IBM's Take: "We cannot ask Vermonters and employers to be 'test subjects" for a grand experiment." – IBM's John O'Kane to Senate.

On Subsidized Energy: "The acronym SPEED stands for Sustainably Priced Energy Enterprise Development program, but don't let the name fool you. It's only sustainably priced if you're selling alternative energy systems…

"Vermont needs to continue to encourage alternative energy sources. But it needs to do so intelligently, not by giving away our money to every fly-by-nighter with a solar panel and a sharp line of patter." – Rutland *Herald* editorial, 1/31/11. (No, this is not a misprint.)

Bingo! "Many legislators seem to have ideological blinders that prevent them from considering any other suggestions for reforms other than more government control," said Pat Crocker, a pediatric therapist from Essex. (TNR, 4/5/11)

Freedom Creates Abundance

"Why should we spend money on that? It'll just cut into the profits from our longtime core business." That's what high level AT&T executives said to tech wizard Tom Evslin when he proposed that they invest in voice-over-internet technology a decade ago.

Evslin, who recently stepped down as the state's Chief Technology Officer, gave 50 attendees at the Institute's Sheraton Economic Series March 30 program an interesting trip through the world of technology and corporate rent seeking ("Private toll booths on the road to progress.").

He used the AT&T story to illustrate how institutions, comfortable with their business plans, refuse to adapt, and are inevitably left behind as new, energetic competitors seize opportunities to create customer value. In addition, established businesses often have no compunction about enlisting government to throttle their rising competitors.

An example: the big natural gas companies' covert opposition to hydraulic fracking. That process promises a flood of cheap new natural gas to benefit consumers – but will shrink the value of the older companies' established reserves.

He said CT scans could be offered for very low cost, but for the medical guild's insistence that they be read by an MD radiologist – who merely confirms what the high tech computer sees in the patient.

From left, Vermont Tiger publisher Geoff Norman, Tom Evslin, and former Commerce Secretary Milt Eaton share a moment after Tom's talk.

The education establishment is fearful of virtual schooling, which can bring better education to children at a fraction of the cost of traditional teaching to small classes.

Creating abundance, Tom said, is the unhindered pursuit of greater value – not using less energy, but using energy in more ways to produce end use value. Curtailing the freedom to innovate is a recipe for scarcity, a shrinking pie, and often government redistribution.

The public policy lesson was clear: broaden the freedom of innovators to disruptively innovate, create value, and meet human needs.

The Ethan Allen Letter

ETHAN ALLEN INSTITUTE
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May 2011

INSIDE:

St. Albans Messenger *April 2011*

The Vermont Yankee Shutdown Responsibility

MEDIA

Today's contracted price with Vermont Yankee is 6.1 cents per kilowatt hour. If Vermont Yankee's license were to be extended, the price being offered is 4.9 cents per kilowatt hour [for at least the first year], a 20 percent reduction. That beats the deal negotiated with Hydro-Quebec. In the Vermont marketplace, that would means tens of millions of dollars in savings...

If Vermont Yankee is shuttered, the responsibility rests fully with the governor and the legislature. And, for the record, it's vital to understand what the governor and the legislature are saying no to. It's equally important to understand who will bear that burden. It won't be the well-heeled, it will be disproportionately placed on the backs of the middle class and the poor…

If Entergy does file [a federal preemption] suit, Vermont loses either way. If they lose and the plant is shut down, we lose the 4.9-cent rate, the jobs and any control over the decommissioning process. If they win, we lose the 4.9-cent rate, but keep the jobs, and we lose any control over the decommissioning process.

The other upside if Entergy wins is the revenue-sharing agreement negotiated by our utilities in 2002. The revenue gained from power sold above the contracted price of 6.1 cents is shared equally with the state's utilities, which then is passed directly on to consumers.

The question remains: Can we afford to say no to 4.9-cent per kilowatt power, and to 670 jobs and an estimated $93 million annually in payroll benefits? Can we afford to say no to a power source that has virtually no carbon footprint?

If the answer is yes, then it will be a responsibility borne by the legislature and the governor.

– Emerson Lynn