Ethan Allen Institute

Newsletter – February 2018 (Printer Edition)

Top Stories

EAI Launches Social Media Campaign On $15 Minimum Wage

As the $15 Vermont minimum wage bill moves its way through the senate, the Ethan Allen Institute has launched a social media campaign to educate our citizens about some of the dangers this policy could have for our local economy.

The first video deals with the New Hampshire effect. New Hampshire's minimum wage is $7.25 an hour, and that state does not appear to have any interest in changing. What will happen when Vermont's entry level and unskilled labor costs twice as much as our neighbors. If you think people scramble to cross the border to save 6 percent on sales taxes, wait till you hear this giant sucking sound!

The second video highlights the findings from a Washington State University study of the Seattle experiment of moving to a $15 minimum wage. It did not have the intended effect. Low income workers actually lost, on average, $1500 a year due to reductions in hours.

Future videos will discuss the "trust" issue with the legislature. In 2014, when they passed the last minimum wage increase (which, after hitting $10.50 an hour in 2018 would be indexed to inflation ever afterward), it was with assurances to the business community that that would be it. No more. This, apparently, was a false promise. Why would businesses come to a place where the legislature can't be trusted to stick to a deal?

Another will discuss the real goal of the higher minimum wage proponents, and that is a "livable wage" of around $25 an hour.

Check out the first two videos, and if you agree that these messages need to reach more Vermonters via the radio as well, please…

Make a contribution today!

Please send checks to:
Ethan Allen Institute
P.O. Box 543
Montpelier, VT 05672

House Members Support "ESSEX" Carbon Tax Bill

This week Vermont House members joined Senate colleagues in proposing new Carbon Tax legislation based on the ESSEX plan, ultimately a $240 million scheme that would tax gasoline at 32 cents per gallon, 40 cents per gallon for heating oil, and 24 cents for natural gas and propane. Half of the revenue raised from the tax would be used to subsidize lower electric rates, the other half would pay for low income and "rural" rebates.

Governor Scott has promised to veto any Carbon Tax bill that reaches his desk, and recently wrote a letter opposing a proposal to even study the idea of a Carbon Taxes on Vermonters.

The new House Carbon Tax bill is H.791, and here's who sponsored it:

Representatives Copeland-Hanzas (D-Bradford) lead sponsor, Burke (P-Brattleboro), Cina (P-Burlington), Colburn (D-Burlington), Deen (D-Westminster), Donovan (D-Burlington), Dunn (D-Essex), Gonzalez (P-Winooski), Hooper (D-Montpelier), Kitzmiller (D-Montpelier), LaLonde (D-South Burlington), McCullough (D-Williston), Mrowicki (D-Putney), O'Sullivan (D-Burlington), Rachelson (D-Burlington), Scheu (D-Middlebury), Sheldon (D-Middlebury), Squirrell (D-Underhill, Stevens(D-Waterbury), Stuart (D-Brattleboro), Sullivan (D-Burlington), Walz (D-Barre City), Webb (D-Shelburne), and Yantachka (D-Charlotte).

Commentary: Gov. Scott's Budget Plan

By John McClaughry

Gov. Phil Scott has delivered his budget address, and the consensus of various pundits seems to be that it's mostly a no-excitement, small-bore initiative, hold the line, need more thinking, and "help me!" production. But let the governor take credit for this: "For the second consecutive year, Gov. Scott has proposed a budget that does not raise a single tax or fee", and his proposed General Fund spending exceeds this year's by only $82 million (+2.2%). He also emphasized the importance of creating and applying performance indicators to assess the State's use of tax dollars.

In my take, the Governor deserves a gold star for highlighting, right at the beginning, "one of the most underreported fiscal issues that we face", our unfunded state employee and teacher pension and health benefit liabilities. In 2017 those liabilities totaled over $4.5 billion, a staggering number for such a small state. Despite a conscientious effort by the Treasurer and some legislators, those liabilities have been increasing. Gov. Scott is asking for an extra $20 million above the Annual Required Contributions for this coming year.

The governor offered some small-change proposals with political appeal, but of very limited impact. Among these were exempting military pensions from the state income tax, and phasing out income tax on Social Security income for low and moderate-income households,

It's regrettable that the governor once again endorsed Gov. Shumlin's "90% renewable energy by 2050" goal. Why? Because the single minded pursuit of this unlegislated decree can only result in an increasing flood of subsidies, regulations, mandates, prohibitions, and taxes to enrich the renewable industrial complex for no detectable climate benefit, at the expense of everybody else. To his credit, he has steadfastly opposed any form of a carbon tax.

It would have been refreshing, albeit politically perilous, for the governor to announce a policy 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, for creation of new wealth and income, an inducement to his targeted recruits to return, and expanded tax revenues to enable the state to meet its fiscal obligations.

The governor did embrace one really good idea for coping with the problem of phosphorous-fueled algae-fouled waterways: "My administration is exploring how the State can help create a commercial enterprise that captures a large amount of Vermont's excess phosphorous and converts it to a wholesale or retail product." This could turn out to be a far more cost effective alternative to the traditional big government model of taxes, fines, subsidies, mandates, and closely-policed remediation efforts for the Lake Champlain basin.

Another proposal, however, was puzzling. He believes Vermont can become the "nation's leading manufacturer of battery storage technology". The nation's leading developer of that technology is a fifteen mega-partner consortium based at Argonne National Laboratory west of Chicago. Vermont has two small Eveready battery plants (St. Albans and Bennington) but the St. Louis-based company's technology center is in Ohio and its portable batteries are mostly made in China. Let's hope the Governor is on to something not yet disclosed to the public.

To cope with the projected seven percent ($75 million) shortfall in the property tax-financed Education Fund, the governor pointed to an 18-point menu of proposals released by his Secretary of Administration on January 18. The governor promised only to "discuss all options with civility and respect". Hopefully the legislature will resist his inclination to push Vermont further toward One Big School System, micromanaged by an all-powerful Board in the Capitol, offering what he describes as "the best Cradle-to-Career system in the nation."

As the media saw it, the most important feature of the governor's address was his urgent appeal for the state to spend $3.2 million on a new "personalized" program to persuade onetime Vermont residents and vacationers to return to the state, bringing their workforce skills and spending habits. This is based on the idea that if only these expatriates – and others who "share our values" – grasped the opportunities and benefits of living in Vermont, a significant number would return, buy homes, take or create jobs, enroll their kids in our underpopulated classrooms, use their dollars to buy electric vehicles and solar panels, and, of course, increase the state's tax collections. This proposal may encounter legislative skepticism among those who have their own ideas about how the $3.2 million could be more wisely spent.

- *John McClaughry is the founder and vice president of the Ethan Allen Institute*

Commentary: To Turn Around, You Have to Change Direction

By Rob Roper

We have some pretty serious issues facing our state: a shrinking workforce, a public school system that is hemorrhaging students while it vacuums money, and a structural state budget deficit, to name just a few. These problems are not new, and the policies our state government has enacted to address them have not worked. Vermonters are now among the most highly taxed people in the country, but what do we have to show for it?

Today we spend roughly $1.6 billion to educate 77,000 K through 12 students. That's well over $20,000 per child, more than almost every other state in the union and nearly twice the national average. This is more than twice the total we paid before Act 60 became law in 1997, despite serving 30,000 fewer kids in 2017.

Student outcomes are not improving, and, if anything, they are declining. In the latest round of standardized tests, only 48 percent of Vermont's students were learning enough to be considered proficient in their subjects. In every category in every grade but one, scores fell between 2016 and 2017.

This, despite programs mandating and expanding universal pre-K, "proficiency based" learning, and spending $31 million to incent school districts to consolidate in order to, no joke, save money. If nothing dramatically different is done in the next few weeks, we are looking at a 9 percent property tax increase.

Vermont has implemented many wealth redistribution programs to ostensibly help the poor. We have the most progressive income tax in the nation as well as the most progressive property tax system. Vermont spends more money per capita than all but just five other states. A single-parent family of three in Vermont receives Temporary Assistance for Needy Families (TANF) that is 51 percent higher than the national average. Roughly 35 percent of Vermonters receive some form of Medicaid. Our $10.50 state minimum wage is already in the top five highest in the country, and a 2013 study by the Cato Institute calculated a typical welfare benefit package family was worth $37,705, or the equivalent of a pre-tax wage of $42,350. This puts us in the top 10 "most generous" suppliers of welfare.

But despite all this, Vermont was the only state in 2016 to see a rise in the number of citizens living in poverty, according to the U.S. Census Bureau. According to the Vermont Foodbank, 83,630 Vermonters are "food insecure," including 24,530 children. The Public Assets Institute recently reported, "Income inequality is getting worse — most Vermonters are not sharing in economic growth."

Vermont is a wonderful place to live. But despite everything our state has to offer in terms of scenic landscapes, clean air, healthy and safe surroundings, etc., ours is one of only three states since 2010 to have actually lost population.

What is happening that fewer people want to live in the greatest place there is to live? Political historian Michael Barone most know, as the author of "The Almanac of American Politics," recently explained that this "can be chalked up to Woodstock-era migrants — Bernie Sanders, Howard Dean. They've liberalized the state's culture and politics, so with the state's high taxes and stringent environmental bans, no one is following."

Indeed, beyond the direct government forays into our paychecks, Green Mountain Power customers will see a 5 percent rate increase due to progressive, renewable energy policies, and the Green Mountain Care Board approved a 9 percent increase for Blue Cross Blue Shield health insurance, no thanks to a phalanx of progressive-minded health care laws — including the one that created the same Green Mountain Care Board supposedly to rein in costs!

So given the true challenges facing our state, it is a bit frustrating to see the Legislature immediately take up, of all things, the legalization of marijuana, passing the bill before even reading the study they ordered last year. After that, it's more items off the same menu of failed ideas. House and Senate leaders proclaimed their priorities will be to increase our already high minimum wage to $15 an hour, and to pass a government-run, government-mandated paid family leave insurance program that is so attractive on its own merits that proponents admit if people weren't forced to participate, no one would buy it.

Does anybody really think these measures are going to solve any of the serious problems facing Vermont? Rather than waste time trying to determine which next big government bell or whistle is the one that will finally cause the population tide to rise, why not figure out what it is you're already doing to scare people off. Then stop. If we want to turn our state around, that means by definition we will actually have to change direction.

- *Rob Roper is president of the Ethan Allen Institute.*

Events

April 26

The Ethan Allen Institute Turns 25!

Save this Date.

Look for details in the March EAI newsletter.

News & Views

Congratulations to National School Choice Week Vermont. Over two hundred school choice students and advocates made their case at the State House on January 24. Keynote speaker Leslie Hiner, lead attorney for EdChoice, summed up the issue neatly in the Cedar Creek Room. "We're celebrating every child in this room and their families, who have had the freedom to choose the school where their child fits in, where their child is comfortable, where their child is happy and where that child can learn to their maximum potential."

Nanny State Rising. The Vermont House is passing a series of nanny state initiatives. Frustratingly, bills such as the primary seat belt law and a VPIRG favorite banning appliances and other household items – everything from furnaces to shower heads -- that they deem "inefficient" passed on votes of 133-7 and 137-4. Who is standing up for liberty here?

United Van Lies! Well, that's a way too harsh, but it fit so perfectly!… Much huzzaing happened in the State House when United Van Lines released their survey of customers that showed Vermont as the number one state for inbound movers. This was touted as proof that Vermont doesn't really have a demographic crisis. Unfortunately, the UVL study only tracks UVL customers – not people who use do-it-yourself moving services such as U-Haul or people who toss their stuff in the back of their car and skedaddle. The Census, which shows Vermont as one of only three states to see an actual population decline is a more accurate tool. However, according to Michael Stoll of UVL in an interview on Common Sense Radio, their customers moving into Vermont were older and doing so largely because they were retired and/or wanted to be closer to family. Those moving out, however, were younger and did so largely for reasons connected to employment. In other words, they got a job, or a better job, somewhere else. This is not good news for a state that is trying to increase its labor force, build its tax base, and keep from having the oldest population in the nation.

A Relevant Insight for Vermont. "Democratic president of the state Senate, Steve Sweeney, said in November that New Jersey needs to 'hit the pause button' because 'we can't afford to lose thousands of people.' His next words could have come from a Republican: 'You know, 1% of the people in the state of New Jersey pay about 42% of its tax base. And you know, they can leave.'" (WSJ 1/2/18)

Trump Tax Cuts = VT Electric Rate Cuts. Green Mountain Power and Vermont Gas both are looking to lower bills for customers by $6 million and $2.4 million respectively thanks to federal tax law changes passed by Republicans that cut the corporate tax rate from 35 percent to 21 percent.

On the Other Hand…. Vermont's renewable energy policies are having "a tangible rate impact" on Vermont consumers, which has caused Green Mountain Power to request a 5 percent rate increase.

Useful Explanation: "Vermont could satisfy the "75% renewable electricity by 2032" mandate well before 2032, mainly from HydroQuebec. But strangely, the 2016 Comprehensive Energy Plan projects increasing wind energy and decreasing HQ energy consumption over the next six years, even though heavily subsidized wind electricity costs about 10 cents/kwhr, much more than unsubsidized hydroelectricity at about 7 cents/kwhr." – Willem Post (TNR 1/31/17) The game (of Act 56 of 2015) is to reduce the use of cheap renewable hydro electricity from Quebec, and fill the hole with expensive renewable wind and solar electricity, produced by our very own renewable-industrial complex.

The Sky Is Falling! (No, Not Really). Climate alarmists will tell you the seas are rising, catastrophic weather events are on the way, and scorched and barren landscape awaits us all… until saying so might cost them some money! Here's a funny story: "…the City of Oakland, which in its climate change lawsuit alleges that, by 2100, the community will face a '100-year flood...once a week[!]', a sea-level rise of 66 inches, and tens of billions of dollars in property damage. And yet in its municipal bond prospectus it offers the bland assurance that 'The City is unable to predict when...impacts of climate change or flooding...could occur...and, if any such events occur, whether they will have a material adverse effect..." (Town Hall, 1/20/18) Kinda calls into question the sincerity of their alarmism, doesn't it.

Electricity Storage: "The South Australian Tesla battery, which is paired with Neoen's Hornsdale wind farm, has a 100MW capacity – enough to power 30,000 homes for an hour in the event of a blackout." (*Guardian*1/11/18). There are 88,000 household units in

The Burlington metro area. This world record sized Tesla battery would, in case of a blackout, keep those households in power for 21 minutes. At what capital cost?

Health Care Rationing News. "The UK National Health Service has imposed an indefinite ban on non-urgent surgery for smokers and the obese". "Joy Hataley, an Ontario physician, says she was stunned when she referred one of her patients to a neurologist at Kingston General Hospital and was told it would be 4.5 years before the patient could get an appointment. She was told that if the wait was unacceptable, she could send the patient to a specialist in another city" [Like Buffalo]. (*Reason,* 2/18)

Latest Funding Appeal from McKibben's 350.org: "As the year comes to an end and I look back on 2017, I immediately remember the signs of a climate in crisis - fires raging, floods, hurricanes, friends diagnosed with Lyme disease,..." ("Maeve", for 350.org 12/28/17). Clearly we need to tax ourselves back to 1850, when none of these things happened.

In Case You Missed It. Time for Congress to End "Dues Skimming." "Medicaid is a program intended to help the sick, elderly, disabled and poor, but in Vermont, it is also being used to quietly pad politically friendly unions' bank accounts. Here and in just 10 other states, a practice — or scheme, according to the U.S. Supreme Court — known as "dues skimming... This is a policy clearly designed by politicians to enrich unions, which inevitably return the favor by using some of that money to support those same politicians come election time, at the expense patients, caregivers and taxpayers…." Read the whole article HERE.

George Will on Liberalism: [Reviewing David Goldfield's book "The Gifted Generation: When Government Was Good".] Goldfield, writes Will, "idealizes government as an umpire, a disinterested arbiter ensuing fair play. Has no liberal stumbled upon public choice theory, which demystifies politics, puncturing sentimentality abut politicians and government officials being more nobly and unselfishly motivated than lesser mortals? Has no liberal noticed that no government is ever neutral in society's allocation of wealth and opportunity? And that the bigger that government becomes, the more it is manipulated by those who are sufficiently confident, articulate and sophisticated to understand government's complexities, and wealthy enough to hire skillful agents to navigate those complexities on their behalf? This is why big government is invariably regressive, transferring wealth upward." (*Washington Post* 1/25/18)

Book of the Month

The Color of Law
A Forgotten History of How Our Government Segregated America
By Richard Rothstein
Liveright, 2017 (348 pages)

The Color of Law: A Forgotten History of How Our Government Segregated America by Richard Rothstein is a stunningly comprehensive work that challenges Americans of all ideologies- liberal and progressive, conservatives and libertarians- to dramatically rethink everything they thought they knew about institutional racism. "The core argument of this book is that African Americans were unconstitutionally denied the means and the right to integration in middle-class neighborhoods, and because this denial was state-sponsored, the nation is obligated to remedy it." Rothstein lays down a gauntlet of instances that show blacks being denied "the means and rights to integration." Unfortunately, Rothestein's "remedy," for the most part, involves extensive federal overreach into the lives of everyday citizens.

One of his most fascinating examples comes from the New Deal Era:

"To solve the inability of middle-class renters to purchase single-family homes for the first time, Congress and President Roosevelt created the the Federal Housing Administration …because the FHA's own appraisal included a whites-only requirement, racial segregation now became an official requirement of the federal mortgage insurance program…in 1941, a New Jersey real estate agent representing a new development…attempted to sell twelve properties to middle-class African Americans. All had good credit ratings, and were willing to use mortgages If the FHA would approve. But the agency stated that 'no loans will be given to colored developments'" (Ch. 4).

Before the New Deal, segregation was carried out on a state and local basis. When the federal government got involved, segregation became more widespread. Whites saw their chance at home-ownership increase dramatically, while blacks were left behind. Blacks who became dissatisfied with government bias in one state could no longer move to another state to escape state-sanctioned discrimination. Secondly, racially inclusive individuals such as the New Jersey real estate agent were coerced into discriminating against their black clientele.

Most of Rosenstein's suggested reforms follow the central planner's dream- expanding the role of the federal government into the lives of all Americans. A few of Rosenstein's solutions are certifiably naive: "the United States needs a full employment policy, minimum wages that return to their historic level and keep up with inflation (in order to help out low income black workers). This runs counter to the sage economic insight of Thomas Sowell: "Minorities, like young people, can also be priced out of jobs. In the United States, the last year in which the black unemployment rate was lower than the white unemployment rate — 1930 — was also the last year when there was no federal minimum wage law."

Even if Rosenstein's solutions to segregation are suspect, *The Color of Law's* documentation of segregation is a must-read for all Americans who hope to bridge the racial divide.

- *Reviewed by David Flemming, policy analyst for the Ethan Allen Institute.*

The Final Word

February Survey: Education Funding

Should Vermont move away from the current property tax based financing system for public schools, and adopt a progressive income tax based system?

Yes
No.

January Survey Results: "Per Parcel" Property Tax

Do you support a $1 per month "Per Parcel" supplementary property tax to help pay for Lake Champlain clean up? This tax would be placed on 360,000 Vermont properties, and raise $4.5 million of the estimated $50 million needed annually for the program.

Yes. 6.67% (9)
No. 93.33% (126)