

Ethan Allen Institute

Newsletter - January 2017 (Printer Edition)

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Ethan Allen Institute, PO Box 543, Montpelier, VT 05672

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Top Story: Vermonters Mobilizing to Save School Choice!

January 22 to 28 marks National School Choice Week. Here in Vermont a number of stakeholders and organizations, including the Ethan Allen Institute, are joining together to celebrate the event and, most importantly, to shine a spotlight on the threats to our own school choice options under Act 46.

Our main events will take place on Wednesday, January 25 in Montpelier at the Statehouse and at the Capitol Plaza. The day will feature speakers, interaction with legislators, and special activities for students centered around learning, democracy and action.

We are inviting all Vermont Independent Schools to participate in National School Choice Week and to make your presence felt in Montpelier on January 25, 2017. We encourage students, parents, and staff to come and represent your school – and to SAVE SCHOOL CHOICE IN VERMONT!

Win \$10,000 in Scholarship Prizes! Mannequin Challenge

What's unique about your Independent school? You tell us. The only catch is it has to be in the form of the Mannequin Challenge Format. You know how great your school is and what makes it special!

Every Vermont Independent School is eligible to submit a video for the challenge and the awards will be presented in Montpelier on January 25, 2017 to 4 winning schools. 1st place: \$5000.00, 2nd place: \$3000.00, Honorable

Mentions: 2 awards of \$1000.00. Scholarship awards are earmarked to help potential new students with financial needs to attend your school. Entries will be judged on creativity and merit on the theme of “Why Our School Is Unique!” Videos are due by January 23, 2017. (Complete contest rules will be provided when you sign up to participate.)

School Choice is a proud tradition in Vermont and an intricate part of the success of Independent Schools. Please contact us about participating with National School Choice Week and the Mannequin Challenge and having your school represented by parents, teachers and students for this very important day in Montpelier. A representative from the School Choice Committee can meet with designated staff/students in your school to help with planning and direction. Transportation and travel expense subsidies are available as well.

Please call Asher Crispe at 610-731-1504 / ashercrispe@gmail.com or Brad Ferland at 802-999-2633 / Bferland@together.net for more information and how to enter and participate.

Watch EAI’s weekly email updates for more information on events as we get closer to the big day.

Commentary: Hard Spending Choices for FY 2018

By John McClaughry

Two weeks from now new Governor Phil Scott will give his inaugural address to the legislature, and a week or so later they’ll receive his budget proposal for FY2018, which begins in July.

Gov. Scott campaigned on the attractive idea that “state budget spending will not grow faster than the economy or your wages.” Exactly what that means remains unclear. Is it General Fund spending, or that plus Transportation and Education Fund spending?

Does it also include Federal funds? And whose wages?

Keeping that promise requires overcoming the “Hungry Alligator”. This is the open-jawed gap between expected revenues and promised spending, as viewed on a multiyear graph. The Joint Fiscal Committee estimates that gap to be \$55-\$75 million for the General Fund. But as former Finance and Management Commissioner Tom Pelham has repeatedly pointed out, much, though not all, of that shortfall is based on requested increases from the previous year’s spending levels, that can be modified or rejected.

Some budget categories simply can’t be cut: interest on the state debt (\$71 million); the ironclad transfer of \$303 million to the Education Fund to hold down property taxes; and the annual required contributions to keep the liabilities of the state employees and teachers retirement plans from falling even further behind. The former is 70.9% funded; the latter 55.3%; the two plans’ total unfunded liability is now \$4.6 billion.

Another imperative is new money to combat the runoff pollution that afflicts the north end of Lake Champlain. Vermont is under an agreement with the EPA to come

through with \$67 million from somewhere.

The tendency of the legislature's liberal majority, of course, is to raise more revenue to meet the inexhaustible supply of desirable things to do with taxpayer dollars. Raising income tax rates or the sales tax rate won't fit with the Governor's idea of "affordability". He was boosted into office largely because of his firm promise to veto a carbon tax and any extension of the sales tax to services. No new revenues there.

The past three legislatures have raised taxes on a wide range of things, from soda to health insurance claims to home heating oil, but finally balked on Gov. Shumlin's proposed payroll tax increases to fund more health care experiments. They've pretty much squeezed out all that can be had from new revenue sources or higher tax rates.

Gov. Scott has promised a "pro growth pro jobs" economic policy that would increase revenues, plus serious efforts to "make government work better." Both are difficult, and both will take more time than the 2018 budget process can wait for. About the only immediate choice is to find ways to reduce or postpone spending.

A number of states – Texas, Michigan, Arkansas, Washington – have improved state finances and economies by a thoroughgoing performance review, managed by a dedicated and fearless commission not under the thumb of politicians. In fact, Vermont

Democrats proposed just such an effort in 2004, but their candidate didn't win the governor's race, and the liberal Democratic majorities in House and Senate had little interest in any such confining process. They would do well to put their proposal back on the agenda.

But even if everyone gets on board with that idea – far from likely - that can't happen between now and June. That will leave the budget writers with the painful task of shaving here, stretching out there, providing less, and trying to kick the fiscal can down the road. The trouble is, that after six years of galloping government, that can is now a lot bigger than the feet hoping to kick it.

In March 2015 the House Appropriations chair Mitzi Johnson put some sensible language into the 2016 bill. It called for:

- bending the rate of spending growth to bring the expenditure pressures in line with revenue growth to end the cycle of annual budget gaps;
- moving toward budgeting based on using less than 100 percent of forecasted revenue to build a reserve which can help offset the variability of revenues that comes with a progressive tax system and the risk of reliance on federal funds; and
- exploring a two-year budgeting cycle where the interim year will be such as to allow time to be spent focusing on program performance, results-based analysis, and evidenced-based program evaluation.

This is sound thinking. As the next Speaker, Johnson will have a great opportunity to take the lead in making this happen, although it will not come without pain.

Phil Scott has shown over the years that he can work with Democrats. This is one area in which they all really need to cooperate, beginning on Day One.

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

Commentary: First Steps Toward 700,000 Vermonters

By Rob Roper

During the gubernatorial campaign Phil Scott set a goal to expand Vermont's population from 625,000 to 700,000 over the next ten years or so. This is a pretty tall order (maybe unattainable), but the governor-elect's call does raise an important issue. Our state's population is stagnant, and if we want to be able to continue paying for government services we need to find a way to increase the number of citizens paying taxes into the treasury.

Here are three policies the Scott administration should push to start moving the population and tax receipt numbers in the right direction: end the death tax, expand school choice, and reform employment regulations to meet the needs of the 21st Century sharing economy.

End the Death Tax. One of the biggest reasons high-income people leave Vermont or decide against retiring here full time is our policy of taxing the estates of those who pass away. ([Kiplinger's](#) rated Vermont the worst state in the union for retirees in 2016.) The death tax is notoriously unreliable in terms of raising revenue – you never know who's going to die or when – and barring unusual windfalls due to poor financial planning, it doesn't usually bring in all that much money.

But for that, we forgo all the income tax revenue, sales tax revenue, rooms & meals, charitable contributions, etc. of citizens who currently spend six months and a day somewhere else because their estate planner tells them to. By eliminating the death tax, Vermont could make a much more compelling case to high income tax payers at or approaching retirement age to make Vermont their permanent residence. According to the [US Census](#), there are 43,106 second homes in Vermont (14.6% of the total number of households). That's a huge percentage. Convincing even a fraction of those folks to make Vermont their legal residency could have a positive impact on the governor-elect's goal.

Expand School Choice. Ending the death tax will attract an older, wealthier demographic, but Vermont needs young workers and young families. Since passage of Act 60 in 1997, Vermont has lost about 30,000 K-12 students and, presumably, their parents. However, as we have seen through all the backlash over Act 46, the 90-ish “school choice towns” that have existed in Vermont for the past century-and-a-half are a powerful attractor for parents of school age kids.

As the Bernier family of Elmore explained in testimony regarding the Elmore/Morrisville merger, they are a couple working in jobs that can be done from anywhere in the world. They moved from Rhode Island to Elmore in great part because the town offered school choice. Their story is not unique. In fact, after East Haven closed its public schools in 2011 due to declining enrolment and became a choice town, the number of students in the district nearly doubled in just three years from 11-20 at the elementary level and from 11-21 at the secondary levels. ([VPR, March 2, 2015](#))

Statewide school choice would create a powerful selling point Vermont could use to entice entrepreneurial, education-oriented parents to move into Vermont, bringing their kids, their jobs, and their economic energy with them.

Reform Employment Regulations to Fit “Sharing” Economy. Vermont needs to bring millennials into our workforce and keep them here. Millennials want flexibility. This is a generation used to a technologically driven world where near-infinite choices are a hassle-free fingertip away. They are more interested in finding work that fits their desired lifestyle as opposed to building a life around a desired job. This dynamic is a

perfect fit for an appeal based on Vermont's unique lifestyle brand – but we must raise the level of work opportunity, flexibility and creativity to that of skiing, hiking and mountain biking.

Vermont has a reputation for being a hard place to make a living. It only makes sense that we make it easy for recent graduates to, for example, ski during the day, work a part time job in the evenings, supplement their incomes driving for Uber, and rent out the spare room over the garage through Air BnB. It makes sense to allow start up companies to hire part time independent contractors to set up their tech infrastructure, help with short term marketing campaigns, handle accounting and other specialized work that does not require a full time, long term employee.

The myriad regulations standing in the way of this kind of economic flexibility for both employers and employees need to be scrapped, and Vermont should lead the way into the 21st Century with a clarion call for millennials to come help us do it.

Will these three initiative bring in 70,000 new full time residents? Maybe not. But they are first steps that will certainly get Vermont moving in the right direction.

- Rob Roper is president of the Ethan Allen Institute. He lives in Stowe.

Events

January 10. Rob Roper will be a guest on the Sound Off show with Linda Kirker, Cannel 15 (St. Albans), to give a preview of the key issues for 2017 legislative session.

January 12. EAI president Rob Roper will present "Election Policy: What Makes Sense Today?" to the Williston Rotary Club. If you would like this or another EAI presentation to come to your organization or community, contact rob@ethanallen.org.

News & Views

Carbon Tax Warriors Regrouping for a New Attack. Dan Barlow, executive director for Vermont Businesses for Social Responsibility, posted on Facebook this weekend, "Thank you to Vermont Natural Resources Council for inviting me to today's VECAN conference to talk about the economic benefits of carbon pricing." That's what they call a Carbon Tax. Barlow goes on to praise Senator Elect Chris Pearson, a Progressive from Burlington, who as a Rep. led the House Climate Caucus, which served as the launching pad for last session's Carbon Tax legislation. Pearson will certainly bring his zeal for implementing the tax to the Senate.

Personal Income Tax Revenues WAY Down in November. Personal Income taxes, the single most important revenue source for the state of Vermont, were down nearly 13 percent in November, dragging down what otherwise was

relatively good revenue results. ([Vermont Business Magazine, 12/8/16](#))

Vermont is Seriously Over Taxed. “Compared to our immediate neighbor to the east, we are an extremely highly taxed state. New Hampshire’s tax share of income is only 8.3 percent, fourth lowest in the nation. New Hampshire seems to me to be a pretty nice little state. Their schools are about as good as ours, their roads aren’t full of potholes and they get plowed in the winter. People I know who live there don’t complain about things — at least no more than Vermonters complain. If Vermont taxed at New Hampshire’s level, our taxes would be one billion dollars less than they actually are. That’s more than a lot.” – Dr. Art Woolf (Free Press, 12/8/16)

Budget Gap Woes Continue. The Vermont legislature and the new governor will return to Montpelier this month facing yet another budget gap, this one of an estimated \$55-75 million. These gaps have been a hallmark of the Shumlin years. Let’s hope the Scott Administration has the fiscal discipline – and the political capital – to end this trend.

The Vermont Health Connect System. The report evaluates the use of a commercial system, like h-centive, that runs the exchange in Massachusetts. Here’ the most telling line in the report: “For a state like Vermont, having a proud history of being an independent and progressive leader in health care services, a commercially packaged solution may not be immediately embraced.” Translation: We have to do things our way, with local staff, never mind if there’s a better, sustainable, and less expensive way available. The taxpayers can always cover our failures. – John McClaughry

Damage Done by Shumlin. “Whether it is the failure to address noise complaints from wind turbines that turbines that are causing sleep deprivation and health effects, or the permitting of solar projects on Class 2 wetlands next to Lake Champlain, or the state’s policies that have been enacted to support the construction of as many renewable projects as possible to benefit the industry while showing no respect for our communities who have no voice in the process and must pay to play at the Public Service Board with a 99% guarantee that their efforts will be a total waste of time and money, the harm done by Gov. Peter Shumlin and the legislature over the past six years will require good people to come together to restore our democracy.” – Annette Smith, Vermonters for a Clean Environment, December 2016

Save Our Independent Schools! “I have watched the rule changes proposed by the State Board evolve and change this summer and fall, and I come to one conclusion - if ever there was a solution looking for a problem, this is it. The State Board, in my opinion, has demonstrated limited understanding of how choice benefits all children and the role independent schools play or what makes these schools independent. Whether knowingly or unwittingly, this Board has allowed the Vermont School Board Association, Vermont Superintendent’s Association, Vermont NEA, and ACLU and their director’s agenda and intent into this conversation, which make no mistake, is the eventual destruction of school choice and independent schools in Vermont. There are many educational issues facing Vermont; the excellent education and opportunities offered by independent schools to all children isn’t one of them. Do the people of this area a favor and end this crusade against school choice and independent schools, and do the rest of Vermont a favor and work toward fixing what actually needs to be fixed. - Rep. Scott Beck (R-St.

Johnsbury) of the House Education Committee

Tuition Schools by the Numbers. “2,347 of 2,712 students utilizing public dollars attend Vermont independent schools that provide special education services. Of those 365 remaining students, at least 102 of them attend independent schools locally that, while not formally approved by the state, offer specialized instruction to students of all learning abilities.” - Daren Hauck, headmaster, Lyndon Institute (12/6/16)

If Vermont’s Such a Great Place to Live... “How many Vermonters will be ringing in the new year in a few days? We don’t know exactly, but the Census Bureau tells us that 624,594 people lived in Vermont on July 1, 2016. That’s down 1,500 from one year earlier and it’s the third year in a row that Vermont’s population has declined. Our 2016 population is also below the Census’s 2010 count. Only seven other states lost population in 2016 and only three others.... Last year nearly 3,000 more people left Vermont for other states than moved here. ([Art Woolf, 12/29/16](#)) This is a problem that needs to be addressed. Unfortunately the Vermont Left would rather allow the state to die than accept the fact that their policies are failing our citizens.

A Good Definition of “Tax Expenditure”. “To say repealing a tax ‘costs’ the government money is categorically untrue. They are not writing you a check from the treasury for money that wasn’t yours in the first place. They are simply not confiscating *your* money where they once were confiscating *your* money.” – Jim Jamitis, [Class Warfare Looms As New Congress Targets The Death Tax](#)

How Much Failure Does It Take? “What is it about communism and socialism that American Democrats love so much. People risk their lives to float away from Cuba on jury rigged rafts. Venezuela can’t afford toilet paper, or much else. And China is a polluted wasteland. You have to wonder about the sanity of people who fantasize about that kind of life.” – Jim Jamatis, 12-21-16

Other States’ Anti-Gun Policies Are Opportunity For Vermont, If.... “Magpul Industries pulled up stakes and left Colorado after Democrat lawmakers instituted a ban on the sale of ammunition magazines holding more than 15 rounds. The ban was passed in March 2013, and in January 2014, Magpul announced it would be moving production from Colorado to Wyoming. That meant an immediate annual revenue loss of \$85 million for the state of Colorado—a loss that became Wyoming’s gain....” ([Breitbart, 12/29/16](#)) Gun friendly Vermont has the same opportunity for economic gain given policies in CT, MA, and NY, but only if our legislature makes the right policy decisions moving forward and makes the proper overtures.

Thomas Jefferson’s Advice for Facebook? “I never considered a difference of opinion in politics, in religion, in philosophy, as cause for withdrawing from a friend.” - Thomas Jefferson to William Hamilton, April 22, 1800

What Comes Next?

How Private Givers Can Rescue America in an Era of Political Frustration

By Karl Zinsmeister

<https://www.amazon.com/What-Comes-Next-Karl-Zinsmeister/dp/0986147486>

For generations, ordinary Americans willing to act directly and cooperate with their neighbors have achieved great and noble things, as the Philanthropy Roundtable's new publication *What Comes Next?* explains in fascinating detail. Each of the four movements used as case histories in the book started with the view that "We are not helpless subjects! We don't need to wait for governments to define and order our lives! We can band together, conceive a better way, marshal our talents and resources, and produce positive change." This volume – and *The Almanac of American Philanthropy*, with which it should be read in parallel – makes it very evident that this kind of voluntary action for beneficial purposes remains powerfully alive in America today.

The greatest danger we face is the same one recognized as a threat by Tocqueville – a suffocating, paternal government that "covers the whole of social life with a network of petty, complicated rules that are both minute and uniform.... It does not break men's will, but softens, bends, and guides it; it seldom enjoins, but often inhibits, action; it does not destroy anything, but prevents much being born; it is not at all tyrannical, but it hinders, restrains, enervates, stifles, and stultifies so much that in the end each nation is no more than a flock of timid and hardworking animals with the government as its shepherd."

There is no headquarters or active network for protecting and promoting grassroots action. So an ever-advancing tide of government intrudes on what ought to be the province of thousands of civil institutions. Will centralized control creep ever further into our communities? Or can citizens reverse the diminution of their liberties and strengthen our civil society?

- Review by John McClaughry, vice president of the Ethan Allen Institute. These comments first appeared in the January 2017 issue of Philanthropy magazine.

The Final Word

January Survey

Should the new Legislature embark on a \$850 million expansion of Vermont's taxpayer subsidized Pre-Kindergarten (Birth through 5) program?

*Yes, our public school system will invest the money effectively and efficiently.
No, property taxpayers can't afford this.*

December Survey Results

Should the governor/legislature place a moratorium on industrial wind development in

Vermont? <https://www.surveymonkey.com/r/B2295WL>

Yes. 86.67%

No. 11.11%

Don't Know. 2.22%