

# Ethan Allen Institute

Newsletter – January 2018 (Printer Edition)

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## Top Stories

### A Quick Preview of the 2018 Legislative Session

Last year at this time, Governor Scott drew a line in the sand with the legislature saying that he would not sign any new taxes or fees into law. Ultimately, the legislature blinked and went along. The big question for this year is, again, who's going to blink?

So far, the posturing by the legislative leaders in the majority is that they do not intend to go so gently this time. They have proposed a Carbon Tax (The ESSEX Plan), a "per parcel" supplemental property tax to pay for Lake Champlain Clean Up, a payroll tax to cover a Paid Family Leave program, and a \$15 minimum wage, which is in effect a massive tax on labor. Additional pressure for new revenue will come from the state's structural budget deficit of about \$45 million, as well as tax and budget changes at the federal level, such as the roll back of state and local tax (SALT) deductions and potentially reduced spending on things like Medicaid and environmental projects.

Then, of course, there is the looming 9 cent property tax rate increase that Act 60/68 has made it difficult for Montpelier to deal with, and Act 46 "reform" has not done much to help.

In other words, Vermont needs to raise a whole lot of money to maintain the status quo, but we are already spending at the maximum tax capacity our economy can handle. As Margaret Thatcher pointed out so eloquently, the problem with socialism is you eventually run out of other people's money.

The best thing that could happen here would be that the legislature and the governor could agree that Vermont's "business plan" of implementing high, progressive taxes to pay for lots of generous social services has failed and is unsustainable. "No new taxes and fees" is a better option than "tax more and spend even more!" But both of these approaches are status quo driven. What Vermont really needs is a complete re-think of what our government can and should be doing followed by a creative overhaul of how it gets done.

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2018 marks the 25th anniversary of the Ethan Allen Institute. We couldn't have lasted this long or come this far without a large family of like-minded, freedom-oriented Vermonters such as yourself. We are so grateful for your generous support. Thank you.

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## Saying Farewell to the Vermont Transparency Project

*By John McClaughry & Rob Roper*

Eight years ago the Ethan Allen Institute teamed up with the Public Assets Institute to form a one-of-a-kind, ideologically balanced window into how we pay for state government: The Vermont Transparency Project (VTP). VTP provided a unique example of collaboration by two almost diametrically opposed public policy organizations, which worked cooperatively to put the fiscal facts before the citizenry as a basis for informed public debate. It is with pride and a little sadness that we report that VTP is coming to a close.

We are not only proud of the information put out by the VTP and its influence on opening up and shining light onto some critical aspects of state government, but also the example it set for how people with different perspectives can find common ground, mutual respect, and work together for the public good.

The Vermont Transparency Project successfully designed and created a useful web site with a wide range of searchable, reliable government fiscal data and useful guidance for the media, citizens and legislators. This led to the creation of a successor site used by state government to present much of the information originally contained in the Project's site, stimulating state government to overcome a lethargy problem in making its information readily available to citizens.

The Ethan Allen Institute and The Public Assets Institute decided this fall to close up the VTP website for a couple of reasons. One, as state government increasingly takes on the responsibility of posting this information itself, the role of VTP was becoming less necessary. This planned obsolescence is a good thing. The second and more conclusive reason is that the project was unable to muster adequate funding to maintain and update the site to the degree we deemed acceptable.

Moving forward, all the archived data collected by the Vermont Transparency Project will be transferred to the Scott Administration and the state archives where it will remain available for public use.

EAI's then-President John McClaughry, who co-chaired the Vermont Transparency Project with PAI's Paul Cillo, said "We all agree that the Project resulted in a state government much more attentive to its responsibility to put important information within the reach of legislators, media, and citizens."

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## Commentary: A Global Renewable Energy Power Play

*By John McClaughry*

Here's an interesting insight into the arcane world of global renewable energy politics, based on the October 30 column in *Forbes* by widely-read energy blogger Rod Adams.

Last week the annual "Conference of Parties" (COP23), the consultative body for the United Nations Framework Convention for Climate Change, convened in Bonn, Germany. For the past eight years a business-oriented Sustainable Innovation Forum (SIF) has been held alongside the COP, cosponsored by the U.S.-led advocacy group Climate Action and the UN Environment Program (UNEP).

This year Forum accepted the World Nuclear Association as a Gold Sponsor. But then UNEP demanded that the Forum reject any participation by the nuclear trade association. Its spokesman said "we prioritise the renewables revolution, such as wind and solar energy...Our work on the nuclear sector is limited." It's limited all right – to zero.

Adams reports that among the gold-level sponsors that SIF accepted were BMW and Toyota, whose profits come from fossil fuel burning engines, and Orsted, a utility that operates coal-fired power stations. Why did UNEP not veto those? The answer seems to be that the auto manufacturers and utility acknowledge that their use of petroleum and coal is destroying the planet – UNEP's mantra – and they're seeking absolution for their guilt. And nuclear? The nuclear industry is proud that it emits virtually no carbon dioxide – no guilt, and no absolution needed.

Beneath this theological level, UNEP (along with the American climate change organizations) is passionately anti-nuclear. Why? Because the prospect of clean, safe, cheap 21st century nuclear electricity not only threatens to displace coal and petroleum, which is fine with the activists, but it also threatens to put an end to the subsidy-driven wind and solar carnival, which is not.

Adams quotes Kirsty Gogan, global director of Energy for Humanity, as saying "by blocking nuclear from the conversation, and insisting on a conditional, renewables-only, response to climate change, UNEP have displayed a dangerous ideological agenda that undermines its own credibility."

But there are some climate change warriors who urge greater reliance on nuclear power. The most prominent is renowned climatologist Dr. James Hansen, the now-retired head of NASA's Goddard Institute for Space Studies. He is the man who made "global warming", later rechristened "climate change", a global issue, in his 1988 testimony before a Senate Committee including his soon-to-be most ardent disciple, Al Gore.

Hansen is so passionate a believer in fossil-fuel-caused climate change that he has been arrested in protests against mountaintop coal mining and the Keystone pipeline. But he understands that attempting to maintain an acceptable level of civilization by relying on activist-approved renewables is, to use his term, "crazy".

In 2013 Hansen co-authored an open letter to policy makers, which stated that "continued opposition to nuclear power threatens humanity's ability to avoid dangerous

climate change.” In a Scientific American report (12/4/15) Hansen said “Nuclear, especially next-generation nuclear, has tremendous potential to be part of the solution to climate change .The dangers of fossil fuels are staring us in the face. So for us to say we won’t use all the tools [such as nuclear energy] to solve the problem is crazy.”

Seven years prior to that, on a website titled “Tell the Truth to Obama”, Hansen said “The [\$25 billion Federal nuclear waste disposal] fund should be used to develop fast reactors that eat nuclear waste and thorium reactors to prevent the creation of new long-lived nuclear waste... Accelerated development of fast and thorium reactors will allow the US to fulfill its obligations to dispose of the nuclear waste, and open up a source of carbon-free energy that can last centuries, even millennia.”

Here are three takeaways:

First, intermittent, diffuse, and non-dispatchable wind and solar electricity can be valuable in certain remote locations, and even for homesteads, but it simply can’t be relied upon to power a modern electric grid – and in fact, it’s already causing serious grid stability problems. Nuclear stations deliver steady, safe, reliable dispatchable baseload power to the grid, accompanied by almost no greenhouse gas emissions (mainly from trucks and equipment used in mining uranium ore.)

Second, we are long overdue to knock down the daunting regulatory barriers to licensing and building the Generation 4 nuclear plants that James Hansen urgently recommends.

Third, climate change activists who irrationally oppose even the discussion of anything nuclear deserve to be disregarded.

In addition, the Trump administration should reduce the U.S. contribution to the UN Environment Program, and let the renewable-industrial complex pick up the slack.

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

## Commentary: Time For Congress To End “Dues Skimming”

*By Rob Roper*

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” is taking place. Dues skimming, in total, costs Medicaid an estimated \$200 million each year. In Vermont, there are an estimated 7,500 caregivers, many of whom are unaware that they are paying dues or fees to a union, nor do they see any meaningful benefit.

The way dues skimming works is this.... In 2013 the Vermont legislature passed and Governor Shumlin signed into law Act 48, which allowed home healthcare providers to form a union. The argument used here was a stretch: that since Medicaid is public money, caregivers who receive payment from the program are de facto government employees. The resulting union (Vermont Homecare Providers/AFSCME) got the

exclusive right to collectively bargain with the state on behalf of all home healthcare providers, union members or not, over a number of issues, including subsidy rates.

But, in many cases these workers are actually just family members of the people they are caring for. The idea that a mother would be pressured into paying union dues for the privilege of looking after her disabled child, or that a union would be able to improve the working conditions of a mother caring for a child in her own home, would strike most people as absurd, but this is how dues skimming works.

Under this arrangement, union members are charged dues, but before the Supreme Court put a stop to it, non-union members were also on the hook for “agency fees” of up to 85% of the member dues. And here’s the catch: even after the Supreme Court put an end to the forced dues, the state still collects dues on behalf of the union, paying it directly out of Medicaid funds.

Oftentimes the home-care provider never sees the money, and in many cases is unaware that their wages are being reduced (hence the term “skimming”), or that they even have a relationship with the union to begin with. In this way, the government is siphoning money from Medicaid checks into union accounts before those funds ever reach the patient and caregiver, and often without providing much in return.

In 2014, mom Pamela Harris sued the SEIU for forcing her to pay dues as a condition of caring for her disabled son Josh, and the U.S. Supreme Court ruled in her favor, saying in-home caregivers can no longer be forced to pay union dues.

Unfortunately, unions have come up with complicated rules to keep caregivers in the dark about their rights and make it difficult for them to drop membership if they so choose.

In Washington State, for example, union dues are automatically deducted from workers’ Medicaid checks, putting the onus on the individual to first realize this is happening, then pursue the union to stop the withdrawal. Caregivers who belong to SEIU 503 in Oregon may only drop membership during a brief, arbitrary window that’s unique to each member. In California, caregivers are forced to watch a union pitch just to be allowed to look after a loved one who receives Medicaid.

So, in effect, little has changed and in-home caregivers are regularly forced into unions they don’t wish to associate with.

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. It’s time for this to end and for Congress and the U.S. Department of Health and Human Services to stand up for Medicaid, its patients, and caregivers, and get out of the business of collecting dues on behalf of labor unions.

By simply clarifying administrative rules, HHS could ensure Medicaid dollars are spent where they are needed — on caring for those in need. Congress could also prevent Medicaid funds from being wrongfully diverted to unions. Both solutions would free up more money for patients who deserve the best care possible, while allowing caregivers to spend their time where it’s needed — on serving their loved ones, not fighting unions. And, those caregivers who do wish to belong to a union would still be able to do so — they could pay their dues on their own but not be forced to have those fees skimmed from their Medicaid checks.

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

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## Events

**January 8.** *The Carbon Tax in 2018.* EAI President, Rob Roper will give a presentation on where Carbon Tax legislation and the movement to pass a Carbon Tax in Vermont stands as we head into the new session. This event is sponsored by Addison County Republicans. Details TBD. If you would like to bring this or another EAI presentation to your community, contact Rob Roper at [rob@ethanallen.org](mailto:rob@ethanallen.org).

**January 24.** Vermont National School Choice Week. Mark your calendar for a day of action in Montpelier. Details to follow.

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## News & Views

**On Federal Tax Reform.** “Vermont Tax Commissioner Kaj Samsom said he expects that on average, people in the state will see a lower federal tax bill. “Most Vermonters are going to be paying less in federal income taxes — you know, being very general,” Samsom said.” – [VT Digger, 12/20/17](#). Good!

**We’re Raising Property Taxes by \$31 Million To Reduce Property Taxes.** Yes, Act 46 is this stupid. A [Joint Fiscal Office study](#) found that the state will pay out almost \$31 million in “incentives” to school districts that merged under Act 46. Where does that money come from? Increased property taxes. What was the ostensible purpose of Act 46? To lower school spending and therefore property taxes. Who was it that said the big con of government is to take people’s money, give some of it back, and leave them thinking they got a deal?

**Forbes Ranks Vermont 48<sup>th</sup> for Business Climate.** According to the business magazine, only Alaska and West Virginia project a more dismal future than we do. Among the categories that make up the overall ranking, Vermont ranked 47th for business costs, 44th in regulatory environment, 44th in economic climate, and, most worrisome, 49th in growth prospects. The “bright spots” for our state were middling scores in labor supply (28th) and quality of life (23rd). The report also notes that the cost of doing business in Vermont is 12 percent above the national average, our job growth rate for 2017 was just 0.9 percent, and our net migration in 2016 was negative 1900.

**Wealth Flight From High Tax States.** The [Wall Street Journal](#) recently looked at IRS data and noticed “an accelerating flight from high-tax states.” The editors conclude, “The liberal tax model is to fleece the rich to finance spending on entitlements and government programs that invariably grow faster than the economy and revenues. IRS data on tax

migration show this model is now breaking down in progressive states as the affluent run for cover and the middle class is left paying the bills.” Though the editorial focused on larger states, such as Illinois, New Jersey and Connecticut, Vermont lawmakers should take warning. This is you.

**Lessons From New Hampshire.** In 2015, the New Hampshire legislature started cutting taxes on businesses. When the cuts are fully implemented, the Business Profits Tax will be reduced by nearly 12 percent, and the Business Enterprise Tax by 33 percent. When these tax cuts passed, the Union Leader reports, “State House Democrats warned that shaving the state’s high tax rates slightly would ‘blow a hole in the budget.’” Nope: “According to the Department of Administrative Services’s monthly revenue report, general and education fund revenues were \$5.5 million ahead of the budget plan adopted earlier this year *thanks to the state’s two main business taxes generating more revenue than anticipated.*” [Emphasis added]. Are you paying attention, VT legislators? Lower tax rates = more economic activity = more state revenue. ([Union Leader, 12/8/17](#))

**Success Will Not Be Tolerated!** The Green Mountain Care Board sent a letter of reprimand to Copley Hospital in Morrisville for “doing too many surgeries and making too much money,” as the result of becoming more efficient and building a solid reputation for quality care that is attracting patients. If Copley continues to be efficient and successful, a fine of up to \$100,000 could be levied. Better start rationing out mediocre care! That’s the Vermont way. (Source: [BFP, 12/15/17](#))

**It’s About Work Ethic (Or Lack Thereof).** At a legislative panel discussion in Manchester, VT, Michael Hall, Manchester’s chief of police, raised an issue he witnesses in his job every day: “It’s not that the business people can’t hire people because they’re not around. It’s because so many (able-bodied) people are on state subsidies and social welfare, and they are bleeding our system dry.... I challenge you: Drive around Rutland or Bennington at 10 a.m. or 4 p.m. ... and look at all the able-bodied young men and women just loafing around town. You (politicians) have made it too comfortable for these folks to not want to go out and get a job. A lot of people don’t want to hear this, but it’s the truth. ... And when was the last time you heard of anyone in Vermont being charged for welfare fraud? Think about that.” (True North Reports)

**Carbon Tax Threat:** Chet Greenwood, manager of the two Ethan Allen furniture plants in Vermont, assessed the economy’s future at an annual NEK Chamber meeting December 14. “He was concerned by the possibility that the Vermont legislature may enact a carbon tax, which could have a direct impact on the profitability of the Vermont locations he oversees. He estimated a carbon tax would cost \$80,000 to \$90,000 in additional expenses for his facilities. ‘That has got to be absorbed and some of those decisions aren’t made locally. Somebody is looking at that cost.’” (Caledonian Record 12/15/17).

**The Efficient Fleecing Of Rate Payers.** In February, the fee Vermonters pay on their electrical bills that funds Efficiency Vermont will rise 1 percent. The reason, “State officials estimated Vermont residences would use more electricity in 2017 than they actually did when they calculated the 2017 efficiency charge.” ([VT Digger, 12/1/17](#)) The purpose of Efficiency Vermont is to help Vermonters use electricity, but when we do,

they stick us for a higher bill. That's efficient – for them. How about lowering our electric rates by \$50 million a year by eliminating Efficiency Vermont?

**Vermont Is The Least Free State In NE.** The Fraser Institute in British Columbia has published its 13<sup>th</sup> report on Economic Freedom in North America ([www.fraserinstitute.org](http://www.fraserinstitute.org)). It compares many indices of economic freedom for the U.S., Canada, and Mexico, and among the subnational states and provinces. (Spoiler alert) The most economically free state or province: New Hampshire (1). The least free state in New England: Vermont (43<sup>rd</sup> - tie). Vermont's ranking is the lowest since the calculation began in 1999. The least free states in the US: CA (49th) and NY (50th).

**Repealing the Obamacare Individual Mandate:** “It is a tax on you if you refuse to buy Obamacare insurance and it's 700 bucks for an individual but goes up and it's \$2,000, \$2,400 for a family of four. It is a big number, three million people get hit by it. 80% of them earn less than \$50,000 a year. This is a tax on the low income people that the *Washington Post* loves. All of the left of center structures, newspapers, magazines, and pundits who like to say that is a bill to help rich people, [but] they most want to keep the tax on low income people who don't want to buy Obamacare.” – Grover Norquist, ATR (*Reason* interview 12/13/17).

**We Warned You:** “As a master stroke [to combat global warming], the legislature could outlaw dairy and beef farming, since the UN Food and Agriculture Organization now says that 18 percent of the human-caused greenhouse effect is produced by cattle. We concerned Vermonters can't let agriculture stand in the way when the planet's health is at stake! (John McLaughry commentary 2/20/2007) “The global levy that may be next is meat. Some investors are betting governments around the world will find a way to start taxing meat production as they aim to improve public health and hit emissions targets set in the Paris Climate Agreement.” —Bloomberg News (12/13/17)

**Campaigning for Clean Air: Strategies for Pro-Nuclear Advocacy:** Our own Meredith Angwin's acclaimed book on her experiences defending clean electricity against the anti-nuclear activists in Vermont is now available on Amazon as an audio book. <https://www.amazon.com/Campaigning-Clean-Air-Strategies-Pro-Nuclear/>

**Hamilton on Taxation:** “If duties are too high, they lessen the consumption; the collection is eluded; and the product to the treasury is not so great as when they are confined within proper and moderate bounds. This forms a complete barrier against any material oppression of the citizens by taxes of this class, and is itself a natural limitation of the power of imposing them.” —Alexander Hamilton (1787)

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## Book of the Month

### **Hillbilly Elegy**

*A Memoir of a Family and Culture in Crisis*

By J.D. Vance

Harper, 2016 (278 pages)

<https://www.amazon.com/Hillbilly-Elegy-Memoir-Family-Culture/dp/0062300547>

*Hillbilly Elegy* was recommended to me as a window into understanding why Donald Trump was able to flip Rust Belt, white, blue collar voters from Democrat to Republican in the last election. J.D. Vance certainly provides a lot of insight into this phenomenon as he chronicles his tale of growing up in a poor, dysfunctional, Appalachian family riddled with substance abuse, teen pregnancies, physical and emotional violence, and a lack of stable role models.

From a statistical standpoint Vance notes the new economic reality that many in his demographic group are trying to reverse: “rising residential segregation. The number of working class whites in high-poverty neighborhoods is growing. In 1970, 25 percent of white children lived in a neighborhood with poverty rates above 10 percent. In 2000, that number was 40 percent.” But, from a personal perspective, his story about working as a teenager as a check out clerk in the local grocery store sums things up more viscerally.

*“I also learned how people gamed the welfare system. They’d buy two dozen-packs of soda with food stamps and then sell them at a discount for cash. They’d ring up their orders separately, buying food with food stamps, and beer, wine, and cigarettes with cash. They’d regularly go through the check out line speaking on their cell phones. I never could never understand why our lives felt like a struggle while those living off the government largess enjoyed trinkets I only dreamed about.... [O]ur drug addict neighbor would buy T-bone steaks, which I was too poor to buy for myself but was forced by Uncle Sam to buy for someone else.”*

This is why, in a nutshell, working class whites have left the Democratic Party. Or, as Vance quotes a neighbor, “They’re laughin’ at our society! And we’re all hard-workin’ people and we’re getting’ laughed at for workin’ every day!”

However, the book, overall, is less concerned about party politics and government policy than it is about the importance of family and the role of the family as the cornerstone of a happy, successful, productive life. As Vance’s story illustrates, even a family consisting of a crazy, hillbilly, chain-smoking grandmother, a teenage sister thrust into adulthood far too early, and cast of relatives running the gamut from eccentric to criminal provides a better (if certainly not ideal) foundation for life than any government program.

Vance is careful to say that he doesn’t have all the answers what’s ailing his community, but the sub-title’s reference to “a culture in crisis,” hammers home the problem. As Vance points out about his school, “Students don’t expect much from themselves because the people around them don’t do very much.” There is no work ethic. In fact, he opens his story with an anecdote about a co-worker at a good paying tile installation job he did one summer:

*“One guy... joined the warehouse just a few months before I did. Bob was nineteen with a pregnant girlfriend. The manager kindly offered the girlfriend a clerical position answering phones. Both were terrible workers. The girlfriend missed about every third day of work and never gave advanced notice... Bob missed work about once a week, and he was chronically late. On top of that, he*

*often took three or four daily bathroom breaks, each over half an hour....  
Eventually, Bob was fired. When it happened, he lashed out at his manager:  
“How could you do this to me?”*

Too many young men, laments Vance, are immune to hard work. “There’s a lack of agency here – a feeling that you have little control over your life and a willingness to blame everyone but yourself.” This is, of course, not true. It’s an attitude that fosters self-fulfilling prophecy.

Hillbilly Elegy hopes to break that cycle by demonstrating that people can control their own destiny, and that the resources for success do exist even in the most dire of familial and community circumstances. Vance found stability through his grandmother, discipline through the Marines, opportunity through college, and managed to graduate from Yale Law School. His story is an inspirational one.

- Reviewed by Rob Roper, president of the Ethan Allen Institute.

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## The Final Word

### January Survey: “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.

No.

<https://www.surveymonkey.com/r/5PQTD6N>

### December Survey Results: ESSEX Carbon Tax Proposal

Do you support the new “ESSEX” Carbon Tax proposal? This would ultimately be a \$240 million tax on gasoline (32¢/gal), heating oil and diesel fuel (though not dyed diesel) (40¢/gal), and natural gas and propane (24¢/gal). Fifty percent of this revenue would be used to subsidize Vermont’s electric utilities for the purpose of lowering electric rates, and the other half would be redistributed to low-income and rural Vermonters via a rebate scheme.

Yes. 3.69% (13)

No. 95.75% (337)

I don’t know. 0.57% (2)