

Ethan Allen Institute

Newsletter - June 2015 (Printer Edition)

Commentary: The Governor's "Productive" Legislative Session

By John McClaughry

Gov. Peter Shumlin proclaimed this year's legislative session to be "one of the most productive sessions that I can remember." To others that appears as a new frontier in spin, possibly coupled with a bit of amnesia. Let's review the report card. Going into the session in January, the state's General Fund for 2016 faced a projected \$113 million deficit. The legislature cut \$53 million out of the governor's budget request. This was hailed as a new era of public frugality.

But as former Finance and Management Commissioner Tom Pelham has repeatedly pointed out, most of that \$53 million represents cuts from the Governor's wish list – not actual cuts from 2015 spending levels.

When asked about actual cuts, the chair of the Senate Appropriations Committee pointed to a reduction in state funding for Vermont Public Television, from \$553,000 this year to \$271,000 next year. That's an actual cut of \$282,000, representing two hundredths of one percent of the \$1.469 billion budget.

All in all, the General Fund spending that increased 1.8% for this year is slated to increase by 4.1% for the coming year. The most recent revenue forecast for that coming year projects an increase of 2.4% to cover a 4.1% increase in spending. Coupled with an expected reduction in the Federal Medicaid matching percentage, next year's session will face another \$50-70 million deficit. The Governor says he is "thrilled" with the session's results, but "appalled" – or at the very least "nervous" – might be more defensible.

The governor's greatest disappointment, he says, was the refusal of the legislature to create a new Vermont payroll tax of seven tenths of a percent (to begin with). He promoted the expected take – \$90 million – as reducing the notorious Medicaid payment shortfall. A significant slice of it, however, was to be awarded to the Green Mountain Care Board to enable it to convert the governor's failed dream of "single payer" health care into "all payer" health care. The difference in the end results of the two plans appears microscopic.

The legislature was certainly "productive" in finding new things to tax. It will suck in another \$34.6 million from putting the sales tax on soda, taking away deductions for state and local taxes paid, capping deductions (other than charitable and medical) at 2.5 times the federal standard deduction, slapping a new income surtax on returns with AGI above \$150,000, and of course adding another 33 cents a pack on cigarettes.

These tax hikes pale compared to what's likely to appear next year: extending the sales tax to dozens of everyday services, and imposing a carbon tax to defeat what VPIRG describes as "climate-related superstorms and extreme weather events". VPIRG currently says its carbon tax will be "largely" revenue neutral, but it is in fact designed to divert up to \$70 million a year (by 2030) into ever more VPIRG-favored renewable

energy subsidies.

The legislative leaders promised to act on mandatory paid sick leave in 2016. Democrats voted down Republican amendments to let businesses escape the clutches of the failed Vermont Health Connect. Neither action promises to make Vermont more attractive to business and job growth.

The legislature passed a sweeping energy subsidy bill called “RESET”, that the governor hailed as favoring “green, clean, renewable power.” He might have acknowledged, but didn’t, that requiring Vermont utilities to buy 55% of their power from “green, clean, renewable” sources (versus 40% today, mostly from HydroQuebec) is a marvelous windfall for wind and solar producers, who can’t sell their high-cost power without huge subsidies mandated from taxpayers and ratepayers.

Responding to taxpayer outrage against rising school property tax bills, the legislature raised the rate only for non-residential properties, after five years of annual raises in both homestead and non-residential rates. Then it decreed, for the first time in the state’s history, that overall public education spending must be limited to two percent growth. This will remain in force for two years, while the legislature tries to think up something else.

The Democratic legislature enthusiastically ignored the only effective way of flattening out public school spending – deregulating public schools and making them compete with independent schools for customers. The teacher’s union and public school educrats are terrified at the specter of giving up their comfortable monopoly and having to compete.

This was a “productive” General Fund budget year only if one describes keeping increasingly unaffordable big government afloat for one more year as “productive”.

A more hard-headed assessment would be that the legislature produced a hopefully balanced budget without cutting the Education Fund transfer (\$303 million) or raiding the budget stabilization funds. It went on another modest tax raising spree, pushed through more economy-choking mandates, assured higher electric rates, centralized power over public schools in the State, and set the stage for another tax and spending onslaught in 2016.

- John McClaughry is vice president of the Ethan Allen Institute (www.ethanallen.org).

Commentary: Bernie Begg the Question . . .

By Rob Roper

Love him or hate him, one has to concede that Bernie Sanders has had a tremendous impact on the political direction of Vermont over the past quarter century plus. His influence has reverberated throughout the Green Mountains and in our State House. He has had spawned many acolytes in the activist community and in the halls of power.

Over his political career, Sanders has been remarkably consistent with his democratic/socialist, populist message, which he now wants to bring to the national stage in a run for president. A major theme for “Bernie 2016” will be the consequences of rising income inequality. This begs the question, what has Bernie Sanders done for income inequality here in Vermont? What does his long legacy of helping the little guy

by taking on big corporations and “the rich” in his home state really look like?

Two studies shed some light on the answer.

New England Has the Highest Increase in Income Disparity in the Nation (2007) by Ross Gittell and Jason Rudokas of the Carsey Institute of the University of New Hampshire states that since 1992, two years after Sanders was first elected to congress,

Three states in the region—Connecticut, Vermont and Massachusetts—ranked among the top five in income disparity increases. Over the last 15 years [1992-2007],... Vermont went from being a low income-disparity state to a median disparity state.

Not good! A more recent study (2014), The Demography of Inequality in the United States, by Mark Mather and Beth Jarosz, concludes:

...since 1999, Illinois, Indiana, Montana, North Dakota, **Vermont**, and

Wisconsin **experienced the largest increases in inequality**. [Emphasis added]

Also not good! In other words, since Bernie Sanders became a political force, spreading his unique brand of politics across Vermont, income inequality in our state has gone from an insignificant problem to one of the most striking examples of the phenomenon in the nation. That is the record.

Some might try to argue that these are state issues and Sanders is a national politician. However, Sanders’ real influence has been far greater in Montpelier than in Washington D.C.

Though he does not call himself a Progressive, Sanders gave rise to the Progressive Party in Vermont when he ran for Burlington Mayor in 1981. The Progressives became an official, major political party in 1999. Today’s Progressive Senate Caucus Leader, Anthony Pollina (P-Washington), was Sanders’ policy advisor from 1991-1996, and the House Progressive Caucus Leader, Chris Pearson (P-Burlington), also got his start on Sanders’ political team. These are just the most high profile Sanders protégés, but there are many more peppered throughout the political landscape. Robert Millar, a recent Executive Director for the Progressive Party, was office manager for Sanders’ 2012 campaign. He left to be an activist consultant, then ran for local public office. That’s the pattern.

As a result, since Sanders was elected to Congress in 1990, Vermont has adopted a number of “small p” progressive policies, heralded at passage as “historic.” The legislature mandated Guaranteed Issue and Community Rating for health insurance (1991 and 1992). Around this time the state began to break away from the federal minimum wage and, over time, has come to mandate some of the highest entry-level wages in the country. Vermont passed Act 60 (1997) for financing our education system, and with its “income sensitivity” provisions, making it the most progressive property tax structure in the country. On top of that, Vermont now spends more per pupil on K-12 education than any other state, and just won recognition for doing more than any other state in regard to providing access to universal pre-k (Act 62, 2006). Vermont has moved aggressively toward providing government-subsidized healthcare for all with Act 48 (2011). We have created one of, if not the, most progressive income tax structures in the country, and, arguably, provide the most generous social welfare benefits.

From 1856 to 1988, Vermont voted Republican in every presidential election except one. Since then, Bernie Sanders and his followers have pulled the state to the left,

earning Vermont the reputation as one of the most liberal in the nation (Gallup, 2012). The net result of this progressive, spread-the-wealth, Sanders-inspired policy drift: We have done serious damage to our middle class, our young and educated population is fleeing, and the income inequality problem in Vermont appears to be among the worst in the nation.

I certainly hope Bernie Sanders attracts serious attention in his bid for the Democratic nomination for president. It's time that his legacy of democratic/socialist and Progressive policy in Vermont gets the scrutiny it deserves from the national press, and the candidate is forced for the first time in his career to answer some hard questions. Now that would be a bit of social justice.

- Rob Roper is president of the Ethan Allen Institute.

Commentary: All Payer Waiver Puts Medicare in Crosshairs

By Darcie Johnston

All-Payer Waiver: Remember the major brouhaha last year when word leaked that the Shumlin administration was trying to pull Vermonters' Medicare into their single payer health care scheme? The administration roundly denied it over - and over - and over again. Robin Lunge, Shumlin's Director of Health Care Reform must have denied it ten different ways; most notably, "We're not going to change Vermonters' Medicare benefits." Well yes, you are. And here's how.

The Shumlin administration has been pursuing an "All-Payer Waiver" from the Feds for at least the past year. The waiver would eliminate the current fee-for-service payment model used by physicians. All payment rates, including Medicare's, would be rolled into a single payment system run by the Green Mountain Care Board. The GMCB would control Vermonters' Medicare funds, and would set the rates that Medicare will reimburse docs and hospitals. This system would replace the current Federal Medicare payment system for Vermont's seniors.

VHCF believes that an all-payer waiver is a slippery slope to a single payer health care system. Under single payer, the state would provide the only health care plan that residents could use. Under an all-payer waiver, private insurance plans would remain, but provider reimbursement rates would be set at the same level for all plans.

There is a very real concern that Vermont seniors will not be able to find the care they need here in Vermont, because the state's all-payer waiver and tinkering with Medicare reimbursements will drive out physicians, who can practice in other states without the restraints.

Additionally, if the state controlled Medicare funds, what would happen to seniors who travel or seek health care out of state? Docs and hospitals across the country will take "regular" Federal Medicare, but would they accept "Vermont" Medicare, which is likely to pay less? Would they even know what "Vermont" Medicare is? Don't forget – the whole idea is for Vermont to pay less than would otherwise be paid.

The Shumlin administration is well-known for dealing in half-truths. The half-truth here is that sure, we won't change your Medicare benefits, but good luck getting those benefits either in Vermont or elsewhere in the country. Vermont seniors deserve

the assurance that no matter where they go, their Medicare benefits are safe and intact.

S.139 includes \$862,767 in funds to pursue an all-payer waiver, of which \$184,636 is General Fund money. The Green Mountain Care Board's authority is increased and it gets another three positions.

On April 30th Reps.. Morrissey and Browning offered an amendment to S.139 to strip from Act 48 the requirement that "Green Mountain Care shall assume responsibility for the benefits and services previously paid for by the federal programs, including Medicare." The Democrats and Progressives defeated it on almost a straight party line vote 54-85.

- This is a guest Commentary by Darcie Johnston, Executive Director of Vermonters for Healthcare Freedom.

May Roll Call Votes

House Blocks Measure to Protect Medicare Funds from Being Incorporated Into Green Mountain Care (54-85).

Senate Votes Against Giving Towns "Substantial Deference" When Siting Renewable Power Facilities (10-19)

House Votes To Eliminate Philosophical Exemption For Vaccinations (85-57).

House Votes to Allow Election Day Voter Registration (87-54).

Senate Votes To Keep Use Of Vermont Health Connect Exchange Mandatory (9-19).

House Approves 46% Excise Tax on E-Cigarettes (70-67).

Senate Votes for \$1.47 Billion General Fund Budget for FY16 (23-6).

Senate Approves \$36 Million in New Taxes (22-7).

House Passes New Gun Control Regulations on Felons, Mentally Ill (80-62).

House Approves \$12 Million In New Taxes on Candy, Sweetened Beverages, Vending Machines & Tobacco (78-62).

House Approves \$12 Million In New Taxes on Candy, Sweetened Beverages, Vending Machines & Tobacco (78-62), 2015

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Thanks to all who have already made a donation to our 2015 campaign! For those who haven't yet, please help us fight all the potential taxes mentioned above and other encroachments on our liberty. Be generous. We're only as strong as you make us. Thanks!

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News & Views

Jobs in VT. Good news on the jobs front over the short term. The unemployment rate dropped to 3.6 percent in April from 3.8 percent in March. The labor force held steady at 348,300 and the number of employed Vermonters rose by 700. However, The size of the labor force has been pretty stagnant for a year, and has been in steady decline since 2011. (Bureau of Labor Statistics).

State Revenue Break's Losing Streak. For a year, Vermont state revenues have been coming in below projections, predominantly the personal income tax, but this April broke the streak. General fund revenue came in at \$219 million, 7 percent above projection, with the persona income tax raising \$160.76 million, a little over 7 percent above projection. Despite taking record revenues from Vermont taxpayers, the state is still looking at a \$50 to \$70 million deficit for the next fiscal year. We have a spending problem. (State Revenue Report)
<http://finance.vermont.gov/sites/finance/files/April%202015%20Press%20Release.pdf>

Budget Wrap Up. "...the final state budget includes increases in taxes and fees into the General Fund of \$31.9 million. This amount, coupled with the predicted growth in revenues of \$35.2 million, allowed additional revenues of over \$67 million for the General Fund. While there were also some important reductions in spending in some agencies and on certain programs, General Fund spending is increasing by 4.2% over 2015 - at the same time that overall growth in the economy is at less than 3%." - Rep. Heidi Scheuermann

Vermont Makes "Top Five Sates Where Middle Class Is Being Destroyed".
"Somewhat surprisingly, Vermont's middle class families took a big hit over the past several years. Like Nevada, the percentage of middle class households statewide declined

by 5%, from 52.4% in 2000 to 47.4% in 2013. Vermont's case is a little different from others on this list in that it is not home to huge industrial centers, or sprawling suburbs filled with foreclosed homes. What it does have is a lot of senior citizens who felt the crunch particularly hard, as well as ever-increasing costs of living, pushing some families out of the middle class." – Business Cheat Sheet <http://www.cheatsheet.com/business/5-states-where-the-middle-class-is-being-bulldozed.html/?a=viewall#ixzz3bNnDuUk9>

How the State That Wants to Save the Planet Invests Their Own Money. A report by Treasurer Beth Pearce says that about 48,000 Vermont state employees and retirees are eligible to invest in a fossil-fuel-free investment fund. 171 have done so. That's 0.0035 percent. They're no dummies. "Over the past five years, the funds have earned returns below the benchmark of similar investment accounts that include fossil fuel companies." (VtDigger 5/5/15).

Shumlin Excited to Take Over Medicare with "All Payer" Waiver. "It's a revolution in the way we pay for health care. They [healthcare providers] get paid for keeping you healthy not for the number of things they do to you.... What we're talking about in Vermont is doing it with everybody, including Medicare, which is, of course, where the bulk of our money is." – Peter Shumlin, quoted by the Vermont Press Bureau. Seniors: This would not be just a change in who is administering Medicare funds, it would be a fundamental change in how doctors get paid to provide you with care, and in what kind of care they will be paid to provide.

Single Payer Bust. "It's really one of the biggest failures of this session of the Legislature that we came in thinking we would perhaps put together a universal single-payer type health care system, and now that we might walk out the door with next to nothing is frankly pretty amazing," said Sen. Anthony Pollina, D/P/W-Washington, a member of the Senate Health and Welfare Committee. (VTDigger 5/24/15). Maybe it's a result of the poor quality of the thinking.

Climate Change Policies Hammer the Poor. "Cosmetically, it sounds good to say, 'We want to clean up the environment.' That's fine. But you're talking about eliminating one problem and creating another. We're talking about astronomical increases in utility bills. You've got people now who need to make a decision: Do I put gas in my car? Go to church? Buy my medicine?" said Charles Steele Jr., president of the Southern Christian Leadership Conference and a self-described Obama supporter. (Washington Times 4/30/15)

The Real Price of Solar. "Dale Hastings and his wife Jess Whitney returned from Florida last month to find an unwelcome neighbor next to their New Haven home.... A 150 kW solar farm now frames the view out their dining room window. Where there once were fields and a distant mountain view, they now see a field of shiny photo-voltaic panels. 'I like what we had here. I like our home. I like our view -- and it's been taken away,' Whitney said." (WCAX, <http://www.wcax.com/story/29033596/vermonts-split-over-solar>). Mandates in H.40, passed this legislative session, require that 25 megawatts of renewable energy be produced in Vermont every year until 2032 – and this is just the beginning. Sadly, there will be a lot more stories like this.

The Economic Importance of Preserving Vermont's Landscape. [The Vermont Roots Migration Project of UVM](#) recently published the results of a survey asking people why they leave, stay or return to Vermont. For those who stay here, the number one motivational factor was "I enjoy Vermont's landscape" at 70%. For those who return, Landscape was the second highest factor behind "Missed my family." So, naturally we're going to flush our number one asset down the toilet by covering our landscape with windmills and solar panels.

The Poverty of Dependency. "You cannot take any people, of any color, and exempt them from the requirements of civilization -- including work, behavioral standards, personal responsibility and all the other basic things that the clever intelligentsia disdain - - without ruinous consequences to them and to society at large. Non-judgmental subsidies of counterproductive lifestyles are treating people as if they were livestock, to be fed and tended by others in a welfare state -- and yet expecting them to develop as human beings have developed when facing the challenges of life themselves. - Thomas Sowell

Jefferson on Self-Government. "I know no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education. This is the true corrective of abuses of constitutional power." - Thomas Jefferson to William C. Jarvis, 1820.

Book of the Month

Pacific Crucible: War at Sea in the Pacific, 1941-42

By Ian W. Toll

W. W. Norton & Company, 2011, (640 pp.)

The first week of June holds two of the most important anniversaries in the history of freedom: D-Day (1944) and Midway (1942). It seems to me that D-Day gets the most recognition of the two – more movies made about it, and more documentaries. I suspect this is because we can visit the battlefield at Normandy or see meaningful pictures of it from both past and present. Midway, on the other hand, was fought on a vast expanse of inaccessible Pacific Ocean, and any relics that might spark our memories and imaginations are miles below the surface.

Still, Midway deserves better, and Pacific Crucible by Ian W. Toll does it justice.

Unlike D-Day, which capped a string of victories in Africa, Sicily and Italy as well as on the Eastern Front, Midway followed a series of bitter defeats, starting with the bitterest of all at Pearl Harbor and including Bataan, Wake Island and the Coral Sea. The victory at Midway truly did change course of the war against Japan – a fight that the U.S. committed more troops to and sustained more casualties in than Europe.

Midway was filled with drama. With the battleship fleet knocked out at Pearl Harbor, the U.S. Navy was significantly outnumbered. The Japanese had four aircraft carriers to the U.S.'s three, with the third U.S. carrier, the Yorktown, sent to sea after a miraculous three-day patch job after sustaining severe damage at Coral Sea. There is the

amazing spy-tale of Commander Joseph Rochefort and his band of code breakers cracking the Japanese radio communications and pinpointing Midway as the enemy's objective. There was the luck -- American dive bombers catching the Japanese carriers in the middle of changing their planes' bomb loads on the deck. And, of course, the heroism of so many, particularly the Enterprise and Yorktown torpedo bombers flying essentially a series of suicide missions that set up the final blow for victory.

Pacific Crucible is terrific read that chronicles the Pacific War from Pearl Harbor to Midway. If this is a story you're not deeply familiar with (as I wasn't) you will get a good biographical look at all the major players and what made them tick. Ian W. Toll tells the story from many perspectives, Japanese and American, sailors and admirals.

It's worth taking a few moments to remember the sacrifices our soldiers and sailors made to keep the world safe for liberty. As the World War II generation passes on, it's up to us to pick up and carry the torch of remembrance. This book is one good way to do so.

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

The Final Word

June Survey:

Was this a "productive" Legislative Session?

Gov. Peter Shumlin described the 2015 legislative session as the "most productive first half of a biennium in years." What do you think of this assessment?

Go To:

<https://www.surveymonkey.com/r/SGTNBP8>

Results of the May Survey:

"Should Vermont expand the 6% sales tax to cover services (such as Child Care, Automotive Repair, Information Technology, Web/Graphic design, Home Maintenance, Plow Services, Construction/Carpentry, Barbers/Hairdressers, Real Estate, Accounting, Legal Services, Cleaning Services, Landscaping, Electricians, Plumbing & Heating, etc.) and lower the rate to 4.75%?"

Total Responses: 64

Yes. 1.56% (1)

No. 96.88% (62)

Don't Know. 1.56% (1)