

Ethan Allen Institute

Newsletter - June 2016 (Printer Edition)

Top Story: 2016 House Roll Call Profiles Are Out

EAI has compiled our 2016 Roll Call Profiles for members of the House. You can see how your Representative(s) represented you this past legislative session as well as in preceding sessions at <http://ethanallen.org/2015-roll-call-profiles/>.

This years profile covers twelve key votes mostly on taxes and budgeting, but also on mandatory sick leave, raising the spending caps in Act 46, and the legalization of marijuana.

Each legislator has his or her own web page (and link) which we encourage you to share with your friends and neighbors. Along with the information about how your Representative voted you will find contact information for the Rep and the district he/she represents.

We are excited to offer this service to Vermonters and hope that you find it to be a useful tool in educating yourself and others about these important issues.

John Goodrich Joins the EAI Board of Directors

The Ethan Allen Institute is pleased to welcome John Goodrich of St. Johnsbury to its Board of Directors.

Goodrich capped his 37-year career at Weidmann, the Swiss-owned global company, as the VP of Operations for the Americas as well as coordinating globally the major process facilities. While headquartered in St. Johnsbury, Goodrich managed plants in St. Johnsbury, Vermont, Urbana, Ohio, Saltillo, Mexico and Piracicaba, Brazil. Weidmann produces insulation products and services primarily for the electric power industry.

Prior to retirement, Goodrich managed a \$40 million expansion and technology upgrade in St. Johnsbury and a \$65 million start-up investment at the Urbana, Ohio, facility. The complex and sophisticated press included in the St. Johnsbury project necessitated the construction of a building to house the press and its process operation. In preceding years, Goodrich spent 2 years in a plant start-up situation in Mexico which strengthened the sale of St. Johnsbury product to the Mexican and Central American market. He also spent 40% of his time in the early 2000-2001 period in China in another start-up situation. The St. Johnsbury plant today has 300 high paying jobs and has locally infused more than \$150 million in salary and wages over the past 10 years. Purchase of local goods and services total up to \$5 million annually.

Although the son of a 7th generation Vermonter, Goodrich was raised in Littleton, New Hampshire, earned his bachelor's degree in Civil Engineering from the University of New Hampshire and an MBA from the University of Colorado. He joined Weidmann as an engineer in 1978 and capped his 37-year career as the VP of Operations for the Americas as well as coordinating globally the major process facilities for Weidmann.

Goodrich served for more than a dozen years on the Board of Associated Industries of Vermont, and was elected Chairman for the years 2003-2006. He served on the St. Johnsbury School Board for 7 years and on the Planning Commission for another 5 years. He currently serves on the Northeastern Vermont Regional Hospital Board. Goodrich is also a member of the Union Bank Board and the Advisory Board of Superior Technical Ceramics in St. Albans.

He lives with his wife, Nancy, in St. Johnsbury. They have 3 adult children and 5 grandchildren.

"We are really pleased to have John Goodrich join our board," said Chairman Jack McMullen. "He brings to us a firm grounding in the principles of liberty and the workings of a free market economy, and years of experience leading the state's manufacturing association."

Commentary: The 2016 Legislature: A Post-Mortem

By John McClaughry

The 2016 legislative session is now history, and it's worthwhile to assess its production. My criteria include preserving fiscal responsibility, advancing liberty, limiting government, and thwarting various hungry special interests. The basic facts are readily available from the thorough reporting by VTDigger.org

First, the legislature managed to balance the FY2017 General Fund budget, once again by raising taxes and fees by \$28 million. Wary of any obvious tax and fee increases in election year, the tax committees found a convenient target – the mutual fund industry, almost entirely inhabited by out of staters. Hitting it up for \$20.8 million closed most of the gap, without arousing Vermont taxpayers.

Gov. Shumlin had mounted a campaign to tax 1,200 doctors and dentists in independent practice, to extract more Medicaid money from Washington. That didn't fly. Nor did a House-proposed increase in the employer tax to finance Medicaid, or a bank franchise tax increase. The legislature also faithfully transferred the formula-required \$306 million to the Education Fund.

Perhaps most importantly, the legislature backed off the VPIRG proposal to combat "climate change" by levying a hefty carbon tax on home heating oil, gasoline, diesel, natural gas and propane. Despite a long list of endorsers of the idea – the usual suspects – many legislators (including some Democrats) didn't want to go into an election having voted to extract \$500 million from Vermont consumers in its tenth year.

The carbon tax proposal promised to return 90% of the revenues to selected taxpayers after the renewable energy and weatherization interests skimmed off the top ten percent as a "societal benefit". This unbelievable promise is reminiscent of President

Obama's promise, "if you like your health insurance plan, you can keep it."

The VPIRG-led "Energy Independent Vermont" coalition got more of its nose into the tent by getting an increase in gross fuel receipts taxes to raise another \$2.9 million for "weatherization". The coalition – now demanding "pollution pricing", the latest euphemism for "carbon tax" - promises to come roaring back in 2017, so we haven't heard the last of this bad idea.

One brave little step was the privatizing of the risk management office that determines workers compensation claims. This will save \$500,000. How this got through over the frantic opposition of the Vermont State Employees Association is just short of miraculous. It is a welcome exception to the VSEA maxim that "no matter how much privatization might save the taxpayers, none of it is ever acceptable."

One of Gov. Shumlin's final bright ideas was to have state government open a college savings account for all children born in Vermont, rich and poor alike, and find \$250 to fund each of them. The argument: "Why should this responsibility be left to Mom and Dad, when our state government is ready and eager to hit up taxpayers for \$250 a pop to get things moving?" The legislators, to their credit, didn't buy it.

The solons passed an energy siting bill that required towns upset by wind and solar impacts to buy into the state's planning to force us to achieve "90% renewable energy by 2050". In return for hugging the octopus, a concerned town would win "substantial deference" for its town plan before the pro-renewable and lawyer-intensive Public Service Board. The \$300,000 promised to towns to adopt state-approved plans somehow disappeared from the appropriations bill. Passage of the siting bill will prove to be an illusory triumph for towns and citizens.

The 2015 education consolidation bill (Act 46) seriously threatens to exterminate school choice in Vermont's 90 tuition towns. The education establishment, led in the House by Speaker Shap Smith and Education Chair David Sharpe, stifled efforts by (mostly) Republicans to find a way to rescue parental choice within the new Unified Districts. Both parties have now accepted "strict cost containment" – holding down school property tax rates by manipulating state caps and penalties until all school districts toe the state's line. This is precisely what critics of Act 60 in 1997 said would happen. Farewell, local control.

The health care "reform" bill groped about looking for a way to solve the chronic failure called Vermont Health Connect, awarded a further overdose of regulatory power to the Green Mountain Care Board, and shelled out another \$100,000 to pay for a recurring study of single payer on the installment plan.

A bill to make life easier and more predictable for independent contractors – reported 11-0 from the House Commerce and Economic Development Committee - disappeared due to the usual union opposition.

Two small bright spots: the legislature voted to protect the Vermont Association of Snow Travelers from negligence claims arising from accidents on their snowmobile trails. Also, it turned its back on a bunch of gun control bills despite lavish lobbying by the Bloomberg-financed gun control lobby.

From the standpoint of the past five years, the money committees commendably produced a balanced budget with only a small infusion of new tax dollars. From the standpoint of what needs to be done – to rationalize health care, expand parental choice in education, and get the renewable industrial complex's nose out of the trough – well, there's always next year, with a new Governor.

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

Commentary: Public Schools Are Failing Disadvantaged Kids

by Rob Roper

Voices for Vermont Children just published a pretty remarkable indictment of our public school system. The study, [Education Matters: The Impacts of Systemic Inequity in Vermont](#), concludes that public schools as they are currently operated are systematically leaving behind poor kids, minorities and those with special needs.

But wait a minute.... I thought this was what school choice and independent schools did!

Aren't we constantly being told that allowing taxpayer dollars to flow to independent schools via tuitioning is unjust because poor kids without transportation are excluded, special needs kids are outright discriminated against, and minorities... well, we can just assume those elitists must be racist too, right?

It turns out that the opposite is true. It's the independent schools that take in those who don't fit with the public school program and give them an opportunity to thrive. The study concludes that:

- children with disabilities and students of color all score worse on standardized tests than children who aren't in these groups.
- the achievement gap between income levels averages 25 percent and the racial gap averages about 18 percent.
- [there are] dramatically different levels of suspension and expulsion for low-income students compared to their peers.

Couple these findings with those from the Stanford Center for Research on Education Outcomes (CREDO), arguably the most comprehensive and respected study on the impacts of school choice in the nation. CREDO's latest study concludes that school choice *especially* benefits children in poverty, minorities, and English-as-a-second-language students. For example:

Charter students in poverty in 2013 continue to have an advantage over their TPS [Traditional Public School] counterparts. The difference in 2013 is 14 additional days of learning. Both continuing and new schools have statistically significant and positive reading impacts for charter students in poverty.

And,

Compared to the learning gains of TPS students in poverty, charter students in poverty learn significantly more in math,... Moreover, this difference in

performance has widened. In 2009, charter students in poverty had about seven additional days of learning in math than their TPS peers, while in 2013 the advantage is 22 additional days of learning for charter students in poverty.

Mirroring the reading findings, both continuing and new schools in 2013 have positive math impacts for charter students in poverty. (National Charter School Study 2013)

Interestingly, CREDO also found that access to school choice didn't provide significant benefits for wealthier, non-minority, non-special needs students.

And this makes sense. Public schools are geared to work for the mainstream children of better educated, politically savvy, usually wealthier parents in a community. When everyone is forced to attend a single public school – one-size-fits-all – who determines what that one size is? It's the parents who have the time to attend meetings, know and understand the laws, and have the resources to aggressively advocate for their children. If you don't fit that mold, you're likely to fall through the cracks.

In addition, arbitrarily drawn public school district lines are contributing greatly to the growing problem of wealth segregation and inequality in our communities. Wealthier parents tend to move into neighborhoods with good public schools, driving up housing prices and property taxes in the process, making access to higher quality school districts even more expensive.

Children of less well off parents who can't afford the house, the rent or the taxes in the high-end public school districts are left behind – trapped within the glass walls of their zip codes. Unless, they are empowered by parent directed school choice where the money follows the child.

Rick Gordon, founder of the independent Compass School in Westminster, Vermont, explained this in testimony before the House Education Committee. Independent schools in Vermont don't "cherry pick" the best students away from the public schools. "Why would they [students] leave [the public school] if they are successful there? The kids Vermont's Independent schools serve are the kids who are different from what the system works best with. These kids are potentially expensive to educate, and they are potentially expensive to society if they are not successful in school.... They're insightful, clever, interesting kids, and they deserve a chance to be successful too."

So, if the folks at Voices for Vermont Families are really interested in building more equity into the way we allocate public dollars to educate our children, and in doing a better job of equalizing the outcomes of poor, minority, and special needs students compared to their better off peers, expanding access to school choice is a proven solution to the problem.

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

Commentary: Why a Carbon Tax Won't Fly In Vermont

By Matt Cota

Vermont lawmakers are considering legislation that would add up to 89 cents to a gallon of gasoline, 58 cents to propane, and \$1.02 to a gallon of heating oil and diesel fuel.

The tax, which would be passed on by retailers and paid by consumers, is designed to force Vermonters to reduce their consumption of heating and motor fuels. Advocates of the carbon tax paint the policy as simple economics. Just increase the cost of something considered “bad,” and people will be motivated to do things considered “good,” such as purchase electric cars or take public transportation.

Consider the good created by the fuels targeted by the carbon tax. Vermont’s 8,000 miles of dirt roads are maintained with graders and dump trucks — and they require diesel fuel. Same for the plow trucks that clear the highways and for the buses that get our kids to school.

The tractors that farmers need to cultivate Vermont’s agriculture economy don’t run on electricity. The fuel that keeps our homes warm, our factories humming, and gets us to work is not bad — and it is not a sin. It is a necessity.

Yes, a carbon tax has been tried elsewhere — most notably in British Columbia. Required by law to be revenue neutral, the Canadian province has collected \$5 billion in carbon taxes while reducing corporate and personal income taxes by \$5.7 billion. In other words, for every \$1 collected in carbon taxes, the government of British Columbia has given back \$1.14.

That wouldn’t happen under the legislation proposed in Montpelier. One of the bills (H.412) takes 10 percent off the top and distributes it to organizations and businesses advocating for the tax. Another bill (H.395) takes 20 percent. So, while British Columbia is returning \$1.14 on every dollar spent, Montpelier is giving back 80 to 90 cents.

And that is if the money isn’t raided by lawmakers to avoid cuts to other government programs — which is almost certain to happen when a carbon tax quickly saps our ability to remain economically viable.

Three-quarters of Vermonters live outside of Chittenden County. We are mostly scattered in small towns, with half the population living near the border of New Hampshire, Massachusetts or New York.

Raising the cost of energy purchased in the our state will provide a significant economic advantage to our neighbors, convincing Vermonters to fill up over there and businesses to move out of here. At current prices, a \$100 per-metric-ton carbon tax would increase the cost of heating and driving in Vermont by 50 percent relative to our neighboring states.

British Columbia, needless to say, is different. Boxed in by the Pacific Ocean, the Rocky Mountains, and an international border 1,200 miles long, half of the province’s 4.6 million people live in or around the city of Vancouver.

Setting aside the obvious economic and geographic differences between Vermont and British Columbia, consider what is already happening without regressive and punitive tax policies. While overall consumption of fossil fuels in the Canadian province has declined by 16 percent since the imposition of a carbon tax, similar declines are occurring here. Gasoline use in Vermont has declined by 10 percent since 2000, and oil heat is down 34 percent over the same time period.

Vermont, partly due to its small population and modest industrial base, has the

lowest consumption of energy and lowest carbon dioxide emissions of any state in the U.S., according to the Department of Energy.

All sides of this debate agree that whatever we do to reduce the use of heating and motor fuels, it won't have any impact on global climate change.

Yet a carbon tax will have very real negative repercussions on the Vermont economy. Raising the cost of living in our cold, rural state is not a solution to anything. It is economic ruin.

- *Matt Cota is the Executive Director of the Vermont Fuel Dealers' Association*

Events

June 20. Rob Roper will speak to the St. Johnsbury Rotary Club to wrap up the 2016 legislative session and explore what's next for Vermont policy. If you would like to schedule this presentation (or another on a different subject) for your organization, contact Rob at rob@ethanallen.org.

News & Views

Reducing the Illegal Alien Population. Steve Forbes, editor of Forbes magazine, put John McClaughry's commentary on line May 28. Wrote Steve, "You don't have to buy into it – I'm not there yet myself – to appreciate original thinking on a vexing challenge." You can read McClaughry's article at <http://www.forbes.com/sites/steveforbes/2016/05/28/reducing-the-illegal-alien-population-a-market-solution/#3a2f65ea32fe>

Wage Stagnation Not A Good Sign for Budget Gap. "Wages should rise when labor is scarce. But despite Vermont's enviably low unemployment rate and reduced labor force, pay has stagnated since the recession officially ended in 2009. According to the latest wage data from the Vermont Department of Labor, hourly pay at all levels, after adjusting for inflation, has been essentially flat for the last six years." ([Public Assets Institute](#)). This state of affairs does not bode well for tax revenues and the persistent budget gap Vermont is facing.

Rising Insurance Costs and The Definition of Insanity. VPR reports, "The state's two main health insurance providers are seeking a more than 8-percent increase in rates next year.... The requests from Blue Cross Blue Shield and MVP will affect plans sold on Vermont Health Connect, and they're significantly higher than the increases that policyholders experienced last year. Blue Cross' request is 40 percent higher than the hike that its policyholders were hit with last year; MVP's proposal is triple the increase its customers saw between 2015 and 2016. 'I think this points out how important it is to stay on this long-term path that we know leads to cost containment,' says Lawrence Miller, chief of health care reform for the Shumlin administration." These high cost are

the RESULT of the path Miller and his boss have put led us down!

Insanity Upon Insanity. VPR reports, “Money was tight in the state budget that lawmakers passed last week, and plenty of worthy initiatives failed to make the cut. So it’s noteworthy that legislators were willing to spend \$100,000 in taxpayer money to study raising the age limits, and eligibility thresholds, for a children’s health care program known as Dr. Dynasaur.” This program would add all Vermonters up to the age of 26 to the Medicaid rolls. Not only would this add hundreds of millions of dollars to the cost of a program we already can’t pay for, but it would take the healthy young people required to make Obamacare financially feasible out of the private insurance market. This idea is, in a word, nuts. That legislators are willing to waste \$100,000 to study it – apparently considering it seriously -- is insane.

All of Those Priuses Are Killing Us. A study by the journal Atmospheric Environment has concluded that electric and hybrid vehicles pollute as much if not more than traditional gasoline powered vehicles. “Electric vehicles tend to produce more pollutants from tire and brake wear, due in large part to their batteries, as well as the other parts needed to propel them, making them heavier.... [T]he particulate matters are worse than fuel emissions, because they cause more health problems.... ‘These are more toxic than emissions from modern engines so they are likely to be key factors in the extra heart attacks, strokes and asthma attacks seen when air pollution levels surge.’” (Source: [Daily Caller](#))

GMO’s Perfectly Safe, Says National Academy of Science. “Genetically modified crops pose no apparent risk to human health, an extensive study released Tuesday by a U.S. science advisory board has concluded.... The panel could find no link between consumption of genetically modified crops and rates of cancer, kidney disease, obesity, type 2 diabetes, gastrointestinal diseases, celiac disease, food allergies or autism, the report stated.” One wonders if the Vermont Legislature will repeal its controversial labeling law given their oft-proclaimed reverence for science. Bets? (Source: [US. News](#))

Listen Up, Vermont: "The top 1% of earners pay half of California's income taxes. Look out when the next recession hits." (WSJ 5/18/16)

The Unseen Health Care Tax: Green Mountain Care Board chairman, Al Gobeille, said on VPR that, "Every year, about \$400 million in private insurance premiums are used to prop up government-subsidized insurance programs that don't cover the cost of care for patients covered by them." It's just not called a tax, so politicians don't have to take the heat for these massive rate increases. We all hate the greedy insurance companies, right? The politicians are just trying to make things better! It's truly diabolical.

Not Really: "So much for Vermont's reputation as a liberal state," said Rep. Tony Klein, D-East Montpelier, after the House killed marijuana legalization on May 4.

Science Badly Outnumbered: "By the end of 2010, 467 unique organizations had been identified [by Oxford University Press] as part of the national climate

change movement. The Climate Action Network, with its 900 global member groups, formed the largest coalition". - Ron Arnold (E&C News, March 2016).

More Leadership Like This, Please! Many states are considering a ban on a new technology that provides a cheaper, more convenient way for eye patients to take an exam that can determine their prescriptions using either a smartphone or computer. Optometrists are not thrilled, and their Luddite lobby wants to kill this amazing innovation. Georgia recently banned the technology, but when similar legislation reached South Carolina Governor, Nicki Haley's desk, she vetoed it with the message, "The answer to this problem is not to ban a new technology, but rather expand its use. Send a bill to my desk that allows the expanded use of automatic vision evaluations in all medical settings, and I will sign it." Good for her!

Memo to Bernie: "Socialism only works in two places - Heaven, where they don't need it, and Hell, where they already have it." - Ronald Reagan

Nock on Liberals: "On every point of conventional morality, all the Liberals I have personally known were very trustworthy. They were great fellows for the Larger Good, but it would have to be pretty large before they would alienate your wife's affections or steal your watch. But on any point of intellectual integrity, there is not one of them whom I would trust for ten minutes alone in a room with a red hot stove, unless the stove were comparatively valueless." - A. J. Nock, Memoirs of a Superfluous Man (1943).

Hoping Everyone Had a Wonderful, Thoughtful Memorial Day. "Patriotism is supporting your country all the time, and your government when it deserves it." - Mark Twain

Book of the Month

Predictably Irrational

Hidden Forces that Shape Our Decisions

By Dan Ariely

Harper Perennial, 2010 (pp. 384)

<http://www.amazon.com/Predictably-Irrational-Revised-Expanded-Decisions/dp/0061353248>

I confess I picked this book up on impulse – an algorithm inspired recommendation by Amazon – with hopes of gaining some insights into what's going on in the minds of voters as we choose the next president of the United States. Perhaps author Dan Ariely would think my purchase predictably irrational, but it worked out for the best. It was an excellent read!

Ariely was an economist at M.I.T (now at Duke University) when he wrote Predictably Irrational, and is a lead expert on behavioral economics, a branch of study that explores how human beings actually behave and make decisions in the marketplace.

Pure free-market advocates such as Adam Smith believe that humans, left to their own devices and with proper information, make rational decisions. This is not always the case.

Many factors influence our decision making process – emotions (anger, arousal, fear, etc.) and context (social relationships vs. business relationships, and the fact that we don't always, if ever, have “all” the information about the ramifications of making a particular choice, just that what we get from the setting in which we make it.)

Ariely touches on many topics and goes into detail about the experiments he used to reach his conclusions; things such as how people choose a particular type of beer, or how the placebo effect can help us recover from a malady just as effectively as a surgical procedure. All of it is fascinating, but a couple of his chapters relate more directly to our mission at EAI. They deal with the toxic effect of “Free”, and the differences between social capital and hard financial capital.

Ariely writes, “‘Free’ gives us such an emotional charge that we perceive what is being offered as immensely more valuable than it really is.” In fact, in one experiment people were more likely to choose a free \$10 Amazon gift card over a \$20 Amazon gift card for \$8, which is, of course, nuts. The upshot is that when people are offered something for free, they are likely to eagerly accept something that they don't really want or need at the expense of acquiring what they really do want or need.

And this gives us insight into the appeal of Bernie Sanders and, indeed, the appeal of all “free” government offered programs from healthcare to pre-k. When we buy into this predictably irrational notion we end up with products and services that ultimately don't work to meet our needs, and wouldn't have purchased on our own. (See Vermont Health Connect)

The concept of social capital (Ariely differentiates it as a social contract) vs. financial capital (which Ariely terms the market) provides similar insights, though the author doesn't explore the political aspects of his experiments. He demonstrates how people work harder and more efficiently under the social contract, like when we help a friend to move furniture, as opposed to under market contracts, such as being hired to move furniture. He concludes we're much better off when we work on a social capital level.

Taking my own observations beyond the text, when we move societal obligations to one another away from social capital and into the hard, financial market through government entitlement mechanisms, we lose a tremendous amount of efficiency and good will toward our fellow citizens. Perhaps Ariely will explore this notion in another book. Hope so!

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

The Final Word

June Survey

Did your Vermont State Representative(s) vote the way you would have liked in 2016?

Yes, always.

Yes, more than half of the time.
No, less than half of the time.
No, never.

May Survey Results

Should the Vermont Legislature expand its taxpayer funded pre-k program from 10 hours per week per student to a full-day (40 hours per week) program for four-year-olds, essentially adding another year to the public education system?

You said...

Yes. 1.18% (1)
No. 97.65% (83)
Don't know. 1.18% (1)

You Can Help!

The print and online editions of newspapers, Vermont Public Radio, True North, and especially Vermont Digger are important forums for debate on public issues. The Big Government Left makes full use of them (see the comments posted under Rob and my commentaries on vtdigger.org.) You can help the debate by adding your comments in support of our arguments, and those of others who appear on those pages. Do it! It will help!

Here's my reply to a pro carbon tax letter by Steve Sobel that appeared in the Sunday Free Press of May 29:

In a letter published [May 22], Steve Sobel presented the argument for a "carefully planned tax on carbon pollution without increasing the overall tax burden." This is somewhat less than candid.

The VPIRG-promoted carbon tax will fall on everybody who uses gasoline, diesel, home heating fuel, propane, and natural gas. When fully implemented in 2028, the tax would rake in around \$500 million a year.

"Without increasing the overall tax burden" is another VPIRG fiction. Why? Because the special favorites of the VPIRG Energy Independence Coalition will pocket ten percent of the proceeds off the top, in the form of wind, solar and weatherization subsidies. So much for "revenue neutral".

The bill says the remainder will be redistributed by lowering the sales tax rate by about penny, and other targeted rebates and reductions to "address social inequities" (Sobel). But that's assuming that the chronically cash strapped legislature will actually approve any tax reductions, once they have the exciting prospect of all that new money to spend.

In its opening letter to legislators, the EIV cleverly observed that "based on legislative priorities, carbon tax revenue could of course be used for other purposes." In plain English, vote for hundreds of millions in new carbon tax revenues, promise certain

people offsetting tax reductions, and when you get your hands on all that money you can conveniently forget about those promises and spend the loot on your favorite programs, or new ones.”

This is an imaginative scam – but no, thanks.

– John McClaughry, Ethan Allen Institute