

Ethan Allen Institute

Newsletter - November 2016 (Printer Edition)

Top Story:

Vermont's Energy Policy Is Out Of Touch with The People, Culture, And Economy of the State. See the Latest EAI Video

The Ethan Allen Institute released this week a ten-minute video overview of Vermont's current energy policy and what it means for the future of our state. In a nutshell, transitioning to 90% renewable energy by 2050 will be devastating to our landscapes and ecology, harmful to the "Vermont Brand," and contrary to the culture of the communities that will be affected most directly by these policies.

Too many Vermonters do not understand the scope of this vision for our future, nor is it clear to them the magnitude of impact implementing this policy will ultimately have on virtually every aspect of our lives. This video is designed to put our energy future into a digestible format, easy to understand and to visualize.

We posted this video on our Facebook pager earlier this week and it has already reached nearly 25,000 Vermonters and received 17,000 views. Please watch and share!

https://youtu.be/_IoZrzYUq_c

Time to Read and Share EAI Roll Call Profiles!

EAI's legislator Roll Call Profiles are (we certainly think) the best tool available for reviewing and understanding how your representatives and senators represent you in Montpelier.

It's that time of the election cycle when everybody running for office says they're for fiscal responsibility, lowering your taxes, creating jobs, and they make promises to do everything in their power if you send them back to get the burden of big government off your back. The Roll Call Profile will let you know if that's the truth or just the talk.

The profiles are easy to share with your friends and neighbors, and we hope you will share them!

<http://ethanallen.org/category/roll-call/>

Commentary: Defend Our Independent Schools

By John McClaughry

For years, indeed decades, Vermont's public school Establishment has regularly found ways to put pressure on the non-sectarian independent schools that receive tuition for pupils from the 90 "tuition towns". Why? Many within the Establishment believe that public money ought to be spent only on the (unionized) public schools, regardless of their value to the pupils. Some of them believe that parents are underqualified to make choices about their child's education. Some of them dislike having competition.

There's also money involved, especially when the school-age population is dropping. In 1997, when Act 60 was passed, pupils numbered 106,000. Today they are down to around 87,000. This means that public schools as a whole have accumulated underused capacity. In many cases this translates to small class sizes, a nation-leading low pupil to staff ratio (4.7:1), and very high cost per pupil – for K-12, now nearly \$18,000 per year. That is 160% of the national average.

One idea for bringing in more pupil revenue to cover these stranded costs was simply to expand schooling from K-12 to PreK-12. That universal PreK idea was successfully sold between 2005 and 2014, when it was made mandatory. Another idea was to force tuition towns into unified districts, where their parents could choose only among that district's public schools, and not independent schools (Act 46).

When the public school pupil shortage still remained, and threatened a reduced collection of union dues and agency fees, the Establishment began to try to cut off public support for tuition town pupils who chose independent (nonunionized) schools over public schools.

Last November the State Board of Education, spearheaded by the state's foremost defender of mandatory public education against the menace of choices made by unqualified parents, Dr. William Mathis, launched a new attack. Mathis won approval of a resolution requiring, among other things, that independent schools that receive public tuition payments must offer special education services in all ten disability categories.

The four large "tuition academies" already do. The small independent schools usually can provide special education for pupils with "learning disabilities" (difficulty with reading, writing and math – 28% of the special ed population). But they can't afford to hire the specialized expertise needed to deal with all 10 of the disability categories.

If they can't comply, the Mathis resolution would, as intended, bar them from accepting any public money for any pupils from the 90 tuition towns. The Vermont School Boards Association, a dependable member of the Establishment coalition, is joining in support of that rule.

The obvious remedy is for Education Secretary Holcombe to put the brakes on the Board (always a touchy relationship), or legislatively override the Board, or barring that, to litigate the Board's power to enforce the Mathis rule without explicit statutory support.

More constructively, the legislature should offer all parents of special ed pupils the choice of whatever school or program – public or independent – best serves their children's needs.

This would be a Vermont clone of Florida's McKay Scholarship program. This program, begun in 1999, now awards scholarship funds to 31,173 special ed ("IEP" and "504") pupils in 1,363 independent schools. The scholarship amounts are the amounts the public schools would have spent on a participating child, up to the independent school's tuition and fees. Since independent schools are usually less expensive than public schools, this would likely reduce overall special ed expenses.

As the (Vermont) Commission on Rebalancing Education Cost and Value

reported in 2009, “With every parent empowered to choose among public and independent schools and programs, parents are able to seek out curriculum options and instructional techniques that are best fitted to their children with special needs. Instead of being consigned to a public school special education program that is viewed by a school district as secondary to its main purpose and potentially the source of lots of trouble, parents could choose independent school programs whose principal purpose is helping special needs children.”

Interestingly, the McKay Scholarship program is so popular in Florida that its rapid expansion won the support of Democrats and Republicans, whites, blacks, and Hispanics in the legislature. It has had the effect of strengthening independent schools as well as satisfying parents.

If implemented, the Mathis resolution would seriously cripple the smaller independent schools, not to benefit special ed pupils, but to protect the overgrown public school monopoly against competitors that parents believe will better serve their children. We should be rewarding creativity, efficiency, and customer satisfaction, not entrenched monopoly.

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

Commentary:

Yes, The Plan Is To Pass A Carbon Tax in 2017

by Rob Roper

Back in December of 2014 Rep. Tony Klein (D-East Montpelier), chair of the House Natural Resources & Energy Committee, gave an interview about Carbon Tax legislation he planned to take up. Klein admitted he did not expect a bill to pass in 2015 or even 2016, stating, “It’s at least a three-year process,” and that “you don’t [pass a massive tax increase] in an election year.”

Well, after we get past this election year of 2016, we’ll be coming up on three years into the process of passing a Carbon Tax that would add 88¢ to every gallon of gasoline, \$1.02 to every gallon of diesel and home heating oil, with similar increases for natural gas, propane, kerosene, butane and aviation fuel. Should Vermonters be worried? Absolutely.

Klein’s committee has been taking testimony on the Carbon Tax with the objective of building a case and garnering support for its passage for the past two years. The groundwork has been laid.

VPIRG, arguably the most powerful lobbying organization in the State House with an overall annual budget of roughly \$2.5 million, has made passage of a Carbon Tax a top priority. They’ve spent the past two summers sending people door to door to advocate for a Vermont Carbon Tax in anticipation of the 2017 push, and they hired a full time employee/lobbyist to advocate solely for the Carbon Tax and to organize a coalition of organizations to make the Carbon Tax a reality.

That twenty-member coalition of special interest groups now calls itself Energy Independent Vermont (EIV), and contains such organizations as the Conservation Law

Foundation, Vermont Businesses for Social Responsibility, the Gund Institute of UVM, and the Vermont Natural Resources council. The financial and lobbying power of this coalition is massive in its parts, but Energy Independent Vermont also has its own full time executive director in Thomas Hughes. It's worth noting that Hughes is the former executive director of the Vermont Democrat Party.

EIV commissioned a study of how the Carbon Tax would be good for Vermont. This study was paid for in part by David Blittersdorf of All Earth Renewables. Again worth noting, if the Carbon Tax were put into effect as proposed, ten percent of the money raised would be earmarked to subsidize renewable energy businesses like Blittersdorf's, and he has a pretty good track record of getting what he wants out of the Vermont legislature. He's a major donor to the majority party.

Some of Blittersdorf's donations this cycle include \$10,000 to the Vermont State Democratic Committee in February 2015, and two \$5000 donations to the same in July of this year. He also made a maximum \$4000 contribution to Democratic gubernatorial candidate Sue Minter.

Bernie Sanders promises to also be a major factor in advancing a Vermont Carbon Tax. Sanders was instrumental in getting support for a carbon tax placed in the National Democratic Party platform. It is a priority issue for him, and he is using his new-found political muscle to help elect Vermont candidates who will further his agenda here at home. Two of those whom Sanders has endorsed are Chris Pearson, a Progressive house member trying to move up to the senate, and David Zuckerman, a Progressive senator running for Lieutenant Governor.

Zuckerman is an outspoken advocate for the Carbon Tax. In October 2015, he publicly endorsed the Carbon Tax from the stage at a VPIRG/350 Vermont rally put on in support of the legislation. If wins in November, Zuckerman will function as president of the senate, and would be influential in naming committee chairs. Pearson, for whom Sanders helped raise \$80,000 in two days, is the lead sponsor of H. 395 – An Act Relating to Establishing a Carbon Pollution Tax, and founder of the 40 member Climate Caucus, which supports passage of a Carbon Tax.

Climate Caucus member Mary Hooper (D-Montpelier) summed up the mindset of these legislators in an August 2016 interview with VPR: “The issue of climate change is the most profound issue of our time, and I personally believe that we have a moral imperative to act,” Hooper says. Hooper says the concept of a carbon-pollution tax has wide support among the 40-member Climate Caucus in Montpelier, which is made up of Democrats and Progressives.... ‘I think that we have to, we have to step up to it, and show leadership in this area.’” They will be actively pushing for a Carbon Tax in January.

So, depending upon how the election goes in November, we could be looking at a sympathetic governor, and outright advocate in the lieutenant governor, and a forty member legislative Caucus pushing for a Carbon Tax, all driven forward by a large, powerful, well-funded coalition of special interest groups committed to making the Carbon Tax happen. That sounds like a plan to me.

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

Commentary:

Carbon Tax Will Hurt Towns, Schools, Property Taxpayers

by Wendy Wilton

Vermont's gubernatorial candidates have been asked about the prospect of a carbon tax at nearly every debate. Phil Scott has been clear that he would veto such a tax as governor, Sue Minter refuses to answer the question which makes most Vermonters think she would sign a carbon tax into law. The candidates for lieutenant governor reflect their party's platforms with Brock opposed and Zuckerman in favor of such a tax.

A carbon tax on gasoline, diesel, home heating fuel and propane will be passed onto the consumer. This will negatively impact Vermont's already struggling economy. Think of the impact to your household budget or your business if gasoline were to increase \$0.88 per gallon, diesel and home heating fuel increased by \$1.02, and propane by \$0.58, per gallon. Increasing the cost of fuel will also mean our fuel assistance programs will help fewer needy Vermonters.

Increasing the cost of these fuels will also likely increase property taxes as the state has not exempted municipalities or school districts from paying most fuel or environmental taxes. Municipalities and school districts operate vehicles and equipment such as school buses, police cars, fire trucks, plow trucks and excavators which use significant amounts of fuel and these costs are a large part of municipal and school budgets.

If the carbon tax were in effect in fiscal year 2016 the City of Rutland would have budgeted about \$805,000 for gasoline, diesel, fuel oil and propane, rather than \$543,000—a 48% increase. This represents \$0.03 on the municipal tax rate or \$45 per year tax increase for the average home, which is about the same as the bond cost of a new City swimming pool.

The Rutland School district spent \$106,000 on fuel oil, and \$88,000 on gasoline and diesel. With the added tax these expenditures would increase to \$159,000 and \$128,000 respectively, also a 48% increase, representing salary and benefits for approximately one classroom teacher.

If a carbon tax were imposed it would mean hard budgetary choices for towns and schools. This tax will be very harmful for working Vermonters and the impact to local town and school budgets will add more harm. Please consider the impact of a carbon tax as you vote their ballot on November 8.

- Wendy Wilton is treasurer of Rutland City and is a member of the EAI board of directors.

Events

November 7. EAI president Rob Roper will present "Squeezing Blood from a Gilfeather Turnip: A look at potential tax increases in 2017" to the Montpelier Rotary Club, 12:15

pm at the Capitol Plaza in Montpelier. If you would like this or another EAI presentation to come to your organization or community, contact rob@ethanallen.org.

November 8. Election Day! Don't forget to vote!

News & Views

Governor' Report Card. A new Cato Institute report used tax and spending data to rank the nation's governors for their fiscal stewardship. Governors who have cut taxes and spending the most receive the highest grades, while those who have increased taxes and spending the most receive the lowest grades. Gov. Peter Shumlin got his usual F (9th worst) - but that didn't include his attempt to raise payroll taxes and provider taxes on independent doctors and dentists, both of which the legislature rejected.

Arthur Hendrickson on Carbon Tax. "The Vermont Legislature's history is they cannot resist the temptation to spend money and grow government. So far, the carbon tax bills that have been proposed in the Vermont Legislature (H.395 and H.412) have complicated ways to spend the money by adjusting the sales tax, creating new programs and contain discriminatory tax credits. These bills have no reward and just increase the tax every year with the intent to torture their way to carbon reduction." (VtDigger 10/21/16)

CO2 Crisis in Perspective. "Statewide greenhouse gas emissions are estimated at 8.37 million metric tons of CO2 equivalent (MMTCO2e) per year. Vermont forests remove an estimated 8.23 MMTCO2e per year." Bottom line, Vermont contributes little net CO2 to the atmosphere." - Tom Pelham, (Tue North, 9/14/16)

A Business Owner's Perspective on the Carbon Tax. Owing to the rural nature of the state and the cool (sometimes damn cold) temperate climate it would be an individual and business budget buster. People would be forced to leave, and business rates would rise. When I'm working on the road, which is over 90% of the time, I'll drive 100 miles a day in a vehicle that gets 10mpg loaded and it's always loaded. My welder will burn about 8 gallons of diesel in 10 hrs. Do the math on what this will do to my rates. - Clayton Kipp

France Drops Carbon Tax Proposal. "...the socialist government will not include the carbon tax in a draft 2016 budget update currently being discussed. Environment Minister Segolene Royal had said in May that France would unilaterally introduce a carbon price floor of about 30 euros (\$33) a tonne with a view to kickstart broader European action to cut emissions and drive forward the December 2015 United Nations-led international climate accord. "In the current context, it is difficult, due to concerns about employment, legal difficulties and security of supply," the source said." Once again, Vermont has an opportunity to learn from other's mistakes. Reuters, 10/20/16

Wind Subsidies. "The Government Accountability Office counted in 2013 that there are 82 federal wind programs benefitting wind power, spread across nine agencies that spend a combined \$2.9 billion a year on the subsidies. [[6]

<http://gao.gov/assets/660/652957.pdf>] The largest and most direct of these is the \$23 per megawatt-hour production tax credit, which allows companies to profit from negative prices." –Tyler McNeal (Master Resource, 9/15/16)

More Evidence (If You Needed Any) That Wind Turbines Reduce Property Values.

A 2011 study by Clarkson University School of Business analyzed 11,369 property transactions over nine years in Upstate New York and found that wind turbines “significantly reduce property values.” “To be specific, decreasing the distance to the nearest turbine to 1 mile results in a decline in price of between 7.73% and 14.87% on average,” the authors write. (Watchdog-Vermont, 10/14/16)

And (Again Stating the Obvious) Wind Turbines Kill Birds and Bats. The American Bird Conservancy sent a letter to the towns of Windham and Grafton expressing concerns over Iberdrola’s 24-turbine Stiles Brook Wind Project. Michael Hutchins, director of the Bird-Smart Wind Energy Campaign, questioned how the sacrifice of millions of ecologically important birds and bats can be justified in the name of industrial wind energy, and he said birds and bats are worth billions to the U.S. economy and Vermont farming communities through their pollination and seed-spreading activity. (Watchdog-Vermont, 10/24/16)

Legislators Call Out State Board Over Act 46. Three legislators signed a letter to the State Board of Education stating that the Board was misinterpreting Act 46 and going beyond their authority in regard to forcing districts to conform to the “preferred model” for consolidated districts rather than allowing local solutions to prevail. “I think the State Board of Education has misinterpreted the Legislature’s intent,” said Sen. Anthony Pollina, P/D-Washington. “I read the draft rules. I was there when we debated the legislation, and I have talked to people in my community. I think it is fair to say that the board has misinterpreted what the Legislature intended.” Sen. Ann Cummings (D-Washington) chair of the Senate Education Committee, and Rep. Janet Ancel (D-Calais) also signed the letter. (Source: VTDigger, 10/5/16)

About the Income Divide in Vermont. Education Secretary Rebecca Holcombe recently spoke out about the growing income divide in Vermont, pointing out that there are fewer students and a shrinking working age middle class to support them. “We are getting a hollowing out of the middle class,” Holcombe said, “a polarization of income in Vermont leaving a group that is marginalized with fewer and fewer options.” This is true, but it is time to recognize that the left wing policies that have governed Vermont over the past decades are responsible for this phenomenon. (Source: VTDigger, 10/22/16)

All Payer a Threat to Private Practices. “While [Governor] Shumlin has said no practices will be forced into the all-payer system, or into the state-sanctioned accountable care organization, wording buried in the all-payer draft agreement between Vermont and the Centers for Medicare and Medicaid says otherwise. On page 23, the draft states that ‘... the State may suggest a Medicare payment waiver in the future to implement a discount on Medicare fee-for-service payments to Vermont providers and/or suppliers not participating in an ACO.’ This means that doctors who decide to stay in the current fee-for-service model could be penalized with lower payment rates than ACO-affiliated

providers. (Source: Watchdog-Vermont, 10/13/16)

Regulating the Monster. "[The Green Mountain Care Board's] job will become far more difficult beginning in 2017, when the first statewide integrated system goes live: managing 14 individual hospitals is hard enough; keeping a lid on the market power of a single unit that subsumes most of them will be incomparably harder." - Hamilton Davis health blog (9/15/16) We drive our providers into the coming All Payer "integrated system", then wonder how our regulators can work their will on this monster.

The Healthcare Reform We Need: Repeal CON Laws! A recent study by George Mason University, researchers looked at health systems that have Certificate of Need (CON) laws versus those that don't. "The study found that hospitals in CON states have lower care in eight of nine categories, resulting in patient death rates between 2.5 percent and 5 percent higher than non-CON counterparts. Death for inpatients with serious treatable conditions at CON facilities was between six and eight deaths higher than non-CON hospitals for every 1,000 surgical discharges. Pneumonia deaths increased six to eight patients for every thousand treated with the disease. Heart failure deaths and heart attack readmission rates were also significantly higher for hospitals in certificate of need states." Vermont has more CON laws than any other state in the Union. Every one of them should be repealed. We would be a healthier state with more options for healthcare if we did this. (Source: Watchdog-Vermont, 10/6/16)

Book of the Month

Thinking Fast and Slow

by Daniel Kahneman

Farrar, Straus and Giroux (2013), 499 pg.

Daniel Kahneman is a winner of the Nobel Prize in Economics. His book *Thinking Fast and Slow* is an international best seller that delves into how our minds work, how we process information and how we make decisions. It explains a lot.

The primary idea Kahnemen puts forward is that human being think on two levels. He calls the System 1 and System 2. System 1 is reactive. It requires little if any intellectual energy, relying on a lifetime of experiences to formulate snap judgments – hence “thinking fast.” This is, of course, necessary for survival. If we had to spend a great deal of time thinking about whether or not to run away from a lion we wouldn't last very long in this world. Just because System 1 is fast doesn't mean it's always wrong. However, System 1 does have some down sides. It tends to reinforce stereotypes: if you are bitten by a dog you may tend to dislike and avoid all dogs.

System 2 is characterized by active thought. Kahneman uses the example of solving a math problem. When we engage in System 2 thinking – slow thinking – our blood pressure rises, our pupils contract, among other physical reactions. People usually don't enjoy engaging System 2 and will do their best to default back to System 1.

Kaneman does his best to show how we are in many ways profoundly ignorant about some of the most basic decisions we make. He also demonstrates how others can consciously or unconsciously manipulate how we react to certain situations.

Among some of the concepts Kahneman explores are “anchoring” (arriving at a conclusion based on recently provided context, relevant or not), “availability” (what we see is all there is when it comes to making decisions), “loss aversion” (we are psychologically wired to be more upset about the prospect of losing something than gaining something of the same value), “framing” (we political junkies might call this “spin”), and “sunk costs” (past experience has a tremendous influence over future decisions even when those experiences are completely irrelevant to determining future outcomes).

If you are really interested in behavioral economics, *Thinking Fast and Slow* is a monumental achievement in the field. If you’re just casually interested, it can be a bit academic and takes some extended forays into the weeds of psychological methodology. Still, a fascinating read.

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

The Final Word

November Survey

Should the next governor/legislature enact a Carbon Tax on Vermonters that would ultimately add 88¢ to each gallon of gasoline, \$1.02 to diesel and home heating oil, and 58¢ to propane and natural gas with the net revenue generated going to subsidize weatherization and renewable energy programs?

Yes?

No?

Don't Know?

October Survey Results

Should the next governor/legislature expand the Vermont Sales & Use Tax to cover over 160 services (such as daycare, snow removal, landscaping, legal, etc.) and lower the overall rate from the current 6% to 4.75%?

Yes? 0.8% (2)

No? 98.4% (246)

Don't Know. 0.8% (2)