

Ethan Allen Institute

Newsletter - October 2016 (Printer Edition)

Top Story: EAI Launches Carbon Tax Awareness Campaign

All summer long, VPIRG interns have been knocking on doors, selling Vermonters on the vague idea of a “carbon pricing” scheme for our state. These short presentations are misleading people about what is at stake if Vermont were to actually pass a Carbon Tax (a more accurate term than the one VPIRG people strenuously avoid).

The VPIRG doorstep presentations do not inform citizens that implementing the carbon tax in Vermont as they propose will add 88¢ to every gallon of gasoline purchased, \$1.02 to every gallon of home heating oil or diesel, and 58¢ for propane and natural gas. Instead, they misleadingly promise that the tax will be levied on out-of-state “big oil” companies, without disclosing the fact that these costs will be passed along to you the consumer.

In order to correct these misleading half-truths, the Ethan Allen Institute has launched an informational radio and social media campaign highlighting the true costs of the Carbon Tax, should it become law in Vermont.

The timeline for placing a Carbon Tax on Vermonters begins with passage of a bill in 2017, after this November’s elections. As such, now – before this coming election — is the time for Vermonters to become informed about the true details of the Carbon Tax, how it would work, who benefits, and who gets stuck with the bill.

The Ethan Allen Institute’s radio ad will run on stations throughout the state (Brattleboro, Colchester, Middlebury, Morrisville, Rutland, St. Johnsbury, and Waterbury), and our social media effort begins with a commentary piece by former Weidmann CEO for North American Operations and chairman of the board for Associated Industries of Vermont, and now EAI board member, John Goodrich: *The Carbon Tax Would Kill Vermont Jobs*.

Thanks to all who have donated to our campaign fund, dedicated to educating Vermonters about the details and implications of the proposed Carbon Tax for Vermont. There is still time to support and extend this campaign. One sixty second radio spot costs between \$25 and \$35 to put on the air, so every penny counts.

Donate online now,
or send a check to:
Ethan Allen Institute
P.O. Box 543
Montpelier, VT 05601

EAI is a 501c(3) nonprofit, educational organization that neither solicits nor accepts government funding. Contributions are TAX DEDUCTIBLE for businesses and individuals.

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: Questions for Candidates, 2016

By John McClaughry

Election season is upon us, and many incumbent legislators are hoping to slide through to reelection on the basis of party support, name recognition, and their winning personalities. The first-time candidates build their campaigns around their record of civic performance plus a recitation of some of things that they'll promote – or even fight for – once elected. These typically include more and better jobs, “an economy that works for everyone”, universal health care, holding down rising taxes, better education at lower cost, stamping out “carbon pollution”, and the like.

What candidates of all persuasions should welcome, but often don't, are informed, pointed questions from voters that make them take positions on current issues. Here are a baker's dozen you might want to pose to those seeking your vote.

Government spending: Over the past five years the state's General Fund spending, not counting Federal funds, has grown at around two and half times the rate of inflation, even though population is scarcely growing at all. Will you vote against budgets that increase state General Fund spending growth more than the rate of inflation plus population growth, currently around two percent?

Taxes: Will you vote for or against any proposal to increase the income, sales and use, and rooms and meals tax rates?

Health Care: “Dr. Dynasaur 2.0” is a proposal to be introduced into the 2017 legislature. It would provide “free” (taxpayer-financed) health care to everyone up to age 26, regardless of their means. Would you support or oppose this proposal?

All Payer Health Care Financing: Following the abandonment of taxpayer-financed single-payer health care in 2014, the current administration set out to create an alternative called “All Payer”. The Green Mountain Care Board would collect all available health insurance and program moneys, including Medicare payments, and turn them over to one large provider-run Accountable Care Organization. The ACO would in turn provide all “appropriate care” to a defined population, sharing in any savings that it might be able to produce. Would you support this plan, or oppose it?

Renewable Energy: Gov. Shumlin's Comprehensive Energy Plan decrees that Vermont must get 90% of its total energy from renewable sources by 2050. This would

require more weatherization, energy efficiency, reducing fossil fuel use (gasoline, diesel, heating oil, natural gas, propane), and subsidies to sharply increase electricity from wind towers and solar PV farms. Do you support the “90% by 2050” mandate?

Carbon Tax: The “Energy Independent Vermont” coalition is working to enact a “carbon pollution tax” on gasoline, diesel fuel, heating oil, natural gas and propane to drive down the use of those fuels by increasing their prices to consumers. The carbon tax revenue is projected to be \$500 million in 2028, 90% of which the sponsors promise would be used to reduce the sales tax rate by one percentage point, and give tax credits and rebates to various eligible consumers. Do you support or oppose enacting the carbon tax?

Big Wind: Would you support or oppose a state tax on new large wind turbines, cancelling out the 2.3 cents/kwhr Federal Production Tax Credit, thus making new wind towers in Vermont economically unfeasible?

Transportation: would you support or oppose initiating and joining a multistate agreement to cap the use of gasoline and diesel fuels in transportation, to reduce carbon dioxide emissions and thus combat climate change?

School consolidation: Do you support or oppose the combination of incentives and penalties contained in Act 46 of 2015, designed to push consolidation of school districts into larger multitown Unified Districts?

School Choice: Would you support or oppose protecting parental choice in education where students now have it, and its extension to additional districts and students?

Free College: Would you support or oppose having the state pay for two years of post- secondary education in Vermont colleges for all qualified Vermont high school graduates, regardless of family income?

Passenger Rail: Would you support or oppose state investment to subsidize passenger rail service from Rutland to Burlington?

Gun Control: Would you support or oppose requiring federal background checks not only for purchases of firearms from licensed dealers, as at present, but also for all private transfers of firearms, including gifts, swaps, and transfers among family members?

These are the kind of pointed questions that you, the voter, have a right to ask your candidates. You have a right to expect meaningful answers. Don’t let them off the hook.

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

Commentary:

Sue Minter Wants to Expand the Sales Tax to Services

by Rob Roper

At the Tunbridge Fair, Democrat gubernatorial candidate Sue Minter indicated in an interview with WDEV’s Mike Smith that she is in favor of expanding the Vermont state sales and use tax to services. Currently it applies only to goods, with a few

exceptions.

About thirty minutes into the one-woman “debate,” moderator Mike Smith of WDEV’s “Open Mike” program asked Minter about tax policy, noting that, “Governors Dean, Douglas, and Shumlin avoided raising the personal income tax, sales tax, and corporate income tax because they said it would be damaging to the economy in VT. Would you do the same?”

Minter replied evasively by answering an unasked question, “I will balance the budget. I will be a good steward of the people’s money. I will look at the economic impact of every spending and raising decision.” Or, in other words, “No.” Minter does not intend to avoid raising those taxes, and given the number of costly new programs she wants to implement, one can see why.

She went on to say, “We have a tax code now... that was really built around durable goods. And, now our economy – two thirds of it – is really a service sector economy.... We need to be thinking about the entire system. I’m interested in going back to the program [I think she meant “proposal”] we had after the Blue Ribbon Tax Commission that looked at what can we really do to lower rates by expanding the base. That would be my goal.”

The Blue Ribbon Tax Commission (BRTC) recommendation Minter is referring to is expanding the state sales and use tax to cover services as well as goods – everything from paying legal fees, to putting your child in daycare, to plumbing and home repair, to getting a haircut would be subject to the sales tax, and all of those businesses would have to bear the new cost and hassle of collecting, tracking, and remitting the revenue to the state.

The BRTC identified in its report 168 services from a Federation of State Tax Administrators study that would be eligible for taxation and specifically mentioned the following examples: “Lawn and garden, personal transportation, residential utility, financial and insurance, misc. personal (childcare), clothing-related, other professional (legal), personal property rentals, vehicle repair/maintenance, housing and real-estate, pet-related, storage and moving, telecommunications, personal care, home cleaning/maintenance, education-related, admissions/recreation/travel, medical, residence construction/repair, and misc. repair/installation.” That’s a lot of day-to-day expenses that will all of a sudden be between 2 and 6 percent less affordable for Vermonters.

Which gets us to the promise to lower the overall sales tax rate. If all services were subject to the sales tax, and the policy change was revenue neutral, the overall rate could be lowered to around 2 percent from 6 percent where it is today. However, if healthcare and educational services remain exempt, as most people think they would be, the rate only comes down to between 4.5 and 5 percent. And, Minter did not say if she were in favor of a revenue neutral sales tax shift, or one that lowered rates but still raised revenue.

Expanding the sales tax to services would exacerbate Vermont’s New Hampshire problem, as our neighbor to the east has no sales tax on goods or services. Lowering Vermont’s sales tax from 6 percent to 5 or even 4 percent would not prevent shoppers from crossing the Connecticut river for savings on goods, and expanding the tax would just encourage the same kind of border jumping regarding services. The disadvantages Montpelier has placed on Vermont retail businesses, especially through sales tax policy, has been devastating. Do we really want to do the same thing to our service sector?

It’s worth noting that there was a dissenting minority report issued by the BRTC in regard to expanding the sales tax that touches on the issues mentioned above, but also

raises the distinct possibility that an initial lowering of the sales tax rate in connection with expanding it to services may not last very long. Can we trust the politicians who are facing annual budget deficits and seem to have an insatiable desire to spend money to keep the rate low? Or will they conclude that Vermonters are used to a six percent rate, and there's not that much difference between five and six percent anyway, so...

If expanding the sales tax to services really is, as she says, Minter's goal, Vermonters need to have long and detailed conversation about it between now and November, and decide if this is something they really want.

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

Commentary: The Carbon Tax Would Kill Vermont Jobs

By John Goodrich

For nearly 38 years I had the privilege to work for one of the most important companies in the Northeast Kingdom. St. Johnsbury-based Weidmann puts bread on the table for 300 families. It was, and is, a mainstay of our local economy. As a measure of that importance to the local economy over the past 25 years, Weidmann paid directly in salaries and wages more than a ¼ billion dollars (\$250,000,000) to its local employees.

Thus I am alarmed at the urgent call by activists and political candidates for the imposition of a new "carbon tax" on gasoline, diesel fuel, natural gas, heating oil, propane and other fuels. According to the proposed plan, this tax would be passed by the legislature in 2017 (right after this coming November election), implemented in 2018, and expanded each year thereafter until 2028 when it would be collecting \$500 million (half a billion!) a year – more than the current sales tax, and almost as much as the current income tax.

In 2012 Weidmann, an international company with several locations around the world, decided to expand at our St. Johnsbury plant. We just barely won out over competing non-Vermont sites. Our local plant is a major user of compressed natural gas for process heat to produce transformer board, a critical component needed in electrical transformers large and small. If a carbon tax had been levied on our fuel supply at the time, I am pretty sure the expanded plant you see on Route 5 would today be located in some other state or country, and the the entire Weidmann operation in Vermont would be tenuous at best.

As we investigated fuel sources for our needed process heat, we critically examined and compared our costs if we were to use oil, gas, wood chips, cow-generated methane gas, solar panels and wind generation. Only oil and gas were competitive and consistent enough to sustain our operation. At one point, during an oil price spike, we determined that an electric boiler would have been cost effective. However, we were discouraged by our utility to use an electric boiler because it would have required substantial investment in the transmission deliver system as the existing lines and transformers could not support such an intensive use of electricity. Cow methane had some possibilities but the dependence on just a few farmers capable of producing that gas is too risky for our plant's ever present and on-going large requirements. Wood chips,

seemingly beneficial to our forest owners, loggers and compatible with our natural renewable resources was completely lacking in political support (because I learned all political chips were being placed on wind and solar).

It is significant that ten percent of the revenue from the proposed carbon tax would be skimmed off to subsidize renewable energy and energy efficiency programs, something many of its advocates would directly benefit from. We really should not embrace an energy policy that encourages cronyism.

When considering the imposition of a carbon tax on gasoline, diesel fuel, natural gas, heating oil and propane, I see a detrimental effect on the competitiveness of our business in the rural NEK, and I'm sure throughout the state. I also see such a tax doing great harm to the hard-working rural Vermonters who get up and drive each day to and from work, sometimes great distances, in all kinds of weather down to 40-

below. Ultimately, the carbon tax is an attack on many of our businesses and individuals. Keeping Vermont's economy afloat is a huge task. Vermont businesses like Weidmann, and I'm sure many others are in the same boat, have enough hard work staying above water without facing a massive new carbon tax. It is a bad idea.

- John Goodrich is formerly the CEO of Weidmann, and is currently a member of the EAI board of directors.

Events

October 9. Gun Owners of Vermont is holding a rally for Gun Rights on the State House steps in Montpelier. Noon - 3pm. "Is 2017 The Year You Lose Your Rights, or the year YOU make a stand?"

October 12. EAI president Rob Roper will present "The Carbon Tax: A bad idea for Vermont" to the Jericho/Underhill Republican Town Committee and their guests at the Underhill Town Hall in Underhill Center; starting at 7:00pm. If you would like this or another EAI presentation to come to your organization or community, contact rob@ethanallen.org.

October 13. EAI president Rob Roper will present "Squeezing Blood from a Gilfeather Turnip: A look at potential tax increases in 2017" in Addison County (Time/Place TBD). If you would like this or another EAI presentation to come to your organization or community, contact rob@ethanallen.org.

October 22. EAI president Rob Roper will address the Andover Republican Town Committee on current education issues in Vermont. Time and location TBD.

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.

News & Views

Vermont Has 3.9 Billion in Debt. “A new report from a government accounting watchdog group finds that Vermont has a debt of \$3.9 billion, despite claims of having a balanced budget. [The Financial State of the States 2015 report](#), released this month by Chicago-based Truth in Accounting, debunks the myth that states balance their budgets. Unlike most financial accounting done by states, TIA’s accounting method tracks unfunded pension debt and unfunded retiree health care debt.... Divided among Vermont taxpayers, the \$3.9 billion debt results in \$17,200 that each taxpayer owes to the state’s treasury.” ([Watchdog, 9/27/16](#))

Auditor Finds Fraud in VT Welfare Programs. “The findings suggest the state gave away \$1.8 million in benefits to ineligible Vermonters.... "It's not uncommon for beneficiaries who are receiving benefits from 3SquaresVT to also receive benefits from another two programs that are not typically investigated, so the \$1.8 million figure is probably low," says State Auditor, Doug Hoffer. ([VT Digger, 9/14/16](#))

Government More Inefficient Than Private Sector in Delivering Healthcare. In a recent debate focusing on healthcare, Phil Scott noted that the administrative costs of running government healthcare programs is about 15 percent – more than twice the administrative costs of private insurers, which is about 6%. Scott also pointed out that administrative healthcare costs have increase by \$100 million over the past six years. If you will recall, LOWERING administrative costs by having government take over healthcare was supposed to be the source of tremendous savings. Not so much! (Source: [VT Digger, 9/24/16](#))

Sales Tax on Services Will Hit Elderly Hardest. A person commenting on a left-wing blog noted the disproportionate impact expanding the sales tax to services would have on older Vermonters. “It’s us old folks who would be hit hardest by a service tax, because there are so many things we can no longer do for ourselves: plow snow, mow grass, haul and lift big things, etc. Given the aging of Vermont’s population and its overall income profile, that would be a very regressive tax.” Good point!

Businesses Reeling from Years of Tax Increases. “It’s clear businesses are feeling the cumulative impact of increased taxes and mandates over the last several years and need to absorb these changes before adding more. This is consistent with voters putting the economy as their top issue in this election year,” Betsy Bishop, president of the Vermont Chamber of Commerce, ([Addison Eagle, 9/2/16](#))

Who’s Leaving Vermont (And With How Much)? For years some have pointed out that the notion rich people are fleeing Vermont is a myth because IRS data shows that more dollars move into Vermont each year than move out. That trend is no more. UVM economist Art Woolf has analyzed the recent data. He notes that within the 55 to 65-year-old age group 20 percent more families moved out (1,045) as moved in (847), and that these folks account for most of the net loss in tax filers in Vermont. “What about taxpayers earning over \$75,000? ... [N]early as many people moved into Vermont as moved out—out-migrants outnumber in-migrants by only 100 people. But in that income

group, people moving out took with them \$78 million more in income than people moving in earned. That is, middle and high income people moving out of Vermont tend to be richer than people moving in.” ([Burlington Free Press, 9/15/16](#)) We’ve got to do a better job of keeping these people here.

Shumlin Last Play: Take Over Medicare Dollars. “What President Obama and I really want to see is a system where Medicaid, Medicare, private pay, everybody, pays our providers based on keeping folks healthy, instead of quantity of care, fee-for-service care,” Shumlin says. ([VPR, 9/12/16](#))

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

Scott Wants to Ban Ridgeline Wind. “I’m in favor of a complete ban on ridgeline development,” Scott said to much applause. “It’s very divisive, and we just don’t need that in Vermont. We need to come together, because I feel as though we need to be focusing on the economy, we need to focusing on jobs, we need to be focusing on other things besides this.” ([Watchdog, 9/9/16](#))

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.

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)

Implicit Bias and Cultural Re-Training. “Wait. What? If we’re all biased, who’s training whom? Let’s be very clear: When it moves from abstract to concrete, all this talk about “implicit bias” gets very sinister, very quickly. It allows radicals to indict entire communities as bigoted, it relieves them of the obligation of actually proving their case, and it allows them to use virtually any negative event as a pretext for enforcing their ideological agenda.” – David French, [National Review](#)

Book of the Month

The Hockey Stick Illusion

Climategate and the Corruption of Science By Matt Ridley

by A.W. Montford
Stacey Intl (2010)

The Hockey Stick Illusion; Climategate and the Corruption of Science, is a still unfolding, true, fully referenced, modern-day who-dun-it science history for those wishing to understand and assess the solidity of the “Climate Change” hypothesis. It is a rollercoaster ride that reveals and examines “the Hockey Stick affair,” and an aspect of scientific research that is said by many to be the most important of our time, CAGW (Catastrophic Anthropogenic Global Warming) or “Climate Change.” In Vermont, we see the impacts of this developing science as told through the media and enacted into law in the form of urgently erected industrial wind turbines on delicate uplands and photovoltaic arrays installed over agricultural fields as we race to eliminate fossil fuels from our energy portfolio.

The “Hockey Stick” itself is the graph of a remarkable “discovery,” the global temperature “reconstruction” made by climatologist Dr. Michael Mann and published in *Nature* in 1998. It shows an “uptick” (claimed to track industrial activity increase) in modern-day global temperatures. Those temperatures are coded into tree rings (temperature proxies) of trees old enough to have recorded that information over the study time period, in this case, from about 1400 to present. The graph is the output of a complex, sometimes ad-hoc, statistical technique applied to the noise-infused and uncertain tree ring data to attempt to extract a meaningful global temperature signal.

Montford follows the work of Steven McIntyre, a talented mathematician and semi-retired Canadian mining engineer, as he became interested in climate science and tried to reproduce Dr. Michael Mann’s graph...as science invites anyone to do. A simple enough task one would think. Here is where the rollercoaster ride begins and before the ride is over the reader will have a new, critical understanding of the unusual, insular and uncertain world of paleoclimatology.

McIntyre became interested in the Hockey Stick because of what he’d learned of the statistical routine used to generate the graph. Montford writes of McIntyre and hockey stick graphs, “Hockey sticks were a well-known phenomenon in the business world and McIntyre’s contacts had seen far too many dubious mining promotions and dotcom revenue projections to take such a thing seriously.”

The Hockey Stick Illusion presents a rare and surprising view of paleoclimate (ancient climate) science and climatology-IPCC relationships. It offers critical windows to the way climate science is done and the odd way it is peer reviewed. Key excerpts from the Climategate email releases of 2009 further document the story of Dr. Mann’s graph as well as of other contemporary temperature reconstructions, Steven McIntyre’s attempt to reproduce them and the effort climatologists made to keep their work from being examined. Exposed, too, is the climate community’s networking and its influence on the IPCC process (and vice versa) and how key scientific journals such as *Nature*, *Climatic Change*, and *Geophysical Research Letters*, determine what gets published.

As you read, keep this in mind: Science has been called “our one source of objective knowledge.” It is a process designed to produce basic, testable knowledge about how our universe works. It is designed especially to exclude “confirmation bias,” the difficult-to-avoid tendency of a researcher to color findings per a preconceived idea or desire. Obviously, anathema to the scientific process is agenda, which is the realm of activism. Key in the scientific process is making freely available to other researchers all data and resources used so that the initial results can be independently verified or

falsified.

If you need to know about Climate Change and climate science—and we all should—you must read this book. The ride is worth the read.

- Review by Paul Kenyon, member of the Ethan Allen Institute

The Final Word

October Survey

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?

No?

September Survey Results

What priorities should the next governor focus on for Vermont?

Raise the minimum wage to \$15? - YES (12.12%) or NO (87.88)

Make Vermont more affordable? - YES (96.34%) or NO (3.66%)

Gun control? - YES (6.67%) or NO (93.33%)

Education finance reform and lowering property taxes? - YES (96.36%) or NO (3.64%)

Lowering Vermont's Carbon Footprint? - YES (10.69%) or NO (89.31%)

Spurring private sector job growth? - YES (96.36%) or NO (3.64%)