

Ethan Allen Institute

Newsletter - June 2013 (Print Edition)

Please Join Us for the Ethan Allen Institute's 20th Anniversary Celebration and Roast of Founder John McClaughry.

June 19th, 6:00 – 9:00 pm at the Sheraton in South Burlington.

The program will feature two former governors, Jim Douglas and Tom Salmon, along with Vermont comedian Rusty “the Logger” Dewees. Download your reply card at <http://ethanallen.org/come-celebrate-eais-20th-anniversary/>, and send to:

Ethan Allen Institute P.O. Box 543 Montpelier, VT 05601
Questions? Call 802-695-1448

Please join us in thanking John McClaughry for his twenty years of dedication to the fight for liberty and prosperity in Vermont, and in taking the first step toward another twenty years of Ethan Allen Institute success. Thanks for your support We look forward to seeing you on June 19th!

Commentary: Health Insurance CO-OP Flops

By John McClaughry

An ambitious plan to create a Vermont cooperative health insurance company (CO-OP) has crashed and burned, leaving egg on many prominent faces.

During the 2010 debate in Congress, the Senate put into the ObamaCare bill an authorization for the Federal government to underwrite nonprofit consumer-owned health insurance cooperatives. Soon after the bill's enactment the Federal Center for Medicare and Medicaid Services (CMS) began to distribute \$3.4 billion to hastily-created coops around the country.

Mitchell Fleischer, a principal of the Fleischer Jacobs insurance agency of South Burlington, quickly organized and became chairman of the board of the Vermont CO-OP. It went to CMS and obtained t a \$6.3 million “startup loan”, plus another \$27.5

million loan for the CO-OP's required reserve against claims.

The CO-OP business plan promised a Vermont consumer-owned enterprise, integration of mental health and substance abuse coverage, and some version of "payment reform" with its provider groups.

At the CO-OP's "grand opening" last October, Gov. Shumlin enthusiastically appeared to hail "innovators like Mitch and Christine [Oliver] in the CO-OP that are going to give Vermont the ability to contain costs in our health care system." Congressman Welch also appeared to add his blessing.

With the state's political leaders on board and the \$33.8 million from Washington on call, all that remained for the CO-OP was to secure a Certificate of Public Good to offer health insurance in Vermont. On May 22, after a year of interaction with the fledgling CO-OP, Commissioner of Financial Regulation Susan Donegan issued her ruling. It was not a close call. She smashed the application into smithereens.

Her decision found that after promising to offer health insurance premiums at 4% lower cost than competitors Blue Cross Blue Shield of Vermont and MVP, the CO-OP's rates would actually be at least 15% higher.

It found that there was no way the CO-OP could attract the projected 19,645 policy holders in 2014 by offering similar policies at 15% higher cost.

It found that the sole-source contract Fleischer arranged between his CO-OP and his insurance agency to market the small group policies on Health Connect, the state's new insurance exchange, constituted a "stark ever-present conflict of interest" for Fleischer, and was also flatly illegal.

It found that Fleischer's \$126,000 a year salary was "surprisingly high", especially when the board chair of the much larger Blue Cross Blue Shield of Vermont is paid only \$28,900 a year.

It found that the CO-OP's board of directors, handpicked by Fleischer, was suspiciously passive.

It found that between the time the CO-OP had promised to implement a "risk sharing partnership" with its prospective provider groups and the filing of the state application, it had scrapped the "innovative" idea and reverted to the traditional "fee for service".

It found that notwithstanding all the rhetoric about being a "Vermont owned" enterprise, the CO-OP would have to rely on contracted services from numerous vendors from out of state, where a large fraction of the revenues would end up.

The Department's financial review found that the CO-OP would lose money every year, and be forced to tap the Federally-supplied claims reserve just to continue to

stay in business. “Within three years of beginning operations,” the decision found, “there is a high risk that the CO-OP would be insolvent.”

Vermont’s new Health Connect exchange (that has consumed \$125 million already) is scheduled to open for business next January. Vermont alone among the fifty states has made it mandatory for all individual and small group health insurance to be sold through the exchange.

Three years from then, in 2017, Gov. Shumlin’s taxpayer-financed Green Mountain Care is supposed to come into being. The sale of health insurance will then end, and Health Connect will be abolished.

The Commissioner concluded that “any attempt by a startup company [the CO-OP] to enter a highly concentrated industry that will cease to exist as early as three years after entry may not serve the public interest.” (Why Fleischer would create the CO-OP knowing that it will be driven out of business in three years remains an unsolved riddle.)

In a state that has given the nation two decades of notable health care policy mistakes, Commissioner Donegan has gotten this one right. The politicians who danced around the CO-OP maypole are likely to find themselves eating a large helping of crow.

Commentary: Should the Legislature Get Access to our Personal and Business Tax Returns?

by William Sayre

As often happens in Montpelier in the month of May, a little noticed provision in major piece of legislation, erupts in controversy, as lawmakers, with a little help from the people who would be affected by the new law, discover the unintended consequences of what the law proposes to do.

This year is no exception, and the little noticed provision, now erupting in controversy, is one that would give the Legislature access to our personal and business income tax returns.

Why is this a Problem? Whether or not to allow the Legislature to examine our tax returns, is a far more momentous decision than some, perhaps most, may realize. Why? Because doing so would violate the long standing policy that, except in the case of a criminal investigation, our Vermont income tax returns will be examined only by Vermont Tax Department professional staff. Not by staff in other branches of government, and certainly not by elected officials, who for better or for worse, might be tempted to use the personal information they discover, for political purposes.

Upholding this policy in Vermont, and a similar policy in Washington DC, for federal tax returns, is essential if taxpayers are to be confident that the information they provide on their tax returns will not be used for purposes other than calculating taxes due,

and taxes paid. Not for political purposes, nor for other potentially mischievous purposes.

Why is this important? When taxpayers lose this confidence, they can begin to lose confidence in the rule of law, and ultimately, confidence in the idea that they can trust their government. It also can affect the economy, which affects us all, including those of us who don't pay income taxes. If entrepreneurs begin to lose confidence in the confidentiality of their tax returns, they are less likely to invest in capital – buildings, machinery, equipment, and technology – in growing their companies. Less likely to create new jobs, and to improve the productivity, and therefore the income, of the jobs they already have created. And less likely to create the very tax base, that the Legislature wishes to examine.

Has the Legislature attempted to Correct the Problem they Propose to Create? In response to taxpayer criticism of this proposal, legislators, good people with good intentions, are attempting to limit who among their staff would be allowed to examine tax returns, and also to conceal the identity of the individuals and businesses who filed the tax returns they want to examine. Once again, the intent is good, but the core of the problem remains.

How is it that the core of the problem still remains? While it may be possible to limit the Legislature's direct access to tax returns, it is nearly impossible to limit indirect access. For example, suppose a powerful legislator, who does not have direct access, asks increasingly specific questions of a subordinate staffer, who does have direct access. It is naïve to think this will never happen, perhaps innocently, perhaps with good intentions, at least in the eyes of the legislator asking questions. What is a staffer, the subordinate, and wanting to be helpful, to do?

Then there is the likelihood that there will come a time when legislators seek the authority, as in the original version of the legislation this year, to view for themselves the personal and business tax returns they want to see.

Risk of Breach rises exponentially, with the number of people, and the number of Departments, who have access to individual returns. It will be more likely that there will be innocent, unintentional breaches of confidentiality. The more people who can examine tax returns, the greater the risk of breach, with the risk rising exponentially.

And because both the Department and the Legislature will have access to confidential information from personal and business returns, if there is a breach, it will be unlikely, if not impossible to isolate where the breach occurred. Whereas now there is no question. This will make future breaches more likely, not less so.

It also is important to remember, I believe, that Vermont is a relatively small state, and with a little effort, it will be possible to work backwards from the tax data, to identify a particular group of taxpayers, and particular taxpayers, even if their personal or business names are redacted.

Why is Confidentiality less of a problem for Tax Department Staff than for Legislative Staff? It has taken decades to create and nurture a culture of confidentiality in the Tax Department, and to build and reinforce an ethic within that Department, in which all concerned are committed to safeguarding information from individual tax returns. Even within the Tax Department, though, I'm sure there have been times, when people, most with good intentions, some with intentions not so good, have been tempted to ask for confidential information, which then might be used for political purposes. But the honor and integrity, and the political will, were always there to resist the temptation to

cross the line.

Lead us not into Temptation. Legislative staff are honorable, decent, and good too. Of course they are. That's not the question, though. The Legislature is a different institution than the Executive Branch. The diversity of political views is much greater, naturally. And therefore, so aren't the political impulses, tensions, fears, hopes, and temptations. And the relationship between the elected official, and the staff reviewing tax returns, is different for a governor, than it is for legislators. The relationship with legislators is more personal, informal, and familiar. All these factors combine to make it more difficult, far more difficult, to maintain the culture of confidentiality among Legislative staff examining tax returns, than it is among Tax Department staff examining tax returns.

What should be the policy? For all the reasons above, policy should stay as it is. Tax returns, once we send them to the Vermont Tax Department, should stay there. Secure and confidential. The Tax Department produces reports, often at the request of the Legislature, using information aggregated from individual tax returns. But never releases individual returns. If the Legislature is unhappy with the reports that they receive from the Tax Department, then let's work together to improve the quality and timeliness of the reports. Let's not violate longstanding policy, by giving the Legislature access to individual returns, even on a redacted basis.

What is a reasonable compromise? Before our Legislature makes a decision of this gravity, why not ask which other States allow their Legislatures to examine personal and business tax returns. We know that the Congress can't examine federal tax income tax returns. And if we find States that do, why not carefully investigate what protocols and procedures they have in place to safeguard confidentiality.

We should take the time to do so.

I believe we will find that there are few if any States that do allow this. If I'm wrong, we can always add this Legislative prerogative next year, with all the necessary safeguards. After all, we've survived for 80 years without allowing the Legislature to examine income tax returns, waiting one more year will be a small price to pay for getting it right.

On the other hand, if we find that there are few if any States that allow their Legislatures to examine personal and business income tax returns, we should ask why that might be. We just might find that now is no time to change policy. Especially when the Governor, the Legislature, and so many others, are working hard to build a better business climate in Vermont. Part of accomplishing that goal means that our tax burden must be competitive, and stable. But another part means that individuals and businesses must be able to trust the integrity of our tax structure, and those who create and administer it, and to have confidence in their commitment to maintain the confidentiality of the information on the tax returns they receive. The Tax Department has a history of honoring this trust and confidence. So may it always be.

- William Sayre is an Ethan Allen Institute Board Member. He is an economist, formerly with the Federal Reserve, and hosts the Ethan Allen Institute's Common Sense Radio, broadcasting from WDEV radio, in Waterbury. 96.1 FM, and 550 AM.

Commentary: Aren't we all a little bit Jeremy Dodge?

By Rob Roper

Did Vermont's governor take advantage of a mentally challenged neighbor in a real estate deal for personal profit? Here's a little background for those who might have missed this story....

Governor Shumlin bought a piece of property from his neighbor in East Montpelier, Jeremy Dodge, at what appears to be a really, really good price. According to reports, the sixteen-acre property was listed at \$233,700. Shumlin paid Dodge \$58,000 for it, with \$9000 of that coming back to Shumlin in the form of rent (\$1000/month) for allowing Dodge to stay on the property from November 2012 to July 2013, and \$17,000 going to pay off back taxes, a move that kept the property off the auction block.

Jeremy Dodge is apparently struggling with some mental health issues, and is trying to reform himself from a history at odds with law enforcement. The annual property tax bill on his farm, which he inherited from his parents, was \$4597 in 2012. Dodge never made more than \$10,000 a year, and he did not have a lawyer represent him in the real estate transaction. Shumlin's lawyer handled all the paperwork.

The Governor has repeatedly insisted that the deal was, "good for me and good for him."

But here's the rub. Dodge, who believed he'd exhausted all his options before facing an inevitable tax sale on his property, didn't have all the information. He is apparently one of the approximately 619,950 out of 620,000 Vermonters who does not understand Vermont's Rube Goldberg-esque property tax laws. He did not even know that someone making just \$10,000 a year is eligible for income sensitivity, so his annual property tax bill should have been closer to \$500 rather than \$5000. A much more manageable number, for sure.

Governor Shumlin, on the other hand, is one of those elite few who does understand how the property tax system works. He didn't bother to explain it to Jeremy Dodge. Rather than treat Dodge as a constituent (by helping the man file a homestead exemption to reduce his tax burden, for exaple), Shumlin treated him as a patsy.

Now, if our governor is willing to treat one constituent like this, we have to ask about how he treats the rest of us. I am specifically thinking of the CVPS customers who, thanks to Shumlin's machinations and manipulations, did not receive the \$21 million promised to them after the buy out by Gaz Metro. The politically favored company, run by Shumlin's Inaugural Chairwoman, Mary Powell, got to keep that cash and spend it on other politically connected projects, like weatherization.

Like Jeremy Dodge, the CVPS ratepayers were assured that this deal was somehow really "good for them." Better, even, than if they got the cash they were owed.

I am also thinking specifically of all the Vermont communities that are now looking at wind towers being placed on their ridgelines. Governor Sumlin told the Public Service Board (PSB) that his goal is to get wind turbines placed, "as fast as we can build them." So far, the PSB and the legislature, which quashed a popular uprising calling for a moratorium on industrial sized wind projects the past session, have obliged.

This is, of course, great news for major Shumlin donors who happen to be in the wind turbine business. For the rest of us, we have to live with the assurances that these deals are good for them and good for us.

And, lastly, I'm thinking specifically of every Vermonter who is on track to be living under a single payer health care system by 2017. Our governor refuses to tell us how he is going to pay for this system, even as he dismantles the old system. He defied the law he helped to pass (Act 48) in refusing to release a funding plan back in January. He is now insisting that no such plan will be forthcoming until – surprise! – after his next election in 2015.

All we are assured of is that, yes, in the end, this plan will be a good deal for us. I can't help but feeling, at this point, every Vermonter is a little bit Jeremy Dodge.

Commentary: Post Hoc Ergo Proctor Hoc - What's past is prologue with gun rights

By William Moore

Recent victories in Montpelier and Washington may leave Vermonters overconfident regarding firearms rights here and across America. Following decades of stalled efforts by “gun safety” activists here in Vermont, it is easy to believe we are inoculated from attempts at restricting our 2nd amendment and Vermont Constitutional rights. This past legislative session should destroy that illusion. Concerted efforts by an organized group now formally operating under the name GunSenseVt.org following the mass shooter terror of Newton Connecticut have promised to bring forth their agenda to every legislative session and have vowed to also propose city, town and school district based initiatives.

This new organization also has connected with resources under the MoveOn.org banner so the possibility of extensive fundraising from out of state is more likely as well. Nationally, money has been funneled through well financed groups targeting congressional races and we should expect the same here in Vermont at the legislative level as early as next fall.

The good news is that the efforts of traditionally effective groups like the Gun Owner's of Vermont, the NRA, Vermont Federation of Sportsmen's Clubs and Vermont Traditions Coalition combined with fledgling groups like Vermont2A and P.E.A.C.H. (People Exercising America's Constitutional Heritage) to form an effective coalition opposed to specific legislation brought by Senator Philip Baruth and Rep. Linda Waite-Simpson.

Highlights of the proposed tyrannies in Montpelier include the usual suspects. The short list of proposals is likely well known to EAI members but here is an annotated review:

- **Banning of models, types and configurations of modern sporting rifles;** the so-called “Assault Weapons” list of rifles we love to hate. The main problems we face with these bans are ignorance and propaganda. Most people believe these are either heavy

caliber or fully automatic or both. The facts are that these weapons are generally lighter (.223 caliber) or comparable to most standard hunting rifles, NOT automatic but semi-automatic and no more accurate than my grandpa's deer rifle.

- **Banning of standard (aka high capacity) magazines and feeding devices for rifles and handguns.** As we point out, these are standard capacity because they were originally designed by the manufacturer to maximize the effectiveness of the particular weapon, and are generally accepted in the law enforcement community and standard issue for most private security groups such as for college campuses. The adoption of these magazines by professionals should make the point that these are best suited for personal self-defense as well. Logic dictates and police trainers confirm that in high stress situations accuracy decreases and larger capacity magazines are an excellent hedge against that effect. Simply put, if it good enough for the deputy sheriff, it is good enough for my daughter walking from her car to her apartment in Burlington.

- **Concealed carry weapon licensing.** Linda Waite-Simpson, the representative behind most of these onerous ideas proposed the licensing of a constitutionally enumerated right. Included were requirements for mandatory training and registration of each citizen seeking to exercise the right to active self-defense. Placed in the light of Vermont's Article 16 (cited below), the licensing of Vermonter's to carry concealed is most offensive to lawful gun user's.

Generally, states with CCW permit requirements fall into two categories; "Shall Issue" is a term denoting a system where everyone passing a background check and a certain training requirement must be issued that license. "May Issue" states tend towards a politicized system where your either unlikely to receive a permit or need to be connected with local officials to have any chance at all. Without stretching the truth about those latter states, there is a strong parallel to the "Jim Crow" laws denying southern blacks voting and 2nd amendment rights up to the 1970s. The politicization of exercising such as essential right is against every bedrock principle of a constitutional republic system. That was the pivotal role played by the 2008 Supreme Court decision *Heller v. District of Columbia* and the 2010 decision in *MacDonald v. Chicago*. Both cities had extremely politicized permit systems which all but denied permits to citizens without special status (such as retired law enforcement and local judges).

Vermont has the perfect system already. Under Vermont's constitution and Vermont Supreme Court precedent (see *State v. Rosenthal*) every Vermonter at age of consent has a right to carry a firearm for lawful purposes either exposed or concealed. The *Rosenthal* case made it clear that a person needs no reason to exercise their article 16 right to self-defense and that only criminal intent mattered in the eyes of the law (although some federal laws determine handgun carry for 18-20 year old).

Suggesting that some added training and personal licensing for the exercise of a specifically enumerated right merely shows the lack of respect and understanding of republican principles in Montpelier.

- **Universalism of background checks** (NICS Brady Law); I use the term "universalism" specifically because it is an ideology, not a legal term or serious crime fighting proposal. Put simply, any expansion of the current tyranny known as "Background Checks" has to

be opposed on its face. In fact, this could be said about all these proposals. None would reduce crime or prevent a single mass shooter. The current legal framework under the NICS Brady Background Check law is overreaching and clearly meant to develop a database of firearms purchases by lawful gun owners.

If you have never been through this system, I urge you to go to a gun store and ask to review the Form 4473 used to perform gun purchase background checks. Turn to the top of page three and note the lines recording the make, model and serial number of the firearm purchased. These forms are held by the Federal Firearms Licensee (FFL) dealer in their store records until they close or retire at which time they become the property of the BATFE (Bureau of Alcohol, Tobacco, Firearms and Explosives). All FFL records are also subject to review by BATFE officials at any time without notice or cause.

A true “background check” system would merely require enough identification to determine that an individual was not listed as a felon, adjudicated mentally ill or otherwise ineligible under the law to purchase a firearm. The utility of such a simple system would require accurate and up to date record keeping by several massive federal bureaucracies: perhaps too tall an order?

We expect the same proposals will resurface in January when the legislature returns, and that GunSenseVT and their allies will use the time between now and then to energize and organize popular support – misguided though it will be – for passage of their legislation.

- William Moore is an independent constitutional scholar, historian and journalist living in Johnson.

Commentary: The Continual Tax Raising Mania

by John McClaughry

As the 2013 legislative session crawls to its conclusion, a lot of Vermonters are probably wondering why the main business of that session seems to have been finding and extracting ever more millions of tax dollars.

First, let’s look at transportation taxes. Unlike most taxes that have a percentage rate, the motor fuel taxes have been levied since 1923 as cents per gallon at the pump. As the Federal Reserve depreciates the value of a penny over the years, the cheaper motor fuel tax pennies can’t keep up with the rising costs of bridge and highway maintenance. So the cents per gallon rates must periodically be raised.

In 2008 the legislature bit the bullet and raised the motor fuel taxes from 20 to 25 cents per gallon. (Regrettably, the additional five cents was buried in a wholesale tax that motorists can’t see.) Since then, high fuel prices have driven down taxable fuel sales, hybrid vehicles are using far less fuel, and deferred highway and bridge maintenance costs are becoming more serious.

So the legislature is raising transportation revenues by changing the traditional method. The new schedule is considerably more complicated, but the net effect is

projected to raise \$22 million in 2014.

Could this have been avoided? Phasing down Amtrak subsidies (\$6 million) and restoring the \$29 million of motor vehicle purchase and use tax revenues diverted away from the Transportation Fund in 2004 to subsidize the Education Fund would eliminate the present need for increasing motor fuel taxes.

Next, let's look at the Education Fund. This legislature has already increased the base residential school property tax rates from 89 to 94 cents per \$100 of fair market value, and the nonresidential rates from \$1.38 to \$1.44. The actual residential school property tax rates are then increased by the ratio of local spending per adjusted pupil to a state-set amount of \$9151 (for school year 2013-14).

The rationale for these property tax increases is that local school districts are (collectively) voting too much money, and that the recession has depressed the grand list values of taxable property.

Both are true, but the Fund would be much stronger had the legislature not endorsed Gov. Shumlin's 2012 snatch of \$27.5 million from the Education Fund to pay for more Medicaid. The more serious problem lies in the structure of the school finance laws. School district voters cannot judge the impact of their own spending decisions, because their districts have been financially merged with all other districts under Acts 60/68.

Finally there are the General Fund taxes. Gov. Shumlin has repeatedly said "this is not the time to raise broad based taxes (income, sales, rooms and meals)". The compelling reason is the looming challenge of squeezing at least \$1.6 billion a year out of Vermont taxpayers to finance Shumlin's cherished Green Mountain Care single payer health plan. It's pretty clear that the governor is resisting broad-based tax increases now, in anticipation of being forced to announce in 2016 that "now is the time to raise them".

The bottom line here is that given the present liberal ascendance in Montpelier, taxpayers will continually be asked to pay more in taxes to finance ever more ambitious government. As of two weeks ago, new taxes in play included taxes on satellite television, broken tickets, liquor and tobacco, candy, soft drinks, dietary supplements, bottled water, and vending machine food and beverages.

Last Tuesday the governor and legislative leaders agreed on a deal to scrap all of these proposed new General Fund taxes, and balance the budget with \$10 million in spending cuts. The agreement featured an amusing announcement by Commissioner of Finance and Management Jim Reardon, that the administration would hire consultants to identify the required savings. Let's hope they don't hire the expensive consultants that launched "Challenges for Change", that almost totally failed.

Last Friday the "no tax" deal collapsed when the legislative leaders insisted on jiggering the income tax schedules to squeeze more from the rich. Shumlin enthusiastically seized the opportunity to be the top bracket taxpayers' friend, saying "the last thing we should be doing is changing the income tax system on the fly and at the last minute when we don't need the money." In a peroration he may soon come to regret, he concluded "We should not raise income taxes, we will not raise income taxes, we must not raise income taxes."

Despite occasional strategic backsliding like this, the tax raisers are always with us. "Normal" revenue levels produced by "normal" tax rates are simply not enough to pay for the Grand Liberal Vision of the majority in Montpelier. They can't bear to see

their vision fade away for want of money, and they always, urgently, want more.

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

Key Roll Call Votes

State House

(To see how your legislator(s) voted, go to ethanallen.org/category/roll-call/)

Senate Votes for \$9.49 Million Miscellaneous Tax Increase, H.528, (Passed 24-5)

Those who voted YES on this bill voted to increase miscellaneous taxes on Vermonters by \$9.49 million. Specifically, they voted to require Vermonters with adjusted gross incomes of \$125,000 per year or more to pay a minimum tax of 3 percent, and placed a \$12,000 cap on mortgage deductions. They voted to expand the state sales tax (6%) to bottled water. This legislation also included a \$75,000 tax credit for the wood products industry, and a \$500 tax credit for investing in the Vermont Higher Education Investment Plan.

House Mandates that All School Districts Pay for Pre-K- H.270 (Passed 95-43)

This bill mandates that publicly funded prekindergarten for 10 hours per week/35 weeks annually be made available at taxpayer expense to any “prekindergarten child” whom the parent or guardian wishes to enroll in an available, prequalified program – *despite assurances when the original state-funded pre-k bill passed that the program would remain voluntary for districts and parents.*

House Sets Up Costly Legal Challenge with Campaign Finance Vote - Wright Amendment to S-82 (Failed 49-95)

Those voting NO on this amendment voted in favor of capping donations to independent political committees that do not coordinate with candidates or parties, despite the fact that the Supreme Court precedents on this matter are pretty clear that this constitutes a violation of the First Amendment. The state would most likely lose in court if challenged, leaving the taxpayers on the hook for legal fees estimated to be in excess of \$5 million.

Senate Votes for \$50 million Property Tax Increase - S.265 (Passed 17-10)

Those who voted YES on this bill voted to increase the residential property tax rate by \$.05 per \$100.00 of assessed value, and \$.06 cents on non-residential property to \$.94 and \$1.44 respectively. Total impact on Vermont taxpayers is estimated to be more than \$50 million. (Each penny increase in the base rate takes roughly \$10 million in taxes, \$6.5 million from residential and \$3.5 million from non-residential).

Senate Blocks Moratorium on Public Schools "Going Independent", Collins Amendment to H.521 (Failed 12-14)

Those voting YES on this amendment voted to strip local control away from communities in regard to their current legal right to open an independent school in place of their local public school. The amendment empowers the State Board of Education to deny approval to any such independent school, regardless of whether or not that independent school meets all requirements for approval, and mandates that the Board do so.

Federal

(Source: Megavote.com)

Debt Payment Prioritization - Final Passage - Vote Passed (221-207, 4 Not Voting)

In its final action of the week, the House took another foray into debt limit politics. The "Full Faith and Credit Act" would mandate that in the event of the government hitting the debt limit, the Treasury Secretary would prioritize payment to holders of government debt and to Social Security recipients above all other obligations. These payments would in fact be exempt from the debt limit, such that the government could theoretically continue functioning, if only in order to issue Social Security checks and service the debt. No Democrats backed the measure, and the administration has threatened a veto.

Rep. Peter Welch voted NO

Private Sector Comp Time - Final Passage - Vote Passed (223-204, 5 Not Voting)

The House passed a measure last week to allow private sector employers to provide comp time to their workers in lieu of overtime pay. Under current law, such an arrangement exists for most workers in the public sector and a few in the private sector. Republicans classified the measure as providing flexibility to both employers and employees, while Democrats and their allies in the labor movement suspect an attempt to weaken workers' rights. In particular, they claim that there is no guarantee an individual will receive time off when he desires it and that employers could put pressure on workers to accept comp time instead of overtime. The White House seems to agree with these critiques, as it has

threatened to veto the bill.

Rep. Peter Welch voted NO

Internet Sales Tax - Final Passage - Vote Passed (69-27, 4 Not Voting)

The Senate completed action on bipartisan but controversial Internet sales tax legislation. More than two-thirds of senators (all but five Democrats and about half of Republicans) agreed that states should be allowed to require online firms to collect the same sales taxes as their domiciled brick-and-mortar businesses. States would be required to provide free tax-calculation software to affected businesses. Firms with gross annual receipts of \$1 million or less would be exempted from the new requirements. Prior to final passage the Senate adopted an amendment from Wyoming Republican Mike Enzi, one of the measure's co-sponsors, which would extend the implementation timeline from three to six months and specify that requirements for filing returns and making tax payments must be the same for online and offline firms. President Obama supports S. 743, but House Speaker John Boehner and Judiciary Chairman Bob Goodlatte, R-Va., have both expressed skepticism toward the legislation.

Sen. Patrick Leahy voted YES

Sen. Bernie Sanders voted YES

Water Infrastructure Projects - Amendment Vote - Vote Rejected (56-43, 1 Not Voting)

The Water Resources Development Act (WRDA) is a catch-all piece of legislation usually passed every five years dealing with everything from dams and levees to port dredging. Traditionally one of the biggest magnets for pork barrel projects, this version of WRDA is the first since both chambers of Congress adopted earmark moratoria. Similar to last year's highway bill, WRDA makes various changes to existing law in order to speed up project approval, including the imposition of financial penalties on tardy agencies. The bill also attempts to capture a larger share of the revenue that accrues to the Harbor Maintenance Trust Fund each year for actual harbor maintenance – a seemingly novel concept, yet one that Senate appropriators initially objected to, as they have grown accustomed to diverting much of the trust fund's receipts to unrelated accounts.

Sen. Patrick Leahy voted NO

Sen. Bernard Sanders voted NO

News & Views

Unemployment Rate Down. Employment Too. “Vermont’s employment picture was

essentially unchanged from March to April. The unemployment rate, labor force, and non-farm jobs all ticked down, but only slightly. Comparing this April to the same month in previous years, the recent trend shows a steady decline in the number of Vermonters who report having jobs, even while the unemployment rate was dropping.” Public Assets Institute.



Not Good: IBM has laid off a substantial number of workers from its Essex, Vermont, facility for the first time since 2009, when 300 people were let go.
<http://www.fox44abc22yourvoice.com/global/story.asp?s=9742441>

Also Not Good: Mace Security International, a Bennington company that produces personal security products, is reported to be eliminating 40 jobs and moving them to Ohio. <http://www.benningtonbanner.com>

Lack of Qualified Workers: VPR reports, “The shortage of qualified workers is a problem that’s become increasingly urgent for manufacturers across the country and in Vermont.... Velan needs people who can problem solve and think on their feet... so the company partnered with SkillTech, the adult education arm of the Center for Technology in Essex. They designed a training program specifically for Velan. It includes 200 hours of class work, heavy on math, with courses like ‘Geometric Dimensions and Tolerances’, ‘Interpreting Engineering Drawings.’” This is yet another example of the private sector doing a better, more efficient job than the public sector – in this case the public education sector.

Kudos to Rep. Peter Welch. Welch Announces Bipartisan Bill to Reform Federal Ethanol Mandate. “Welch highlighted the harmful impacts of a federal ethanol production mandate on farmers, consumers, and sportsmen. ‘While well intentioned, the mandate on production of corn-based ethanol is harming already struggling dairy farmers with record high feed prices. It’s driving up food prices. And it’s ruining the engines of boats, chainsaws and snowmobiles across Vermont. We’re making long overdue progress on ending ethanol subsidies. This bipartisan legislation will remove another key

underpinning of unnecessary taxpayer subsidies for the ethanol industry,” said Welch in a recent press release. “The ethanol industry has historically received three forms of subsidy from the taxpayer: federal tax credits, favorable tariffs, and the production mandate. Congressman Welch is a leader in the House of the effort to repeal all ethanol subsidies. Federal tax subsidies and tariffs supporting corn ethanol production expired at the end of 2011. The bipartisan bill announced today would address the remaining subsidy.” Good luck!

Un-Kudos to Peter Welch. Rep. Peter Welch sent a letter to the IRS urging the agency to "investigate whether any groups qualifying as social welfare organizations under section 501(c)(4) of the federal tax code are improperly engaged in political campaign activity." In a press release announcing that letter, Welch specifically cited Crossroads GPS, "the Karl Rove-backed group" as a potential violator of the law," reports the Huffington Post (and many other media outlets). While Welch's action by itself isn't much smoke, let alone a smoking gun, it is another brick in the wall of an anti-conservative bigotry that pervades the DC/Media/Education/Entertainment culture that encourages and enables this kind of abuse.

Marketplace Fairness Act Isn't. “Please save us from a government looking to legislate ‘fairness.’ The Marketplace Fairness Act would be ‘fair’ only if bricks-and-mortar stores had to do what governments want online merchants to do: Ask every customer where they live and determine, calculate, and collect the relevant state, local, and municipal taxes. For more than 9,600 jurisdictions. Then remit. This is taxation without representation on stilts. The Marketplace Fairness Act would allow nearly 10,000 governments to abuse businesses – with no recourse for businesses. Because they don't live in the relevant jurisdictions and can't vote to oust the abusers. Governments need to stop looking for ever more revenue streams – and instead just stop spending.” -- Seton Motley, President, Less Government Policy Advisor, Telecom, The Heartland Institute

No Duh. But Thanks for Admitting It. Report Says Cost Shift Drives Up Health Care Premiums. “According to a new report, the effort to restrain the growth of health care costs in Vermont is being undermined by the government's failure to properly reimburse health care providers. The report, released by the Green Mountain Care Board, shows that health care costs grew in Vermont by just 1.5 percent in 2011 but the cost of health care insurance grew several times that rate.... There's another factor looming on the horizon. And that's the full implementation of the Affordable Care Act in 2014. [Green Mountain Care Board Chair,] Rader-Wallack says the law is expected to drive up health care costs in the first year by more than 7 percent.... The board's analysis shows that costs are expected to continue to grow at high rate after the first year of the Affordable Care Act. The projections call for a roughly 6 percent growth rate in 2015 and 2016.” (VPR) Silly us. We thought all this fuss was about reducing healthcare costs...

Amazing Discovery: “If we stay on this path we're on now, then the state will become everyone's new health insurance company,” says Rep. Paul Poirier, a Barre City

independent. “And frankly, I don’t trust government any more than I trust the insurance companies we have today.” (TA 5/26/13) This comes from a long time single payer advocate who seems to be slowly waking up to what he has so enthusiastically worked for all those years.

Cloud Tax Rains on New Economy. Despite objections by some of Vermont’s most vibrant job creators, Vermont legislators decided to end the moratorium on the “Cloud” tax, hitting our creative, high-tech economy with a \$2.3 million bill. “The message that we’ve been trying to send ... is that Vermont is a place to come if you are a software development company,” argued Senator Kevin Mullin (R-Rutland). Apparently not. As Jacob Miller pointed out in the comments section of VTDigger, “The State is going to be quite disappointed in its revenue projections from this tax as a majority of software developers in this state will simply re-incorporate in another state, i.e. Delaware to avoid the tax obligation. Apparently, the tax writing legislators simply don’t understand “the cloud”.

Tom Licata & Linda Kirker discuss the history of Progressivism on Sound Off

News You Can Use: “National rates of gun homicide and other violent gun crimes are strikingly lower now than during their peak in the mid-1990s, paralleling a general decline in violent crime, according to a Pew Research Center analysis of government data [5/7/13]. “Compared with 1993, the peak of U.S. gun homicides, the firearm homicide rate was 49% lower in 2010, and there were fewer deaths, even though the nation’s population grew. The victimization rate for other violent crimes with a firearm—assaults, robberies and sex crimes—was 75% lower in 2011 than in 1993. Violent non-fatal crime victimization overall (with or without a firearm) also is down markedly (72%) over two decades.”

A Useful Reminder: “The carrying of firearms for one’s defense is a fundamental right of a citizen. The [Rutland City] ordinance [restricting carrying a firearm] is repugnant to the Constitution.” – Vermont Supreme Court. (State v. Rosenthal, 1903).

Small Business Responds to ObamaCare: From the Gallup poll of April 5, 2013:

	% Yes
Held off on plans to hire new employees	41%
Pulled back on plans to grow your business	38%
Considered dropping health insurance coverage for your employees	24%
Reduced the number of employees you have in your business	19%
Reduced the hours of employees to part time	18%

Coolidge on Government in Business: “If the government gets into business on any large scale, we soon find that the beneficiaries attempt to play a larger part in the control. While in theory it is to serve the public, in practice it will be very largely serving private interests. It comes to be regarded as a species of government favor and those who are the most adroit get the larger part of it.” (DAR Address, 4/16/28)

Book of the Month

Book of the Month: Left Turn

How Liberal Media Bias Distorts the American Mind

by Tim Grosecloss. *St. Martins Griffin*, 304 pages

People today are rightly outraged by the fact that the IRS was caught targeting conservative groups, effectively suppressing citizens’ rights to participate in the democratic process. If what appears to have happened turns out to be true, this is a criminal violation of people’s civil rights. However, this scandal is but one symptom (albeit a very serious one) of a much larger moral/cultural disease.

Why is it that the people working in the IRS (and perhaps the administration) thought they could get away with this? What made them think it was an okay thing to do in the first place? The fact of the matter is that the same attitude and moral culture that existed in the IRS – that it’s okay to treat conservatives like dirt – exists throughout many of the elite institutions of our society: government, the entertainment industry, the education establishment, and, of course, the press.

From a moral perspective, what’s the difference between denying a conservative group tax status and the teachers and students at a college denying a conservative group recognition? Or bullying a conservative speaker into cancelling an appearance? Or, the media consciously blacking out stories that might be favorable to the conservative cause?

This last point is the subject of *Left Turn* by Tim Grosecloss, a professor of political science and economics at UCLA. Grosecloss used eight years of research and state-of-the-art statistical analysis to come to the conclusion that media bias gives Democrats an 8-10 point advantage over Republicans in elections.

Grosecloss defines “bias” as “the degree to which a media outlet’s slant differs from the center of American political views.” Interestingly, when projected onto this scale, the most mainstream publication out there is the Drudge Report. Fox News is about as conservative as Maine’s senators Susan Collins and Olympia Snowe (now a former senator).

One of Grosecloss’ findings in the book is that U.S. newspapers are 20 to 40 percent more likely to report a negative headline if the Administration is Republican. A big problem is that conservatives are actively and passively discriminated against in the journalistic hiring process. “In a typical election, only about 7% of Washington correspondents vote for the Republican.” To illustrate his point, Grosecloss shows that based on voting patterns, Berkley, California, and Cambridge, Massachusetts, two of the most liberal towns in America, are actually more conservative than the average

newsroom. Yet, these are the people who decide what news the rest of us see and how we see it.

Left Turn extensively (for the reader, sometimes tediously) documents the research and statistical analysis behind its conclusions. Knowing that the book will be reviewed by liberal media, well, the author absolutely had to. It's not enough to just declare that there's bias out there.

For those interested in furthering the cause of liberty, the cultural bias in the media (and in education, entertainment, and government at large) is just as big a roadblock as anything that's happening at the IRS today. All of these problems need to be overcome, and all of them stem from the same anti-conservative culture. As such, Left Turn is a must read.

The Last Word

Rob Roper speaks on WTKR with Ben Sarro about the IRS scandal, Peter Welch, and the targeting of conservative groups by the left wing cultural elite in general. Listen to the interview at:

<http://www.youtube.com/watch?v=I2JI4I0zPxA&list=UUhsAuvDAO-cYV5kz-KWVxtg&index=1>