Ethan Allen Institute

Newsletter – December 2019 (Printer Edition)

Top Story:
The Impact We Make in 2020 Will Be Because of You!

Vermont's left-wing activists were enraged by the 2019 legislative session. Given veto-proof majorities in both the House and Senate, Democrats and Progressives failed to pass any of their major agenda items (largely because those items are obvious to any thinking person as economically insane), particularly in the area of climate change. So, for 2020 the activists are taking off the gloves….

In September we all witnessed The Climate Strike and Week of Action as angry mobs of disgruntled Leftists blocked traffic around the state in hopes of intimidating Vermonters into supporting their agenda. This was the opening primal scream in what promises to be an all-out banzai charge to turn Vermont into a Green Police State.

There are five initiatives these disrupters want to see become our Vermont reality: The Carbon Tax, the Global Warming Solutions Act, the Renewable Electricity Standard, the Energy Efficiency Utility Modernization, and the Transportation and Climate Initiative, which is a stealth carbon tax. Should any of these become law, the cost to Vermont taxpayers would be astronomical. If they all become law, well, then it's time to seriously consider abandoning the Green Mountains for saner pastures.

We need your help to make sure Vermonters understand just how bad this "Green New Deal for Vermont" is, and that all are armed with the tools needed to stop it dead in its tracks.

Here's the good news: Banzai charges were rarely successful, and most often suicidal. They only succeeded if the opposition was out of ammunition, totally disorganized, and/or morale had collapsed. Our morale is high. We are ready for this fight. How much ammo we have is up to you.

Please use the enclosed business reply envelope to send your contribution today. The stakes are higher than ever for the future of Vermont.

In addition to helping us keep the lights on, your support enables us to provide you and your fellow citizens with such services as:

- **Issue Briefs.** Easy to understand analysis of the key issues facing Vermonters. This year, look for briefs on the Transportation Climate Initiative (TCI), the unfunded pension liability crisis, the Vermont Global Warming Solutions Act, and more.

- **Roll Call Reports**. These alerts, issued within 72 hours of each vote, contain a short but detailed description of the legislation voted upon, analysis of the potential impact on Vermonters, links to original documents (bills and journals), and a record of how each legislator voted.

- **Roll Call Profiles**. In what has become our signature project, EAI provides an individual profile for each of our 150 house and 30 senate members detailing how they voted on key issues. This is a user-friendly format that devotes a unique web page to each legislator, each with its own link. These links can be shared singly or custom-bundled for our users depending upon your needs. If you haven't looked already, check out how your own representatives voted!

- **Common Sense Radio**. We continue to sponsor a liberty-oriented radio program airing weekdays, 11-noon, on WDEV hosted by Bill Sayre.

John McClaughry, David Flemming and I will, of course, continue publishing our monthly e-newsletter, a quarterly print newsletter, and a daily on-line blog, as well as producing weekly op-ed submissions to local papers around the Vermont.

As always, we are grateful to have you as a loyal member of our team, and for your steadfast efforts to promote liberty, private property, free markets, and fiscal sanity in this the Green Mountain State.

Yours truly,

Rob

Robert Roper
President

PS. The Ethan Allen Institute is a 501c3 non-profit organization. All contributions are tax deductible and anonymous.

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Report: Vermont Towns in Fiscal Trouble

By David Flemming

Lately the media has paid some much-needed attention to Vermont's financial challenges related to unfunded pension liabilities, demographic changes, and labor force at the state level. However, our towns must deal with many of the same and similar challenges. This has not received its due attention.

To help shed some light on this important but underreported issue, the Ethan Allen Institute partnered with Reason Foundation to write a report entitled "Towns in Trouble: Assessing Municipal Fiscal Health in Vermont."

We analyzed 30 Vermont towns for their fiscal year 2018, accounting for 46% of Vermont's total population. Only four are in excellent fiscal health (scored 70 or above), 16 meet a minimum of fiscal strength (scored 50-69), while 11 are in poor fiscal condition (scored 49 or less). Scores ranged from 22 to 92.

Some of these results were surprising, others less so. Many of the top performers were in Chittenden County, but even there, eight towns were only marginally healthy, and just two were in good fiscal health. Wealthy Shelburne landed exactly in the middle of the fiscal health rankings, at No. 15, with a 58 score. Lyndon has a median household income that is less than half of Shelburne, and yet it was able to score a 70 on fiscal health, a full 12 points better. So clearly, a high median income does not always equate with a healthier fiscal score.

Randolph and Rutland received two of the worst scores and have been reprimanded by their auditors for "material weaknesses" in their accounting practices. St. Albans also received a poor score, but it is taking active steps to improve and did not have any material weaknesses its auditors identified. Improving accounting practices, as St. Albans has done, may help towns to avoid cutting services or increasing taxes in the long term. But there comes a time when such drastic measures may have to be considered.

In this study, we employ a fiscal scoring system to determine which of Vermont's 30 most populous towns and cities may be at risk. We also provide a "How To" guide for citizens of smaller towns to discern their town's fiscal condition. Our methodology is similar to the studies completed by California's State Auditor and UC Berkeley's Haas Institute. We solicited feedback from over 50 Vermont municipal employees during the course of this project in order to be as accurate as possible.

We determine "fiscal health" by measuring several factors that municipal management has some control over, such as debt costs, savings and pension liabilities. While the "Property Values" and "Employment" categories are less in the control of each municipality, these only accounted for 20 of the 100 points in a score. Most of the differences between towns can be accounted for by the three categories which towns do have some control over. You can view our calculations here.

It has been 124 months since the last U.S. recession, an all-time record. Towns should be shoring up their resources for an inevitable economic downturn, which many economists are forecasting within the next two years. However, few Vermont towns look especially fiscally resilient, and many are losing population.

Fiscal stewardship, especially at the level of local accountability, should be looked upon as a process of continuous improvement, even for the towns with high scores. Often, Vermont towns aren't aware of the fiscal precariousness of their situation. Our intention is not to single out poorly performing towns. Rather, we hope to provide all Vermont communities with a new set of signposts for diagnosing their fiscal health in the coming decades, so that they can better serve their residents.

- *David Flemming is a policy analyst for the Ethan Allen Institute.*

Commentary: Achieving Net Zero CO2 Emissions by 2050

By John McClaughry

A popular commitment among candidates seeking the Democratic nomination for President is a declaration of the year in which the United States must be made to achieve "net -zero carbon dioxide emissions". Joe Biden vowed to get us there by 2050. Andrew

Yang bid 2049, and Corey Booker offered 2045. Bernie Sanders' entry is 71% net-zero by 2030.

It's generally harmless when politicians make extravagant promises about things they say they can make happen 30 years from now, when most of them (at least Biden and Sanders) will be dead. But let's overlook that, and examine just what steps the nations of the world would have to take to achieve that global 2050 net-zero target. Our authority here is Prof. Roger Pielke Jr. of the Center for Science and Technology Policy Research at the University of Colorado. Lest anyone think he is one of those awful "deniers" of climate change beholden to the fossil fuel industry, Pielke himself says "I believe climate change is real and that human emissions of greenhouse gases risk justifying action, including a carbon tax".

But Prof. Pielke is a hard headed scientist, not easily swayed by propaganda about hurricanes, wildfires, droughts, sea levels, and the like. Indeed, he has been a major target of the climate change emergency industry, for using actual data to show that most of the climate disaster claims one hears from climate change activists are simply unsupportable. Here's the case he made in a September 30 column in Forbes. He uses the well regarded BP Statistical Review of World Energy as his data source. That source projects that humanity will combust about 12,000 million tons of oil equivalent ("mtoe") fossil fuels in 2019.

There are 11, 961 days between next January 1 and January 1, 2050. To maintain only the current level of energy consumption – and benefit – we'll need to deploy over 1 mtoe of carbon-free energy, and decommission a like amount of carbon-based energy, each day until 2050.

But the International Energy Agency projects an annual 1.25% annual increase in global energy consumption to 2040. That rate of increase would require about 0.5 mtoe per day to 2050. The total comes to around 1.6 mtoe per day.

The 1400 Mw Turkey Point nuclear plant in Florida generates the equivalent of 1 mtoe per year. So, says Pielke, to achieve net-zero carbon dioxide emissions by 2050, the world would need to deploy three [1400 Mw] Turkey Point nuclear plants every two days, and decommission an equivalent amount of fossil fuel plants every two days, starting tomorrow and continuing to 2050.

For those uncomfortable with using a nuclear plant as a measuring rod, Pielke offers this illustration. "Net-zero carbon dioxide would require the deployment of about 1500 2.5 Mw wind turbines over about 300 square miles, every day [for thirty years]". He adds, "of course in this analysis I am just looking at scale, and ignoring the significant complexities of actually deploying these technologies. I am also ignoring the fact that fossil fuels are the basis for many products central to the functioning of the global economy, and eliminating them is not nearly as simple as unplugging one energy source and plugging in another."

Even if one factors in carbon dioxide sequestration, not yet deployed except in test beds, and radical energy conservation and efficiency measures, it would be hard to get down to even the level of starting up just one Turkey Point reactor a day for thirty years. Nor does Pielke consider the necessity of some sort of reliable backup (natural gas) to keep the electric grid operating when wind and solar generators aren't generating. Pielke also runs the numbers for the US alone. "To reach net-zero by 2050, the US would need to deploy one new nuclear power plant worth of carbon free energy about every 6 days, continuing from now to 2050… To attain net-zero by 2030, the US would have to deploy a new nuclear plant about every other day."

Pielke's conclusion: "Can we hit net-zero by 2050? The scale of the challenge is huge, but that does not make achieving the goal impossible. What makes achieving the goal impossible is a failure to accurately understand the scale of the challenge and the absence of policy proposals that match that scale."

When you hear a climate change activist saying "to save the planet we must achieve net-zero carbon dioxide emissions by 2050, ban all fossil fuels, rely on conservation, hydro, wind and solar, and reject any thought of increasing nuclear electricity", you are hearing foolishness from somebody who doesn't have a clue.

- *John McClaughry is vice president of the Ethan Allen Institute*

Commentary:
Yes, We Do Need to Focus on Our Business Climate

By Rob Roper

Governor Scott recently took some heat from the media over a statement he made following the announcement by Energizer that they would be closing their Bennington plant and moving its operations to Wisconsin. The governor said:

> *"This decision [by Energizer] is an unfortunate example of why those of us in Montpelier need to work together to make Vermont a more affordable place to do business and make sure our policies help businesses thrive rather than creating unique burdens and barriers to growth that make us less competitive with other states."*

What's wrong with that? The working together part or the making Vermont affordable part? Shouldn't we want to help rather than harm our local businesses and be competitive with other states? But the criticism was that there is "no evidence" that Vermont's business climate was the reason for Energizer's departure.

Really? The Tax Foundation recently rated Vermont's business climate as 44th in the nation. CNBC rated us 40th. *Rich States Poor States* rated our economic outlook as 49th. These ratings are not unique and, while imperfect studies to be sure, when they all reach essentially the same conclusion it should spark at least a little attention.

When businesses decide to lay off and/or relocate, they have no incentive to alienate local politicians by flat out stating, "You stink." It's much more diplomatic to adopt the old breakup line, "It's not you, it's me." But we all know who it really is. It's you. At that point, you can choose to start combing your hair, brushing your teeth, and bathing regularly, or you can cling desperately to the lie and wonder why you can't get a date for Saturday night.

Unfortunately, our legislature seems inclined not only to believe the lie, but to double down on their bad economic hygiene. Adding a new payroll tax (Paid Family Leave), and all the added paperwork that will come with that, isn't an attractive prospect for businesses. Nor is artificially increasing the cost of labor with a \$15 minimum wage. (It's worth noting that Wisconsin, where Energizer decamped for, has a \$7.25 minimum wage.) Raising the cost of energy and regulatory uncertainty through the Global Warming Solutions Act, and raising the cost of motor fuel through the Transportation

Climate Initiative aren't helpful ideas either. And, given that one of the biggest issues companies have in Vermont is a lack of affordable housing for their employees, making housing construction even more difficult and costly with new Act 250 environmental regulations would be just another kick in the shins.

While there are many factors that contribute to a company's decision to relocate, certainly the business climate in the state where it is currently doing business is a factor. In any competitive market place businesses will close and move and in some cases, even in most, there is little the state can do about it on the individual business level. The important thing is that the state creates the kind of dynamic economic environment that encourages, in general, new businesses to start or move in and grow at a faster pace than they close up or leave.

Following Energizer's announcement we learned that Marvell Technology Group, after purchasing a division of Essex-based Global Foundries, laid off 78 employees, and Seven Days published an article, Hire Anxiety, about significant layoffs occurring at MyWebGrocer, Dealer.com, and Social Sentinel. All of these companies have operations in other states. Why is it that we so often hear of businesses consolidating and moving their Vermont jobs to other states, but rarely if ever do we hear the opposite?

Additionally, the grocery store chain Hannaford just announced it was giving up on plans to open a store in Hinesburg following a decade long battle with zoning, stormwater permits, Act 250 regulations, and a legal battle that went all the way to the Vermont Supreme Court with still no resolution to their issues. How many potential endeavors witness this kind of outcome and don't even bother to try setting up in Vermont?

The governor's statement was right on target. This is, truly, a problem we need to fix.

- Rob Roper is president of the Ethan Allen Institute.

Events

December 22. Happy Hanukkah!

December 25. Merry Christmas!

February 29. Rob Roper will speak to the Pawlet Republican Town Committee from 2:00 pm - 4:00 pm at the Modern Woodmen Hall in Wells.

To Schedule an EAI presentation in your community, please email rob@ethanallen.org.

News & Views

EAI In the News. "What was notable to me was the presenters' unwillingness to actually explain what they were promoting — not just mouth titles like 'Global Warming Solutions Act' — but what Vermonters will actually have to do and pay under their legislation," McClaughry said Thursday. "When asked 'please explain to us how the

Transportation and Climate Initiative (TCI) is not a carbon tax,' Rep. Copeland-Hanzas brightly replied 'It's cap and invest!', which was hardly any sort of explanation," said McClaughry. "She did not explain that the TCI will significantly drive up the price of gasoline and diesel fuel, in order to discourage people from using their vehicles to get to work, school, shopping and medical appointments, and at the same time generate revenues to be used to subsidize things like electric cars and charging stations. She did admit, however, that much of her agenda would be mandatory, since 'voluntary isn't working' to reduce carbon dioxide emissions." McClaughry said, "Similarly, neither presenter squarely addressed a question about the regressive effects of the higher fuel prices and other requirements on lower income Vermonters." (Caledonian Record, 11/23/19)

Vermont School (Under)Performance: "Only three states spend more per pupil than Vermont to educate our students. Our per-pupil spending is more than 60% higher than the national average — which means about $600 million more than we would spend if we spent at the national average. If $600 million doesn't buy us exceptionally well-educated students, think of what else we could use that money for." - Prof. Art Woolf (VtDigger 11/7/19)

VT Kids on Drugs. "A study released this week by the U.S Drug Test Centers shows Vermont teens ages 12-17 rank number one for marijuana consumption. The study uses data from SAMHSA. The study ranks Vermont in the top three for alcohol use among minors." Fox 44, 10/31/2019

Another Sad Ranking. The Chicago-based research organization Truth in Accounting has issued its second annual Financial Transparency Score Report ranking the transparency practices in the fifty states. Vermont ranked 48th. Our financial condition may be worse than anyone has been able to find out.

State Auditor Questions Value of Worker Relocation Program. "These findings indicate that the prospect of reimbursements was, at best, a minor incentive for grantees to move to Vermont. At worst, the grants were gifts to those who would have moved here regardless of financial incentives. Available data preclude the SAO from determining the Program's precise impact on grantee decision-making because the Agency did not structure its survey questions in a way that could be used to calculate the hierarchy and independent effects of the many factors that drew grantees. 23 Measuring the Program's economic benefits hinges on proving a causal relationship between the Program and the grantees' decisions to move. Since all applicants moved to Vermont before applying for grants, there is no evidence of a causal link between the grants and the applicants' decision to move." (*Structural Weaknesses and Questionable Gains by Vermont's Remote Worker Grant Program*, 11/8/2019.) Kudos to Doug Hoffer for refusing to play along with the ubiquitous lipsticking of this particular pig.

Scott Considers Ending Solar Subsidies. "Vermont has the fifth-highest residential electricity rates in the U.S., due in part to an increasing market-share of solar power, which by state law utilities must buy at a fixed price, usually between 14-18 cents per kilowatt-hour. The market rate for electricity in New England is about 3-5 cents/kilowatt-hour. 'There comes a time you have to wean yourself off. When you're paying out more than you are receiving. It’s not a good market approach,’ Gov. Scott said. ‘It was a great incentive to jumpstart the renewable sector.’” Vermont Daily Chronicle, 7/14/19)

Insult to Injury. VPR reports that mere days before announcing 78 layoffs at its Essex facility, Marvell, which recently purchased a division from Global Foundries, received a $5.3 million payout from Vermont’s VEGI (Vermont Employment Growth Initiative) program to (LOL) keep jobs in the state. As the article points out, VEGI is not a very transparent program; the agreements made between the recipients of the grants and the state are secret. We would be much better off creating an overall economic environment that encourages investment rather than attempting to bribe companies to do business here. (Source: VPR, 11/15/19)

Green Police State Update. [The Global Warming Solutions Act] “is absolutely a way to come together and demand that we make the tough decisions,” [Rep. Sarah Copeland Hanzaas (D-Bradford)] said. “We’ve had these aspirations in statute for a long time, but there’s never really been anything that’s forced us to sit down and figure out these tough policies to put in place.There will be an “accountability” component of that law…Accountability means there would be a citizen right-of-action if after two or three or five years Vermont isn’t making progress towards meeting these goals as a state requirement. There would be potential for Vermonters to say, ‘Nope, we demand that our state government is going to lead us to make these greenhouse gas reduction goals.'” (TNR 11/22/19) `”Citizen right of action” means anyone could sue anybody for failing to limit their carbon dioxide emissions to bureaucratically-set standards..

NY’s “Carbon Neutral” Cautionary Tale. The Wall Street Journal recently took notice of the real world impact of New York’s policy to be “carbon neutral” by 2050 – people may suffer from heating fuel outages or shortages this winter. “Mr. Cuomo’s real purpose is to eliminate natural gas as part of his political commitment to “carbon neutrality” by 2050, and this isn’t a cost-free promise. Upstate New Yorkers struggle economically and pay among the highest energy costs in the U.S. A quarter still rely on heating oil, which costs about $1,000 a year more than natural gas and emits nearly 40% more CO2. New Yorkers pay about 40% more for electricity than Pennsylvanians and 15% more than in New Jersey.” (WSJ, 11/17/19) Vermont wants to follow this path? Really?

Scott Remains Opposed to Carbon Tax: “Most of the states in the Northeast, and it’s a number of them, they have a seat at the table to learn more about the [Transportation and Climate] Initiative — we have to be objective about this, but suffice to say, my feelings haven’t changed on a carbon tax. If that is all it is, a carbon tax, then I’m not supportive of that.” When asked if the TCI proposes something that ultimately imposes charges on carbon [motor fuel] emissions, Scott doubled down on his stance: “I’m against the carbon tax,” he said. (TNR 11/14/19)

Union President Not Keen on Carbon Tax Either: “I don’t support making heating one’s home more expensive. I don’t support making the commute to work more expensive. This would be awful for working Vermonters. Someone convince me raising the price of heating oil and gasoline helps the average worker.” – Dave Bellini, President, Vermont State Employees Association, (VTDigger Comments, 11/17/19)

The Fun's Not Over Yet: 350.org, the McKibben climate activist group allied with Extinction Rebellion, hails the September 26 Climate Strike – 3,000 assembled in Burlington, but no arrests reported - , and announced its plan to "Mobilize our movement to participate in regional and national calls to action at points of destruction [their emphasis] such as the Keystone XL pipeline, and the coal-fired Merrimack plant in NH."

Medicaid Expansion – of Fraud: "Our analysis of the CMS report suggests that the [Medicaid] expansion appears to have more than tripled the amount of improper spending in the program. Twenty percent or more of Medicaid spending in 2019—an amount likely to exceed $75 billion—is improper. Before ObamaCare, the Medicaid improper-payment rate was 6%." - Blase and Yelowitz (WSJ 11/19/19).

Vermont Highway Status: The Reason Foundation's 24th Annual Highway Report ranks Vermont's highway system 19th in the nation in overall cost-effectiveness and condition. This is a 20-spot improvement from the previous report, where Vermont ranked 39th overall, as the state benefited from the report's increased emphasis on fatality rates and the elimination of our poor Narrow Rural Arterial Lane ranking. In safety and performance categories, Vermont ranks (lower numbers are better) 6th in overall fatality rate, 10th in structurally deficient bridges, 10th in traffic congestion, 1st in urban Interstate pavement condition and 1st in rural Interstate pavement condition.

Getting Rich: "Democrats and Republicans are divided in their views on the causes of wealth and poverty. In the [Cato] survey, liberals said wealth and poverty are largely due to chance—family connections (48 percent), inheritance (40 percent), and "getting lucky" (31 percent)—while conservatives said wealth and poverty are largely due to personal choices—hard work (62 percent), ambition (47 percent), and self-discipline (45 percent)." (Cato 10/25/19)

Book of the Month

Energy

The Source of Prosperity
By Don Dears
Critical Thinking Press, 2019

Donn Dears book Energy: The Source of Prosperity will open your eyes about energy markets, combined heat and power, microgrids, RTO areas, unreasonable fears of radiation, and other important subjects which are seldom even mentioned in the energy debates. Even if you know a lot about energy, this book will be very useful, because it covers many subjects that are rarely addressed.

For example, he writes about the so-called "deregulated areas," grid managers. These areas are supposed be fuel neutral. We are in one of those areas: our grid manager is ISO-NE.

Our own grid operator had a policy of helping to buy oil for dual-fueled gas plants to stockpile. It was called the "Winter Reliability Program," and the stockpiled oil ensured winter reliability for electricity. On very cold days, home heating demand means that gas-fired plants could not get enough natural gas. Having oil around means they can still make power. However, from the individual plant's point of view, buying the oil is a bit of a gamble: it may not be used. Hence, ISO-NE devised incentives for the plants to purchase oil. Oil saved our grid during the cold snap near New Year's Day, 2018.

The federal government made our ISO-NE end this program because it "favored" oil. It was not fuel-neutral.

Favoring oil is not allowed. However, Dears points out that the rules in the deregulated areas always select wind and solar above nuclear, coal, or natural gas. The rules favor wind and solar, and the federal government does not object. As Dears puts it, "The Market for Electricity is Rigged."

Dears includes a quote from the spokesman for a major grid operator, PJM. The general manager of this supposedly fuel-neutral organization boasted that PJM has "facilitated an unprecedented switch from older, less-efficient resources to advanced….resources including demand response, energy efficiency and renewable energy." So much for fuel neutrality! (PJM originally stood for Pennsylvania, Jersey, Maryland, but PJM supervises a bigger region now.)

On a different topic, Dears calculates whether we could make jet fuel from biomass. He looks at the Red Rock Biofuels website and the demand for aviation fuel, and calculates that it would take harvesting 8.7 million acres of 30-year-old pine trees (per year) to make enough jet fuel. For context, Vermont is 5.9 million acres, excluding Lake Champlain.

Dears has a strong background in many phases of the energy industry, that gives this book its authority. His own calculations often show that the Emperor Has No Clothes, and that much of the accepted wisdom about energy is just successful public relations. His writing style is clear and easy to follow, and he includes many figures that make each section even stronger.

You will gain important insights by reading Energy: The Source of Prosperity.

- *Review by Meredith Angwin, former director of EAI's Energy Education Project*

Link to book on Amazon: https://www.amazon.com/Energy-Source-Prosperity-Donn-Dears/dp/098151197X/ref=sr_1_1?keywords=energy+by+donn+dears&qid=1565456481&s=books&sr=1-1

The Final Word

December Survey: 2020 Foresight!

Do you think you will be better off or worse off in 2020 vs. 2019?

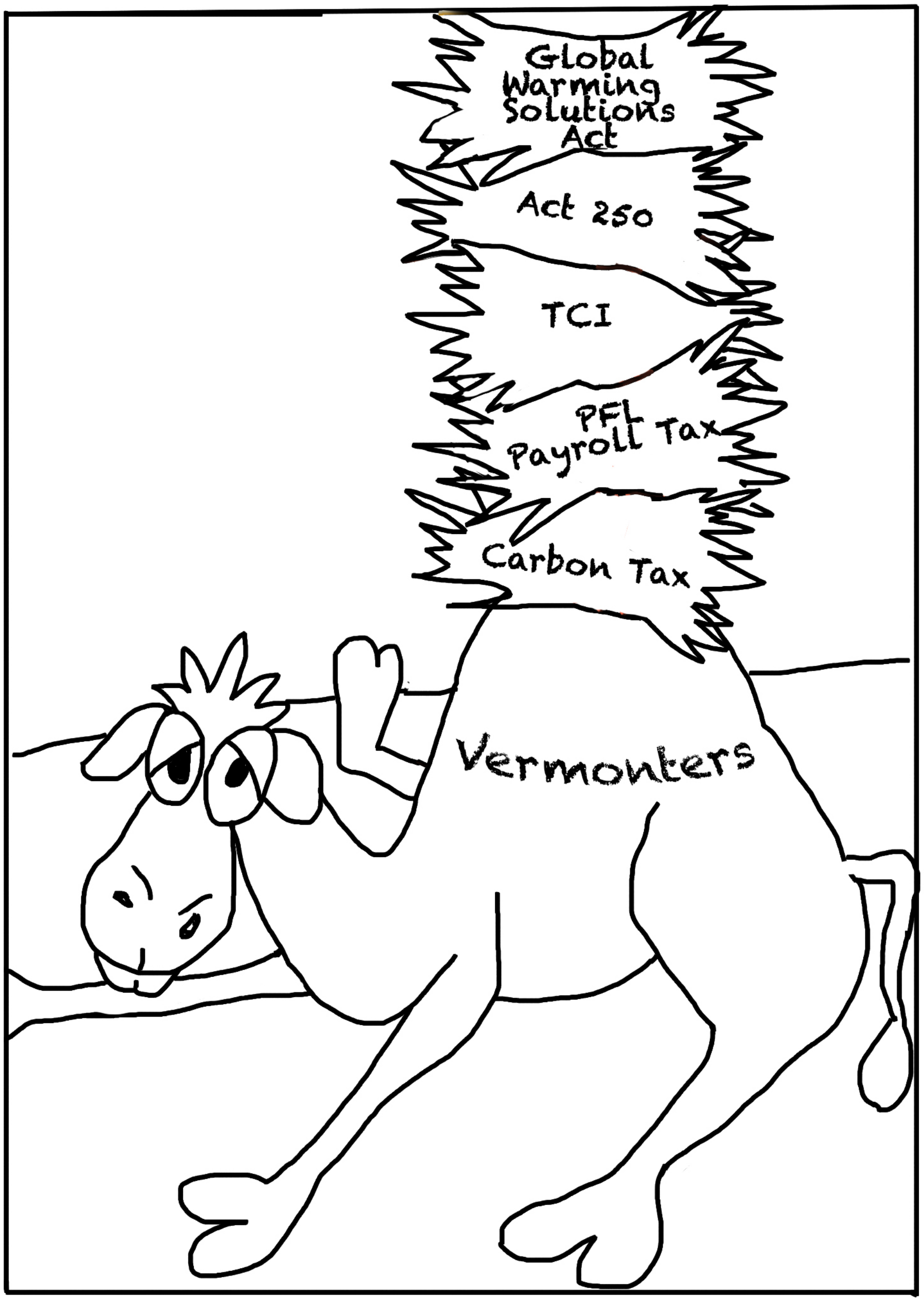
- 2020 will be better than 2019.
- 2020 will be worse than 2019.
- 2020 will be about the same as 2019.

Go to: https://www.surveymonkey.com/r/2020Foresight to take the survey.

November Survey Results: OneCare/All Payer

What do you think of the OneCare (or "All Payer") healthcare experiment in Vermont?

- It's working great, expand its budget and scope to $1.6 billion and 250,000 Vermonters. 3.57% (1)
- It's not working yet, but we should expand its budget and scope to $1.6 billion and 250,000 Vermonters in hopes that the increases make it work. 3.75% (1)
- It's not working yet but give it more time at its current scope and budget to demonstrate results.
- It's not working. Scrap it now before it becomes "too big to fail." 78.57% (22)
- I have never heard of this program. 14.29% (4)



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