

Ethan Allen Institute

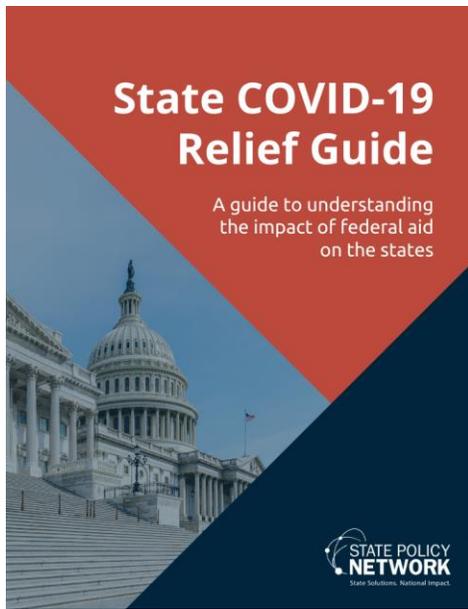
Newsletter – March 2021 (Printer Edition)

Top Story: With Covid Funds Coming from the Feds, What Does It Mean for Vermont?

[SPN's State COVID-19 Relief Guide](#) offers detailed breakouts of state revenues, federal aid totals, and more to give states a clear picture of the impact of federal relief thus far. The guide includes recommendations, interactive maps, and an FAQ section, which your organization can use to explain why more federal aid isn't the answer and what federal and state lawmakers can do instead to encourage economic recovery and long-term financial health.

Key findings from the guide

- States had smaller revenue losses from the pandemic than originally anticipated. State and local governments are expected to experience \$140 billion in revenue losses from Q1 2020 through Q2 2021.
- States have already received more in federal aid than they lost in revenue. The \$140 billion revenue loss is more than offset by the \$400 billion in various forms of federal aid that has already been allocated to states, mostly from the CARES Act and the Consolidated Appropriations Act passed in December.
- States were well prepared to weather a crisis long before the federal government's response. State and local governments entered the pandemic recession with over \$200 billion in rainy day and other fund balances to cushion against financial stress.
- States haven't used all the money that has already been allocated. Large portions of existing aid, such as school funding from the last COVID-19 relief package, still haven't been distributed. While some types of aid are more flexible than others, states can use many of these existing funds to cover expenses that would otherwise be funded by tax revenues.
- Most states are not in dire financial positions, and the federal government has sent them enough aid. Additional funds to state and local governments are not needed. State and local governments now need to adjust their finances for a different economic reality than existed pre-pandemic, and federal lawmakers should focus their efforts on [policies that will spur economic recovery](#)



Commentary: More funding! More funding!

By John McClaughry

The Public Utility Commission, at the direction of the legislature, has “joined the chorus of voices seeking climate action”. Its all-fuels energy report takes note of the state’s ambitious carbon dioxide emission reduction goals, and almost screams what’s needed on every page: “More Funding!”

In July 2019 the legislature instructed the Public Utility Commission to recommend what the legislature must do to adopt “a multi-pronged approach to address Vermont’s greenhouse gas reduction and weatherization goals.” The PUC has now delivered its report. It can be summarized in two words: “More Funding!”

“If Vermont is to make progress toward its energy and greenhouse gas emissions reductions goal and commitments, the State will need to identify appropriate, stable, and robust funding and program options outside the traditionally regulated sectors of electricity and natural gas.”

Translation: “Let’s find something to tax, to bring in the robust tax dollars required to pay, and keep on paying, for the Green agenda. More Funding!” In particular, the PUC wants a “Thermal Efficiency Benefit Charge” - more honestly described as a new state tax on heating oil, kerosene, and propane - to “provide funds for thermal efficiency programs that benefit the users of those fuels.” The report also wants to “gradually increase the [existing heating] fuel tax to benefit more low-income Vermonters.”

The PUC unsurprisingly recommends a new tax on motor fuel, to be imposed by the multi-state Transportation and Climate Initiative (TCI) to “achieve financial benefits for Vermont”. Those benefits would be subsidies to favored causes like electric vehicles, heat pumps, and always more home weatherization. They would be paid for with dollars collected from motor fuel users - workers, businesses, farms, schools, local governments,

and the like - that are left over after the TCI organization pockets its administrative, reporting, enforcement, legal and allowance auction costs, and generous staff salaries. Ordinary Vermonters will get from these tax increases “an investment that will leverage private capital, produce local jobs, boost the Vermont economy, and enhance the health and affordability of the state.” Oh, come on. Nobody is dull witted enough to swallow that.

Let’s look at the sequence of events here.

In 2018 the climate change movement failed to sell even an overwhelmingly Democratic legislature on enacting their carbon tax – the ESSEX Plan. They managed only to grab \$120,000 to get a “decarbonization” study from a reputable national research institution, Resources For the Future.

The RFF report that arrived in January 2019 found that no imaginable level of carbon taxes would drive down CO2 emissions to Vermont’s targeted levels, and that economic welfare losses from a significant carbon tax would be offset only by imagined “climate benefits” accruing to the entire planet. That finding was a serious downer for the climate change movement.

So, the movement united behind another taxpayer-financed study, undertaken by persons dependent upon the legislature who could be trusted to make a better case for “all fuels energy efficiency” based on a carbon tax, to raise “robust” revenues to spend on the long menu of green causes.

The legislature assigned the study to the PUC chaired by an ardent climate warrior, Anthony Z. Roisman. He was a key legal strategist for the New England Coalition Against Nuclear Pollution (i.e. “Shut Down Vermont Yankee!”), and even told the public two years ago that Vermont was facing a “Pearl Harbor moment” requiring a “wartime effort” to cope with the growing menace of climate change.

Created in 1886 to regulate railroad rates, the much-expanded role of the PUC is to strike a balance between protecting consumers against monopoly overcharges and letting regulated companies earn enough on invested capital to continue as going businesses. But in the past ten years, the legislature has made the PUC into its own reliable, like-minded manager and think tank on energy and climate matters.

Thus, when the legislature wants to force Vermonters to engage in an all-out war against the menace of climate change, covets millions of taxpayer dollars to finance the cornucopia of spending urged by the Environmental Action Network, and can’t muster a majority that dares to vote for the carbon taxes needed to finance that spending, it turns to the friendly PUC to provide the cover for the tax raising: More Funding!

That’s why this latest PUC report is so forthright about declaring that it “joins the chorus of voices seeking climate action.” The PUC is doing its part by announcing that Vermont can’t meet its ambitious carbon dioxide emissions reduction goals – made mandatory by the Global Warming Solutions Act passed last October over Gov. Scott’s veto - without More Funding!

A useful citizen response would be to tell Gov. Scott and their legislators to forget about jacking up motor fuel and heating oil costs to feed a bunch of clamoring special interests at the expense of everyone else trying to stay above water during the pandemic. Otherwise, this determined climate change advocacy machine is going to keep grinding on until one or another carbon tax scheme is hung around everyone’s neck.

- John McClaughry is vice president of the Ethan Allen Institute

Commentary: The Bottle Deposit Expansion – A Stealth Tax

By Rob Roper

There is a proposal making its way through the Vermont House of Representatives to expand Vermont's bottle deposit law. The bill would double the cost of a standard bottle deposit from 5 cents to 10 cents, and it would apply the deposit to "water bottles, wine bottles and containers for all noncarbonated and carbonated drinks, except for milk, rice milk, soy milk, almond milk, hemp seed milk, and dairy products." It would also create a 15 cent deposit requirement for liquor bottles.

Of course, this would mean the added up-front cost for a 24 case of beer or soda would increase from \$1.25 to \$2.50. More dauntingly, a \$3.98 40-pack of 16 oz. [bottled water at Walmart](#), for example, would require a newly added \$4 deposit fee, more than doubling the upfront cost to the consumer. (Water is arguably the healthiest option for a human to drink, so why would we exempt milk and non-milk "milk" products and not water?)

While it's true the customer can redeem the beverage containers to get that money back, a lot of folks -- for whatever reasons related to time, inconvenience, or general logistics -- just don't or can't do it. Remembering my days as a little league coach, I would bring one of those forty packs of water to a game or practice, and I know I would not likely see those bottles again. They go home in cars, get tossed into back packs, or thrown away in trash cans, etc. Practically speaking, under this proposed system I would just be out most if not all of that added four bucks.

As such, our legislators know a chunk of redeemable beverage containers never get redeemed, creating a big pile of tempting, unclaimed cash. In fact, in 2018 they passed legislation in which the state confiscated the money from unclaimed deposits for its own use. Before that, the money was used by beverage distributors to help them comply with recycling mandates. Now, the politicians get to spend that money themselves. Thus, in practice, the bottle bill ceases to act like a fee to pay for the service it supports and become a general revenue stream like a tax – a stealth tax, as it were.

In 2018, this money grab represented about \$2 million a year. If this new increase and expansion becomes law, that number will likely rise exponentially. According to testimony on H.175, the number of beverage containers subject to the deposit fee would roughly double. So, just a back of the napkin calculation: that \$2 million would double to \$4 million with the hike to 10 cents and that \$4 million would likely double again with the expansion to \$8 million. Even if the added penalty for failure to redeem beverage containers increases compliance to some degree, we're still talking about multiple millions of dollars coming out of Vermonter's pockets that, in reality, the consumer will never see again.

Rather than expand the bottle bill, now might be the time to ask why we even have one in the first place. Such deposit requirements are not the norm. In fact, there are only 10 states with bottle deposit laws at all: California, Connecticut, Hawaii, Iowa, Maine, Massachusetts, Michigan, New York, Oregon, and Vermont. Delaware had one for a while but repealed it.

Of note, one of the states that doesn't have a deposit law is our neighbor to the east, New Hampshire. This would provide yet another incentive to jump the border to avoid an unnecessary cost or an irritating chore, putting our beverage sellers at yet

another competitive disadvantage. It would also create a new incentive to cross over into Massachusetts and New York, which look to keep their deposit fee at 5 cents.

The ostensible reason for the bottle bill is to encourage recycling. However, for all the hoops jumped through and costs borne, due to declining demand for recycled waste, most of it ends up in landfills anyway. As [testimony from the Chittenden Solid Waste District](#) on H.175 warned, “In summary, expansion of the bottle bill will not move the needle on keeping recyclables out of the landfill and will add cost to the current recycling system at a time when costs are higher than ever.”

We don’t require deposit fees for cardboard boxes, newspapers, and other recyclable materials, yet we, as good citizens, still manage to, for the most part, dispose of these things properly. Why should we treat beverage containers differently? Oh yeah... the money.

- Rob Roper is president of the Ethan Allen Institute.

Commentary: Lax Emergency Laws Leave VT Vulnerable

by David Flemming and Nick Murray

If we don’t transfer more power from the governor to the Legislature during emergencies, a “climate emergency” declared by a future governor could be catastrophic for Vermont democracy.

Such emergencies are not far-fetched. In a [December commentary](#), Rep. Curt McCormack, D-Burlington, said, “If the Covid-19 pandemic can reduce our carbon emissions in one month by the same amount as we need to reduce per year, 7%, to avoid catastrophic climate change, can we not do this [on purpose](#), in an orderly, well-planned fashion?”

Scary stuff. Especially so knowing that Vermont scored the worst of all 50 states in providing a legislative check on the governor’s emergency powers, according to [a new study](#) from the Maine Policy Institute. McCormack’s statement and this research should make all Vermonters a bit nervous.

Maine Policy gave each state “a numerical score between 1 and 20 across five categories for a total score of up to 100 points. The highest score denotes the most stringent executive powers, allowing for the greatest accountability from the people’s branch, the Legislature. The lowest score denotes the weakest check on executive powers and the greatest potential threat to liberty.”

In the first category, Vermont and Massachusetts score highest in New England since they are the only states that do not give their governors the “authority to alter statutes or regulations.”

Then again, both Vermont and Massachusetts score lowest in New England because they set no time limit on a governor’s “State of Emergency,” the second category.

In the third category, Connecticut and Vermont score lowest, since both give their governors six months to keep using most emergency powers after the emergency has passed. Most New England states remove the governor’s emergency powers immediately after the State of Emergency is lifted.

Vermont scores similarly poorly in the fourth category, joining Maine, Massachusetts and Rhode Island in giving the governor the sole responsibility for

declaring a State of Emergency. The other two New England states score higher because they give their legislatures more control. A Connecticut Senate/House legislative joint committee may “disapprove and nullify” a governor’s emergency order within three days of signing, while New Hampshire gives both the Legislature and governor the power to declare an emergency.

In each of the other five New England states, a joint resolution passed by the House and Senate will terminate a State of Emergency, the fifth category. Only Vermont makes such a legislative motion legally meaningless, enough to cinch us the lowest overall score in New England, and the U.S.

It makes sense why these final two categories are weighted twice as heavily: Gov. Scott has the authority to declare an emergency and end it whenever he pleases. Time limits, the suspension of laws during an emergency and even the governor’s powers that continue “after a state of emergency has ended” are all icing on the cake.

So why should you care? After Gov. Scott declared a Covid emergency in March 2020, Vermonters reelected him by a higher percentage than any governor since 1950. Most agree that Covid-19 is indeed an emergency. But let’s say Scott runs for the U.S. Senate and a Progressive is elected governor in 2022. What’s to stop a Progressive governor from declaring a “climate emergency” and ruling by dozens of executive orders?

Forty-six states give their state legislatures some power to stop a despotic governor. Only Vermont, Ohio, Washington and Hawaii offer no legislative safeguards. And Vermont scores worse than all three other states because we allow some of the governor’s emergency powers to continue six months after the emergency ends.

Perhaps our future governor would want us to cut our carbon emissions to zero in two years instead of 30. Why not ration gasoline, or shut off all shipments of heating fuel from freezing Vermonters, until they can buy a heat pump that doesn’t work when it’s bitter cold? Such a possibility could be a crushing blow for Vermont democracy, human dignity and our economy.

Let’s give our Legislature more legal tools to check the governor’s emergency power, while the chance of a future governor using these emergencies to concentrate power is still small.

- David Flemming is a policy analyst at the Ethan Allen Institute in Vermont, and Nick Murray, a policy analyst at the Maine Policy Institute.

Events

March 31. Rob Roper will be a guest on the Sound Off! Show with Linda Kirker to discuss the 2021 legislative session at 7 pm on Channel 15, St Albans.

News & Views

Town Meeting. EAI Founder John McClaughry was the subject of a nice VPR interview by Erica Heilman, on the importance of town meeting to Vermont democracy, that aired on February 22. You can see it at <https://tinyurl.com/ycqfgve2>

It's a Carbon Tax! At least Sen. Dick McCormack (D-Windsor) is honest. The Senate Energy & Natural Resources committee he sits on has drafted a bill called "The Vermont Enhanced Energy Savings Act," that includes a tax on fossil based home heating fuels. According to [Vermont Daily \(2/26/21\)](#), "In draft form, the word "tax" is crossed out and replaced with 'thermal efficiency charge.'" McCormack commented, "Do we want to call this money that we're going to be charging people an efficiency fee? I think it's a tax, and I think it's a carbon pollution tax. And I think that I don't want to be in the position of appearing to be hiding something and then arguing about the semantics after the fact." We agree, it is a carbon tax. Thanks to the senator for the opportunity of honest debate over the policy.

Burton Pushing for VT to Join TCI – and Lying About It! Jenn Swain, director of global sustainability at Burton, wrote in a [recent op-ed](#), "The TCI (Transportation Climate Initiative) represents a once-in-a-generation opportunity for the Green Mountain State to do our part in tackling climate change and make Vermont more affordable. TCI would bring between \$20 million and \$60 million into Vermont, enabling us to invest in cleaner, more affordable..." blah, blah, blah.... No, TCI would not "bring" ANY money to Vermont. It would TAX Vermont drivers \$20 to \$60 million a year -- money that would come out of our household budgets. If anything, TCI would take Vermonters tax dollars and send them to other states that are less rural and less reliant upon motor vehicles than we are. Burton should stick to blowing snow and quit blowing smoke.

Union Reps: "Pensions Before Planet!" On February 25th, Vermont's public union representatives from the NEA and the VSEA [spoke to the House Government Operations Committee](#) about the looming state pension crisis. The unions voiced their support for an income tax surcharge on Vermonters earning over \$500,000 a year to cover the hole. Rep. Samantha Lefebvre (R-Chelsea) noted that there are several such "tax the rich" proposals to fund a number of different priorities, including Sen. Polina's (P-Washington) "Green New Deal." If such a tax were to be implemented, Lefebvre, what should take priority? Steve Howard of the VSEA was blunt: The money from any income tax surcharge "would best be suited to take care of the pension situation." So, I guess the planet can explode, but these folks want their money!

Who Owns Your Heat Pump? "Many homeowners who have an electric air source heat pump received an email warning on Feb. 12 that their utility will "manage" the device remotely to lower energy consumption during peak demand. This is not surprising and understood as necessary by those in the energy policy arena because we are a winter-peaking state. We draw the most amount of electrons during the coldest nights in the winter. "- Matt Cota (VFDA 2/23/21) "Smart metering" allows the utility to shut off your electric appliances when the power runs short in the dead of winter- another benefit of "decarbonization". Just not for you.

More Attacks on Airbnb, Et Al. The VT legislature is again considering making short term rentals more complicated and expensive. [According to VT Digger](#), "Airbnbs are public accommodation," said Sen. Alison Clarkson, D-Windsor and vice chair of the Senate Economic Development Committee. "If you are opening to the public to rent that unit, it's incumbent upon you to maintain a healthy and safe unit to rent." But before we

add cost and complexity, as well as expanding the state bureaucracy, maybe we should ask how many instances there have been of short term rental guests being harmed or even complaining about the health and safety of their rentals. And, if so, is this not being handled already by the rental companies? Is this a solution in search of a problem. Or is it just a political attack on an unfavored industry?

Parents Seeking More Creative Educational Opportunities. “Headcounts in Vermont’s public schools fell by about 4,400 students this fall, according to [newly released data](#) from the Vermont Agency of Education. That’s a roughly 5% drop in enrollment. Overall, private school enrollment went up about 1%, enrollment at “recognized” independent schools, which cannot accept public vouchers, is up by 32%, and home schooling is up to 5,069 students, 2,599 more than last year and up over 100%. So, the further away from public oversight and restrictions, the more attractive the option. (Source: [VT Digger, 2/19/21](#))

Wokeism is Destroying Our Children. “White kids are taught to hate their whiteness. Boys are taught to hate their masculinity. Girls to hate their femininity. Children of all races and both sexes are taught to hate their country. We push self-loathing onto our kids and then wonder why they are depressed and suicidal.” - Matt Walsh, Daily Wire.

Assuaging White Guild Causes Black Pain. “In the 1950s, by contrast, they [Black college students] matriculated with slightly lower grade-point averages than whites and graduated with GPAs slightly higher than whites. “Nobody gave them anything,” Mr. [Shelby] Steele affirms. “They didn’t want them in universities then. We would never put our race on an application, because it would be used against us. The minute we started to get all these handouts from guilty America in the civil-rights era, we entered this uninterrupted decline.” – [How Equality Lost to ‘Equity’, WSJ, 2/12/21](#).

Charter Schools Outperforming Traditional Public Schools. “According to the most recent [data](#) from School Digger, a website that aggregates test score results, 23 of the top 30 schools in New York in 2019 were charters. The feat is all the more impressive because those schools sported student bodies that were more than 80% black and Hispanic, and some two-thirds of the kids qualified for free or discount lunches. The Empire State’s results were reflected nationally. In a U.S. News & World Report [ranking](#) released the same year, three of the top 10 public high schools in the country were charters, as were 23 of the top 100—even though charters made up only 10% of the nation’s 24,000 public high schools.” – [Jason Riley, WSJ, 2/9/23](#)

Book of the Month: The Second World Wars

How the First Global Conflict Was Fought and Won

By Victor Davis Hanson

Basic Books, 2017

Anyone finding Victor Davis Hanson's 2017 "The Second World Wars" is bound to ask if yet another book on WWII is really needed. However, this highly-readable work by a renowned classics scholar fills a critical knowledge gap both for the general reader familiar with only the broad contours of the war, as well as for those who have immersed themselves in the conflict. As the book's title suggests, WWII was in reality several wars blended together into one massive struggle. Hanson does not offer a chronological account of these sub-wars but rather organizes the book around them. He dramatically describes the unprecedented violence inflicted by the combatants on land, sea and in the air, while giving the reader a sweeping sense of the conflict's geographic scope. Fierce infantry battles occurred from the steaming jungles of New Guinea to the frozen steppes of Russia. Naval warfare, both on the surface and beneath the waves, occurred from the arctic-like conditions of the Bering Strait to the warm waters of the South Pacific. Air power was employed not only against enemy forces but also against civilian population centers across Europe and vast swaths of Asia.

The real strength of this book is how it illuminates how WWII was more than a mere combination of land, sea and air battles and, in fact, was an existential economic, ideological, technological and social struggle. This is something Allied leaders, notably FDR and Winston Churchill, understood intuitively. In contrast, the German and Japanese leadership looked at the war primarily, if not exclusively, through the prism of a contest of wills. According to their perspective, the supposed super-warrior, be it Aryan ubermensch or Japanese samurai, would inevitably triumph over their perceived feeble adversaries.

Hanson explains how the Allies won each of these sub-wars, identifying key decision points where the Allies, despite innumerable early disasters, ultimately got it right. Meanwhile, the Axis powers, despite initial successes, made catastrophically bad choices. The German decision to eschew development of four-engine bombers, for example, meant that they could never mount a credible threat against either British or Soviet, let alone American, arms production facilities. Meanwhile, the Japanese over-invested in already obsolete battleships and under-invested in anti-submarine warfare. Consequently, its navy would be overwhelmed by America's carrier-based airplanes while its economy would be strangled by the most effective submarine blockade in history. American industry's strategy of producing complex weapons systems using methods originally designed to mass-produce consumer goods was crucial to its ability to arm not only U.S. forces in a two-front war, but those of key allies as well.

Most striking about this book is how the reader comes to see how inter-connected each of these sub-wars was. For example, Allied success on the ground in Western Europe could only have happened if they won the Battle of the Atlantic. Yet, as Hanson explains, this victory was only possible once the Allies emerged victorious in the air war over Europe. This triumph allowed them to provide air cover to transatlantic convoys, interdict German reinforcements advancing towards the Normandy beaches, and degrade armament production within Germany. The victories in the air and sea, however, were themselves contingent upon the Allies winning the economic war. This meant producing

ships at a pace that far exceeded U-boats' ability to sink them and planes at a level that ultimately overwhelmed the vaunted Luftwaffe. Hanson goes on to explain how this victory, in fact, represented a triumph of free market democracy over the command economies, which so many people in the U.S. had spoken admiringly about in the lean 1930's.

That America and its allies were able to sweep the table and emerge triumphant in each one of the sub-wars of 1939-1945 is testimony to their creativity, courage, foresight and grim determination, all described in vivid detail by this masterly analysis of humankind's greatest conflict.

- Review by Robert Letovsky Ph.D., Professor of Business Administration & Accounting Saint Michael's College, and an Ethan Allen Institute board member.

The Final Word

February Survey Results: Expand the Sales Tax & Lower the Rate?

The Vermont Tax Structure Commission recommends expanding Vermont's 6% sales tax to include all goods and services except for healthcare, while lowering the rate to 3.6%.

Do you agree or disagree with this recommendation?

- Agree. Expand the sales tax to cover food, clothing, home energy, education, and all services except healthcare, and lower the rate to 3.6%.
5.4% (5)
- Disagree. Leave the rate at 6%, but continue to exempt food, clothing, home energy, education, healthcare, and most services from the sales tax.
94.6% (88)