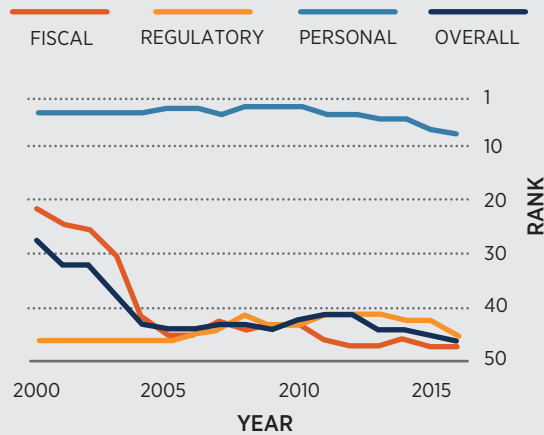


VERMONT

2016 RANK
46th



POLICY RECOMMENDATIONS

- **Fiscal:** Undo the last two decades of centralization with a constitutional amendment limiting state government responsibility for education. Return property tax-varying power and school budgeting power fully to towns, and reduce state aid to a low level. Use the proceeds to cut income taxes.
- **Regulatory:** Enact regulatory takings compensation or other measures to deter excessively restrictive local zoning.
- **Personal:** Introduce choice and competition into alcohol sales.



Population, 2017
623,657

Net Migration Rate
-1.9%



State Taxes, Percent of Personal Income, FY 2017
9.65%

Local Taxes, Percent of Personal Income, FY 2015
2.02%

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Real Per Capita Personal Income, 2016, in 2009 \$
\$44,611

Real Personal Income Growth, CAGR, 2000-15
2.0%

ANALYSIS

Vermont's economic policies are generally much worse than its social policies, but it has taken some time for the economic toll to be realized. Vermont's growth in the 2000s was good, but real income growth has been in the bottom 10 in the United States since 2008.

Vermont is one of the highest-tax states in the country. It also looks extremely fiscally centralized, with state government taking 9.7 percent of adjusted personal income and local government taking just 2 percent. However, this statistic is overstated, because Vermont counts the property tax as a state tax, even though towns have some discretion over the rate at which it is set locally. Vermonters would benefit from decentralization of tax and spending authority, as they have 3.3 effective competing jurisdictions per 100 square miles, well above the national average. Government debt is below average, but so are cash and security assets. Government share of GDP is average, and public employment is lower than average.

Vermont has fallen all the way to 48th on land-use and energy freedom, and one measure of local building restrictions based on "land use" prevalence in appellate court decisions shows a dramatic escalation in restrictiveness since 2000. The other measure, based on the Wharton Residential Land Use Regulation Index survey and imputation forward and backward with cost-of-living data, also shows deterioration, but at a more measured pace. The state has not done much to restrain eminent domain for private gain. One of the toughest renewable portfolio standards in the country was enacted in 2016. On labor policy, the state has a very high minimum wage compared with local market wages, and it has been rising since 2010. Health insurance mandated benefits are low, but

managed care has been hobbled by several measures. The state legislature authorized single-payer health insurance, but the executive branch declined to implement the law, so we do not code this law in our index. Cable and telecommunications have been liberalized. Occupational freedom is better than the national average. For instance, Vermont is one of only five states that do not license massage therapists. Vermont has sunrise review for new licensing proposals, and it is one of the few states with such a requirement to have taken it seriously, as evidenced by the review reports posted online.¹²⁷ Nurse practitioners gained full independent practice authority in 2011-12. Insurance freedom is excellent, with a "use and file" system for most property and casualty lines, long-standing membership in the Interstate Insurance Product Regulation Compact, and no rating classification prohibitions. In general, Vermont is one of the least cronyist states. However, the state has a hospital certificate-of-need law, and in 2013-14 it enacted an anti-science and anti-consumer GMO labeling law, since preempted by Congress. Its civil liability system is mediocre; the state has passed no tort reforms.

Vermont is our number-two state for gun rights. The only policies it could improve are in providing an optional carry license for reciprocity with other states and specifying no duty to retreat. Silencers were legalized in 2015. Vermont is one of the lowest states for alcohol freedom, with a state monopoly over wine and spirits retail and beer wholesaling. It is one of the better noninitiative states for cannabis, with decriminalization and a reasonably broad medical law. (The recently passed legalization law for personal possession does not yet show up in our index.) However, maximum penalties are rather high, high-level possession is a felony, and salvia was banned in 2011. Vermont took travel freedom with one hand and gave back more

127. "Sunrise Review," Office of Vermont Secretary of State, <https://www.sec.state.vt.us/professional-regulation/sunrise-review.aspx>.

with the other in 2013-14, enacting a primary handheld cell phone ban, which research has shown to be useless, but also letting illegal immigrants get licenses and placing some limits on automated license plate readers (which sunset in 2015 and were then reenacted in 2016). Vermont has almost no legal gambling. Physician-assisted suicide was enacted in 2013. The state does well on educational freedom because some towns are allowed to “tuition out” students, a century-old practice approximating a voucher law. Homeschool regulations are fairly tough. Tobacco free-

dom is extremely low, with airtight smoking bans, vending machine and internet purchase restrictions, and high cigarette taxes. The incarceration rate is below average for its crime rate, and victimless crime arrests are very low. Vermont has one of the better asset forfeiture laws, but it was weakened in 2015 and equitable sharing provides an easy path to circumvention. The state has always been a legislative leader in marriage freedom and today retains its place with no waiting periods, blood tests, or ban on cousin marriage.