

**House Committee on Natural Resources, Fish, & Wildlife**

**Testimony by Dan H. Hoxworth,  
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Thank you, Chair for the opportunity to address the Committee on the carbon pollution tax proposals that have been introduced to the State legislature. I commend you all for taking time to hear testimony during this pressing time of the session.

At Capstone, our overarching goal is to build more sustainable households and communities. Climate change is a major threat to this goal and the individuals and families we serve. That's because low-income Vermonters are often the most impacted by climate change. In other words, climate change is regressive.

First let me elaborate on the ways, climate change is regressive.

- 1) Vermonters with low income suffer the greatest consequences from ever more violent storms and volatile weather. They are:
  - a. The first hit –they live in the most risk prone locations;
  - b. The worst hit --they live in the most vulnerable structures;
  - c. The slowest to recover, if they ever do, from these weather events, as we saw in the aftermath of Superstorm Irene.

2) Economically vulnerable Vermonters face the greatest financial burden from our carbon based economy. They:

- a. Are the most vulnerable to price spikes in food and fuel due to climate-related events and carbon fuel price volatility. They have no capacity to financially absorb the additional costs.
- b. Often have to drive out away from job centers to find affordable housing. Thus, they are forced to commute farther distances.
- c. Are energy poor. They spend an inordinately large percentage of their income on fuel for their home and transportation.

3) They are the most negatively impacted by the health risks inherent in our carbon based economy. Low income communities are often closer to carbon emissions from roads and industry and, thereby, suffer the most from air pollution and soil degradation with often severe health effects.

Yes, **Climate Change is regressive.** Yet, we can achieve economic fairness and environmental justice in Vermont. We can lead the nation. Here's how.

First, we must put the same effort and resources to transportation efficiency that we have in reducing energy use, residentially, commercially and industrially. We must create transportation choices throughout Vermont and

most importantly ensure they are accessible and affordable to low and moderate income Vermonters. We have made great progress and significant investments in energy efficiency. This must continue. Yet, as a State, we have no coherent strategy or plan for increasing transportation efficiency. This is crucial.

Indeed, the report, “Mapping Total Energy Burden in Vermont” recently issued by Efficiency Vermont lays bare an unfortunate truth about Vermont: while we lead the nation in energy innovation, we’re doing no better than the rest of the country in helping low-income households lighten their disproportionate energy burden. Residents of our poorest communities are paying more than a quarter of their total income on energy, while residents in our richest communities are paying less than five percent. We can do better. We must do better.

We must move aggressively on creating both transportation efficiency and transportation choices to ensure that we don’t burden low income Vermonters as we tackle our economic and moral duty to combat climate change. This is not an either/or. This is a both/and.

Now, I will turn my attention to the carbon pollution tax proposals. As Ronald Reagan said, *“If you want more of something, subsidize it; if you want less*

*of something, tax it.* For years, we have subsidized our carbon-based economy and encourage carbon pollution by not pricing it. Carbon pollution affects every Vermonter. It affects low income Vermonters the most. So let's tax it. Let's put a price on carbon and use market forces to reduce carbon dioxide emissions. It's the progressive thing to do.

So what would a carbon pollution tax achieve for our State and residents?

- 1) It would spur consumer demand for innovative transportation alternatives and encourage innovation.
- 2) It would transition us away from the inefficient internal combustion engine. Let's stop driving furnaces!
- 3) It would encourage local renewables as an energy source.
- 4) It would spur growth of our Climate Energy Economy; creating even more sustainable jobs (now at 17,000 in Vermont) that contribute to our environment, not destroy it.
- 5) It would serve as a model for other states to follow and thereby, further establish Vermont as a leader in sustainability and the environment, thereby attracting more young people to live, work and play here.

- 6) Over time, it would improve the health of Vermonters through better air quality, water quality and less environmental degradation.
- 7) Over time, it would reduce the risk and impact on low-income Vermonters from weather-related disasters.
- 8) Finally, designed correctly, it could create a more progressive and equitable tax system in Vermont.

So how do we ensure that a carbon pollution tax is progressive and does not unfairly burden low income Vermonters?

The offsetting reduction in taxes must provide timely cash-flow for low income Vermonters. A sales tax reduction would be one way for people to immediately save money and be reducing or eliminating a regressive tax.

A significant cut in income tax especially for those in the lowest two brackets would provide greater cash-flow by allowing for less state income tax to come out of every paycheck. A doubling of the Earned income Tax Credit would increase the incentive for working and would lift more Vermonters out of poverty.

Indeed, the Earned Income Tax Credit is considered by many to be the nation's most successful anti-poverty program for working families. This credit along with other tax credits elevated over 9.2 million Americans out of poverty in 2015, for example.

Last year, right here in Central Vermont, Capstone's Volunteer Income Tax Assistance program, helped more than 1,300 low and moderate income households complete their taxes and access available credits and rebates. In 2016, this brought back \$1.4 million to the households with an average overall refund of \$1,500. This is an economic stimulus to our region as households rely on these funds for basic necessities; to make car repairs so a person can get to work; and to cover healthcare expenses, such as taking their children to the dentist or invest in a home. These funds are often critical to creating a level of stability in the lives of those we serve.

It is difficult to see how a property tax reduction would provide timely cash-flow to low income Vermonters to offset the carbon pollution tax. The dividend proposal would provide some assistance but only on a quarterly basis.

Why is it important that we make our tax structure in Vermont more progressive?

Right now, according to the Public Assets Institute, the top 1 percent in Vermont pays the lowest percentage on state and local taxes—under 8 percent of income in 2015. While the lowest 40 percent pay nearly 9 percent of their income. I strongly believe that any tax reform must make the tax system in

Vermont more progressive to reduce the burden on low and moderate income Vermonters.

Finally, Vermont is already seen as a leader in energy efficiency having created the first energy efficiency utility in the United States in VEIC. A carbon pollution tax would solidify our state's reputation as a leader in addressing climate change. For millennials like my two sons, they want to be a part of achieving these goals. By establishing a carbon pollution tax, Vermont would reinforce its brand as a leading state in creating a sustainable, renewable economy. This brand will be a draw to the very young people we need to replenish and expand our workforce as my generation moves toward retirement.

Again, Vermonters want a healthier, more equitable and affordable state. We can achieve 90 percent renewables in 2050. We can move down that road by creating a comprehensive transportation strategy that yields both more efficient options for all Vermonters. And yes, a carbon pollution tax would be a powerful tool to achieve both a progressive tax structure and a greener Vermont.

I encourage you to support the Joint Resolution and to investigate how we could operationalize a carbon pollution tax in Vermont. I am confident that your grandchildren and mine would benefit from your wisdom and look back favorably on your legacy.