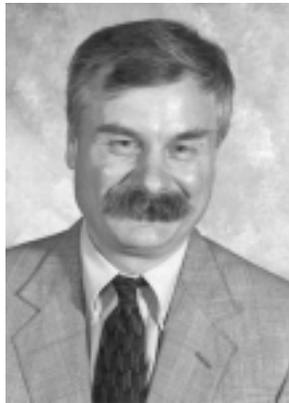


Can't Build a Budget On Real Estate 'Boom'

State Rep. Michael D. Obuchowsky, who represents Vermont's Windham legislative district, spoke to Patricia Salisbury on July 13.



EIR: You had a briefing on some aspects of the Vermont economy fairly recently. What did you learn?

Obuchowsky: Our revenue forecasters are saying that things should be a little bit better than expected next year, 2006. We are in a process where July 15 and Jan. 15 are the dates we look at our revenue projections and come up with our consensus forecast; and we are adding \$40 million for 2006, and a little bit less than that for 2007. And it is based primarily on corporate profits, the corporate tax we have in Vermont, and the fact that corporations are not hiring. Or, if they are, they are hiring slower than normal, thereby experiencing productivity increases in profit. The other thing that is happening with corporations is that those that can gain productivity by technological investment have been doing so.

The other thing that is going on, at least in the Vermont economy, is the real estate boom. And while folks did not think that was going to exist as long as it has, it looks like it is going to continue for a while.

EIR: The question of the real estate boom, as you have indicated, can go at any moment. If you look at the economy, and all the bubbles that have been created, it is really like building on sand.

Obuchowsky: Right, it is nothing to build a base budget on, that is for certain. It could be there today, and gone tomorrow.

EIR: We have been looking at some of the different budget situations around the country; and in many places a somewhat rosy picture is being presented, but when you examine it, you find that taxes have been increased, and services have been cut back.

Obuchowsky: I think, in terms of the tax increases, they have been few and far between. However, premiums that are

charged for our Medicaid have driven up health care for folks that need a little assistance—their premiums have been going up (not as much as the governor would like it). I think you do have a situation in which people are paying more and getting the same thing or less. . . .

EIR: We are looking at the collapse of the health-care delivery system, for example, the veterans hospitals.

Obuchowsky: We are finding large increases, like the rest of the country, and we have a hesitancy to attack the problem by controlling costs. We in Vermont come from an ethic, where if you don't have the resources, you get taken care of. So then what happens: There is a cost shift, and everyone else pays for it, and that drives the expenditure. But that is a decision that Vermont has made.

In terms of the veterans hospitals, I have not heard anything but good things going on there. If they are under threat, that is a huge concern to us, because people have essentially signed a social contract, whether they be our aging and passing World War II veterans, up to the present-time veterans. Those resources were promised, and they should be available to them.

We have had to fight in the past. A lot of the issues that you are mentioning are historic for us. We have gone over some of those bumps, probably, because either situations were mishandled by the owners of the businesses; or, on the other hand, we are in the backwater, and we might be easier to get rid of than something that is more prominent someplace else. So we have gone through a lot of those adjustments you talked about earlier.

EIR: Do you have any kind of mass transit, either in the state or on the drawing boards?

Obuchowsky: We did, but the government subsidy was \$40 one-way; it was up and running but we withdrew our support. We have bus systems; we have public transit in the state. They started big, but had to contract and are very challenged. The contraction has taken place over the past five years. This is with buses that run between towns.

In Burlington, we did have a train, but that is the transit that was phased out two or three years ago. A private company came forward and proposed to do what government had not been able to do. They advertised it for several months and got people to sign up, but they could not get enough to make it go. So people apparently prefer to drive their cars, given the opportunity for mass transit from a governmental basis, and also from a private-sector basis. We are part of Amtrak.

Another thing we are challenged by, is housing for regular people. As property appreciates, if your income is not keeping up, you are soon out of the market—just as regular working people. That is becoming a challenge, and that directly relates back to some of the policies of the present Administration in regards to housing and privatization.