# NIB Neg

### 1nc Economy Adv

#### Infrastructure bank won’t boost transit or rail investments

Snyder, 11--- Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio (10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

**\*\*\*Rep. Peter DeFazio, top Democrat on the Highways and Transit Subcommittee**

DeFazio did note, however, that an infrastructure bank is, in the end, a bank that “expects to be re-paid.” So he wasn’t optimistic that it would help with state of good repair or new investments for transit systems or for rail – some of his biggest priorities.

Sen. Mark Warner, an original (but often-unnamed) co-sponsor of what’s most commonly known as the Kerry-Hutchison infrastructure bank proposal, admits that’s a weakness of the infrastructure bank proposal. But he said at a recent event that even with a public funding source, an I-bank could be a helpful financing tool to drive interest rates down and lower the costs of a transit project.

#### The plan’s form of stimulus is ineffective – dictated by politics

Carroll 11 - Senior Editorial Writer at the Washington Examiner (Conn Carroll, 8/14/11, “Conn Carroll: Infrastructure bank is just another stimulus boondoggle” http://washingtonexaminer.com/article/40694)

It is an article of faith among liberals that one of the best ways the federal government can reduce unemployment is to borrow billions of dollars and spend it on infrastructure projects.

For example, at a recent press conference President Obama made his case for creating an "infrastructure bank" that "could put construction workers to work right now, rebuilding our roads and our bridges and our vital infrastructure all across the country."

Let's put aside, for the moment, that Obama should have already learned the lesson that infrastructure spending is not a path to immediate job creation. It was just two months ago that, Obama jokingly told his own Council on Jobs and Competitiveness, "Shovel-ready was not as ... uh .. shovel-ready as we expected."

But even over the long term, the job-creating prospects of politically directed infrastructure spending is highly doubtful. Infrastructure projects can be a good investment for a community, but only when their long-term benefit outweighs their initial costs.

These decisions are best made at the most local level possible. When they are made at the federal level, politics, not cost-benefit analysis, dictates what gets funded. Just look at Obama's favorite infrastructure program: high-speed rail.

#### Won’t create sustainable growth --- Japan proves

Gregory, 11 --- research fellow at the Hoover Institution at Stanford (8/21/2011, Paul Roderick, “Why We Don't Need An Infrastructure Bank? Japan Is Why,” <http://www.forbes.com/sites/paulroderickgregory/2011/08/21/why-we-dont-need-an-infrastructure-bank-japan-is-why/>, JMP)

A president who preaches internationalism must look to the experiences of other countries. Japan is a mega model for state infrastructure banks. Its Japanese Postal Bank (JPB), with its 25,000 branches, is the world’s largest bank. JPB attracts about one out of every three yen of household savings. It is the world’s largest holder of personal savings with household deposits of some $3.3 trillion. Japan has the JPB. It also has high speed trains. The model looks like a good fit for us. Right?

It so happens that JPN is also the world’s largest political slush fund. Politicians at all levels direct its funds to voters, constituents, friends, and relatives for infrastructure, construction, and business loans. They basically use it to buy votes, curry favor, and get rich. They waste depositor money for political gain. If there are losses, we have enough reserves to cover them.

The result: Japan’s economy has one of the world’s highest investment rates and one of the world’s slowest growth rates. Rates of return on invested capital are only a small fraction of that in the U.S. Over time, we get moderate to high rates of growth from a small amount of capital. Japan gets zero or slow growth from huge amounts of capital.

Japanese politicians understand what is going on, but they like JPN’s business as usual.

Japan’s best prime minister of recent history, Junichiro Koizumi, ran on a platform of privatizing JPN. With its huge depositor base, private investors salivated over the prospect of buying it up. Koizumi understood that private owners would use JPN for economic gain, and Japan could restart economic growth.

Koizumi risked a special parliamentary election to push JPN’s privatization, and in October 2005 parliament passed a bill to privatize JPN by 2007. 2007 came and went. Koizumi retired his popularity intact. It is now 2011. JPB is still owned by the government!

Koizumi’s successors blocked JPN privatization, warning of closures of post offices and job losses, but they really did not want to lose their slush fund. As the current Financial Services Minister says: “When the borrower is in trouble, we will grant them a reprieve on their loans. That is the natural thing to do,” In other words, a politician/bureaucrat decides who gets loans, who repays, and who is forgiven. This power brings in votes, bribes, and other shenanigans, but it is only “business as usual.”

Of course, this would not happen in the United States with a state infrastructure bank. As John Kerry assures us: “The bank will finance economically viable projects without political influence.”

Anyone who believes this would be a good candidate to buy the Brooklyn Bridge.

#### U.S. economy will pick up --- only Europe can trigger decline

RT, 6/6 (“'US is safe unless European crisis spills over' - Warren Buffett,” 6/6/2012, <http://rt.com/business/news/warren-buffett-rule-taxes-crisis-us-117/>, JMP)

Warren Buffett says he’s worried about the fate of the euro zone, however despite signs of recent weakness, he remains optimistic about the US economy.

­Speaking about Europe, the 81-year old legendary investor and billionaire referenced Abraham Lincoln, saying a house divided cannot stand as he addressed the Economic Club of Washington.

“They can't have a common currency, but not common fiscal policy or culture,” Buffett said. “It can't be half slave and half free.” “European leaders need to resolve some of the union’s weaknesses.”

Buffet’s comments come as finance ministers and central bank governors from the Group of Seven economies agreed on Tuesday to coordinate responses to the crisis which threatens to destroy the region’s 17-nation currency union as Greece considers leaving the euro.

As Buffett touched upon the US, he was more positive, saying there is little chance the nation will slip back into recession in the near term, warning however that a second recession is unlikely “unless events in Europe develop in some way that spills over in a big way.”

He said Washington must address an unsustainable fiscal situation, claiming that both political parties deserve blame for the federal government's failure to reduce the deficit. Buffet said Democrats must give in on cutting some social programs while Republicans can't continue to stand in the way of tax increases.

#### Economic crisis won’t cause war

Barnett 9—senior managing director of Enterra Solutions LLC (Thomas, The New Rules: Security Remains Stable Amid Financial Crisis, 25 August 2009, http://www.aprodex.com/the-new-rules--security-remains-stable-amid-financial-crisis-398-bl.aspx, AMiles)

When the global financial crisis struck roughly a year ago, the blogosphere was ablaze with all sorts of scary predictions of, and commentary regarding, ensuing conflict and wars -- a rerun of the Great Depression leading to world war, as it were. Now, as global economic news brightens and recovery -- surprisingly led by China and emerging markets -- is the talk of the day, it's interesting to look back over the past year and realize how globalization's first truly worldwide recession has had virtually no impact whatsoever on the international security landscape. None of the more than three-dozen ongoing conflicts listed by GlobalSecurity.org can be clearly attributed to the global recession. Indeed, the last new entry (civil conflict between Hamas and Fatah in the Palestine) predates the economic crisis by a year, and three quarters of the chronic struggles began in the last century. Ditto for the 15 low-intensity conflicts listed by Wikipedia (where the latest entry is the Mexican "drug war" begun in 2006). Certainly, the Russia-Georgia conflict last August was specifically timed, but by most accounts the opening ceremony of the Beijing Olympics was the most important external trigger (followed by the U.S. presidential campaign) for that sudden spike in an almost two-decade long struggle between Georgia and its two breakaway regions. Looking over the various databases, then, we see a most familiar picture: the usual mix of civil conflicts, insurgencies, and liberation-themed terrorist movements. Besides the recent Russia-Georgia dust-up, the only two potential state-on-state wars (North v. South Korea, Israel v. Iran) are both tied to one side acquiring a nuclear weapon capacity -- a process wholly unrelated to global economic trends. And with the United States effectively tied down by its two ongoing major interventions (Iraq and Afghanistan-bleeding-into-Pakistan), our involvement elsewhere around the planet has been quite modest, both leading up to and following the onset of the economic crisis: e.g., the usual counter-drug efforts in Latin America, the usual military exercises with allies across Asia, mixing it up with pirates off Somalia's coast). Everywhere else we find serious instability we pretty much let it burn, occasionally pressing the Chinese -- unsuccessfully -- to do something. Our new Africa Command, for example, hasn't led us to anything beyond advising and training local forces. So, to sum up: •No significant uptick in mass violence or unrest (remember the smattering of urban riots last year in places like Greece, Moldova and Latvia?); •The usual frequency maintained in civil conflicts (in all the usual places); •Not a single state-on-state war directly caused (and no great-power-on-great-power crises even triggered); •No great improvement or disruption in great-power cooperation regarding the emergence of new nuclear powers (despite all that diplomacy); •A modest scaling back of international policing efforts by the system's acknowledged Leviathan power (inevitable given the strain); and •No serious efforts by any rising great power to challenge that Leviathan or supplant its role. (The worst things we can cite are Moscow's occasional deployments of strategic assets to the Western hemisphere and its weak efforts to outbid the United States on basing rights in Kyrgyzstan; but the best include China and India stepping up their aid and investments in Afghanistan and Iraq.) Sure, we've finally seen global defense spending surpass the previous world record set in the late 1980s, but even that's likely to wane given the stress on public budgets created by all this unprecedented "stimulus" spending. If anything, the friendly cooperation on such stimulus packaging was the most notable great-power dynamic caused by the crisis. Can we say that the world has suffered a distinct shift to political radicalism as a result of the economic crisis? Indeed, no. The world's major economies remain governed by center-left or center-right political factions that remain decidedly friendly to both markets and trade. In the short run, there were attempts across the board to insulate economies from immediate damage (in effect, as much protectionism as allowed under current trade rules), but there was no great slide into "trade wars." Instead, the World Trade Organization is functioning as it was designed to function, and regional efforts toward free-trade agreements have not slowed. Can we say Islamic radicalism was inflamed by the economic crisis? If it was, that shift was clearly overwhelmed by the Islamic world's growing disenchantment with the brutality displayed by violent extremist groups such as al-Qaida. And looking forward, austere economic times are just as likely to breed connecting evangelicalism as disconnecting fundamentalism. At the end of the day, the economic crisis did not prove to be sufficiently frightening to provoke major economies into establishing global regulatory schemes, even as it has sparked a spirited -- and much needed, as I argued last week -- discussion of the continuing viability of the U.S. dollar as the world's primary reserve currency. Naturally, plenty of experts and pundits have attached great significance to this debate, seeing in it the beginning of "economic warfare" and the like between "fading" America and "rising" China. And yet, in a world of globally integrated production chains and interconnected financial markets, such "diverging interests" hardly constitute signposts for wars up ahead. Frankly, I don't welcome a world in which America's fiscal profligacy goes undisciplined, so bring it on -- please! Add it all up and it's fair to say that this global financial crisis has proven the great resilience of America's post-World War II international liberal trade order.

#### Europe and China make the impact inevitable

Espo, 6/2 (David, 6/2/2012, “US economy souring, so what's a Democrat to do?” <http://www.seattlepi.com/news/article/US-economy-souring-so-what-s-a-Democrat-to-do-3604267.php>, JMP)

Compounding the uncertainty, another significant threat to the recovery is well beyond the reach of the administration and Congress.

Mark Zandi, chief economist at Moody's Analytics, said the officials with **the biggest influence over the short-term fate of the economy** are in Europe, struggling with a debt crisis and in China, struggling with a slowdown.

"The Europeans have to figure out a way to keep Greece in the eurozone, at least for the next six to 12 months," he said.

The worry is that a disorderly Greek exit from the eurozone could cause a loss of investor confidence and risk a spread of weakness to Spain. "The Spanish banks have announced more loan losses and it is clear they don't have sufficient capital reserves to cover those losses and it is not clear where they are going to get that capital," Zandi said.

The risk is a crisis akin to the one that froze the U.S. banking system in 2008, feeding the worst economic downturn since the Great Depression.

#### Little benefit before 2017

Alessi, 11 (9/8/2011, Christopher, “Banking on U.S. Infrastructure Revival,” <http://www.cfr.org/economics/banking-us-infrastructure-revival/p25782>, JMP)

Experts remain divided, too, using historical precedent to bolster competing arguments. The Heritage Foundation's Ronald D. Utt wrote in an August 30 memo that the American Recovery and Reinvestment Act (PDF) of 2009 (ARRA)--the stimulus package--included $48.1 billion for transportation infrastructure development that had a limited effect on the job market and larger economy. "Based on ARRA's dismal and remarkably untimely performance, Obama's infrastructure bank would likely yield only modest amounts of infrastructure spending by the end of 2017 while having no measurable impact on job growth or economic activity," Utt wrote. In a September 6 entry for 24/7 Wall Street, media entrepreneur Douglas A. McIntyre contended that an infrastructure bank would face the same bureaucratic conditions that rendered the 2008 stimulus ineffective.

#### National bank won’t leverage sufficient resources to solve

Wahba, 11 --- chief investment officer and global head of Morgan Stanley Infrastructure (1/25/2011, Sadek, The Washington Times, “The state of the union's roads, rails, bridges; Reforming fed's approach to building infrastructure,” Factiva, JMP)

President Obama's State of the Union address Tuesday night is expected to highlight the United States' serious infrastructure problem and his proposals for addressing it. Lately, he's been pointing to our worrisome lag behind Chinese innovation and infrastructure as America's new "Sputnik moment," citing in particular China's 10,000 miles of high-speed rail by 2020 to the United States' 400. In fact, Mr. Obama is absolutely right about the problem. The American Society of Civil Engineers (ASCE) has reported it will take $2.2 trillion over the next few years just to maintain the status quo - with an urgency that calls to mind the failure of the New Orleans levees and the collapse of the Interstate 35W bridge over the Mississippi River. Surely, no one wants another disaster.

The question is, what to do about it? The Obama administration has been centering its proposals on investment, on the importance of applying public and private monies to the problem - and that approach is said to be the one that will be offered in his address. Certainly, money is important - but so is vision. Without a clear, comprehensive, long-term plan for the development and maintenance of the country's infrastructure, that money might be wasted and the opportunity squandered.

Other countries have gotten it right, from the Building Canada program begun in 2007 to the United Kingdom's National Infrastructure Plan announced in October, which both emphasize public policy and decision-making over the championing of specific initiatives. Britain's plan calls for creating "the optimum environment for investment," improving the "quality of data to inform decision-taking," "efficient and effective funding models" and "addressing regulatory failures." But most important, it calls for delivering "transformational, large-scale projects that are part of a clear, long-term strategy."

This stands in stark contrast to the American announcements on infrastructure. A quickly produced "Economic Analysis" from the Treasury Department last October focused on only one sector (transportation) and on one initiative (a national infrastructure bank). The plan calls for rebuilding 150,000 miles of road over the next six years. But that is less than 4 percent of the roads in America. The projected budget allocation of $50 billion from the infrastructure bank - even if it leverages private capital - doesn't come close to the ASCE's estimate of the infrastructure deficit.

**No agreement on which projects should be financed**

**Lamberton, 11** (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

One premise of NIB supporters is that its board of directors somehow would come together and agree on what constitutes true priorities in infrastructure work. Certainly no such agreement exists widely today. A constituency in Congress along with the president is pushing for funding mass transit projects, for example, while another congressional contingent prefers to maintain existing highway networks and build new ones. With only a finite pool of money available to spend, who is to say where the true priority lies?

The DeLauro infrastructure proposal in the House has a softer focus on infrastructure priorities. Her bankers would evaluate projects according to such yardsticks as job creation, reduction in carbon emissions, pollution reductions, and training for low-income workers, to name some. Consequently, the “merits” of, say, a transportation project might end up having little to do with actual transportation. Such an outcome probably would disappoint some people.

### --- XT: Won’t Boost Jobs / Growth

#### Infrastructure bank won’t spur jobs or economic growth

Utt, 11 --- Senior Research Fellow in Economic Policy at Heritage (9/14/2011, Ronald D., “UTT: Infrastructure ‘bank’ doomed to fail,”

<http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/>, JMP)

President Obama remains enamored of an “infrastructure bank,” an idea flogged, in one shape or another, for several years now.

All of the proposals floated to date involve creating a new federal bureaucracy that would provide loans and grants for construction or repair projects sought by state or local governments. In some proposals, those funds would be provided via the congressional appropriations process. In others, the bank simply would borrow the money.

But no matter what the source of the cash, this hard fact remains: An infrastructure bank would do little to spur the economic recovery — and nothing to create new jobs.

Such a bank has all the liabilities of the American Revitalization and Investment Act of 2009 (ARRA). You’ll recall that this $800 billion “stimulus” included $48.1 billion for transportation infrastructure. Yet, as the president acknowledged recently and the Heritage Foundation predicted, the funded projects have been very slow to get under way and have had little impact on economic activity.

Why is an infrastructure bank doomed to fail? For starters, it’s not really a bank in the common meaning of the term. The infrastructure bank proposed in the president’s 2011 highway reauthorization request, for example, would provide loans, loan guarantees and grants to eligible transportation infrastructure projects. Its funds would come from annual appropriations of $5 billion in each of the next six years.

Normally, a bank acts as a financial intermediary, borrowing money at one interest rate and lending it to creditworthy borrowers at a somewhat higher rate to cover the costs incurred in the act of financial intermediation. That would not be the case here.

Grants are not paid back. As a former member of the National Infrastructure Financing Commission observed, “Institutions that give away money without requiring repayment are properly called foundations, not banks.”

Infrastructure bank bills introduced by Sen. John Kerry, Massachusetts Democrat, and Rep. Rosa L. DeLauro, Connecticut Democrat, illustrate the time-consuming nature of creating such a bank. Both bills are concerned — appropriately — with their banks’ bureaucracy, fussing over such things as detailed job descriptions for the new executive team; how board members would be appointed; duties of the board; duties of staff; space to be rented; creating an orderly project solicitation process; an internal process to evaluate, negotiate and award grants and loans; and so on. This all suggests that it will take at least a year or two before the bank will be able to cut its first grant or loan check.

Indeed, the president’s transportation “bank” proposal indicates just how bureaucracy-intensive such institutions would be. It calls for $270 million to conduct studies, administer the bank and pay the 100 new employees required to run it.

In contrast, the transportation component of the ARRA worked through existing and knowledgeable bureaucracies at the state, local and federal levels. Yet, despite the staff expertise and familiarity with the process, as of July — 2½ years after the enactment of ARRA — 38 percent of the transportation funds authorized were still unspent, thereby partly explaining ARRA’s lack of impact.

The president’s fixation on an infrastructure bank as a means of salvation from the economic crisis at hand is — to be polite about it — a dangerous distraction and a waste of time. It also is a proposal that has been rejected consistently by bipartisan majorities in the House and Senate transportation and appropriations committees.

Those rejections have occurred for good reason. Based on the ARRA’s dismal and remarkably untimely performance, an infrastructure bank likely would yield only modest amounts of infrastructure spending by the end of 2017 while having no measurable impact on job growth or economic activity. And whatever it did manage to spend would have to be borrowed, only adding to the deficit.

That’s no way to meet the economic challenges confronting the nation.

#### NIIFF is unaccountable and expensive

Carroll 11 - Senior Editorial Writer at the Washington Examiner (Conn Carroll, 8/14/11, “Conn Carroll: Infrastructure bank is just another stimulus boondoggle” http://washingtonexaminer.com/article/40694)

Extrapolating that cost increase out for the whole project and the final price tag could reach $87 billion. California only has one-fourth of that total on hand and no plan for where to find the rest. Enter Obama's infrastructure bank.

The first thing to note about this proposal is that it's not really a bank. Banks use deposits from some customers to fund loans to other customers, and they make money by charging interest to borrowers at higher rates than they offer to depositors.

Obama would run his bank a little differently. Instead of forcing borrowers to pay money back, Obama's National Infrastructure Innovation and Finance Fund would "directly provide resources for projects through grants, loans, or a blend of both." Another word for "grant" is "gift," so basically Obama's infrastructure bank would be just giving money away.

But then how would Obama's bank stay in business? Simple. Congress would give it $5 billion to spend every year. And, of course, Obama would be in charge of hiring the 100 new employees who would decide which projects were worthy of those Obama "bank" funds.

Considering the left's demonstrated obsession with high-speed rail, how much of the infrastructure bank's "grants, loans, or a blend of both" will go to boondoggle's like California's high-speed rail project? How much of that money will taxpayers ever see again?

### --- XT: No Short-Term Benefit

#### No benefits for at least a year

McIntyre, 11 --- partner at 24/7 Wall St., LLC and has previously been the Editor-in-Chief and Publisher of Financial World Magazine (9/6/2011, “Why an Infrastructure Jobs Bank Won’t Work,” <http://247wallst.com/2011/09/06/why-an-infrastructure-jobs-bank-won%E2%80%99t-work/>, JMP)

One of the core proposals President Obama will make to Congress this week is the creation of an infrastructure bank that will provide funds to repair tens of thousands of miles of U.S. roads and bridges. It will, like any other large government program that seeks to solve problems nationwide, face the same kind of bureaucracy that made past programs, like the 2008 stimulus and TARP, ineffective or unmeasurable.

It is relatively easy to assume that an infrastructure bank would require applications from private construction firms. These companies would need to get permits to work on highways and bridges. The construction also would have to be done to local or federal specifications, which is another part of the chain to initiate a project. Workers can be hired at that point. That process, and the additional job of finding and financing equipment in some cases, could add several more months to job creation. In all, it would not be unfair to assume, the effects of the work of an infrastructure bank **may not be felt for more than a year**.

Unfortunately for the economy, and those out of work, there are 14 million unemployed people in the U.S., and nearly half of those out of work have been so for over half a year. It is impossible to judge how many of these people have the skills needed to work on construction crews. Probably not many. And, training those who are untrained and moving them to the locations where they can work would be challenging.

### --- XT: U.S. Economy Will Improve

#### Economy Stable now – their studies are flawed and don’t assume federal tax receipts

**Adler, 7/18** – (Lee, Editor and Pnublisher at The Wall Street Examiner Company Inc., “Recession has Started? Not According to Federal Tax Receipts,” Wall Street Examiner, <http://econintersect.com/wordpress/?p=24330)//aberg> \*referenced graphs removed\* 👽

The mainstream consensus has lately been that the economy is slowing. Based on my tracking of federal revenues in real time, I suspect that that view is incorrect. Instead the recent data reflects only normal oscillations within the ongoing slow growth trend. Editor’s Note: The following is an excerpt of the Wall Street Examiner Professional Edition Treasury Market update posted Friday, July 13, 2012. [Click here for subscription information](http://affiliate.plugnpay.com/affiliate.cgi?url=http://wallstreetexaminer.com/get-instant-access-to-real-time-insights%20/&affiliate=haganes&merchant=capitalsto). Total federal tax collections, including withholding taxes, are available to us with just a one day lag in the US Treasury’s Daily Treasury Statements, which makes them an excellent analytical resource. Withholding is mostly for compensation, and thus it is a good measure of the economy’s strength. However, it is extremely volatile day to day so I rely more on a monthly [moving average](http://econintersect.com/wordpress/?p=24330) of the 10 day total collections, comparing that with the prior year. Smoothing sacrifices a bit of timeliness to get a clearer picture of the trend without losing too much of the edge that the daily data provides. Unfortunately, I have found even the 10 day total data too noisy for meaningful comparison so I’ve had to resort to additional smoothing. As a result the smoothed data is a little slow, so I also look at raw month to date data after mid month. As of July 11, the 4 week average of the 10 day total of withholding taxes is now up 4.0% in nominal and 1.8% in real terms versus the same period in 2011 (adjusted by the monthly BLS data on average weekly employee compensation which in June rose by 2.2% year to year). This indicator has been in the +1% to +3% range since mid May, with most of that time above +2% suggesting that the economy’s current rate of growth is 2-3%, not the 1-1.6% that most Wall Street conomists are now forecasting. Last week was the benchmark week for the BLS labor market data. At a growth rate of 1.8% versus last year, non farm payrolls, not seasonally adjusted (NSA)–in other words, actual–would grow from last year’s July level of 131.038 million to approximately 133.4 million. Such a straightforward analysis doesn’t always match the seasonally adjusted headline number because [seasonal adjustment factors have a significant variance](http://affiliate.plugnpay.com/affiliate.cgi?url=http://wallstreetexaminer.com/2012/07/12/false-claims-and-absurdities-of-mainstream-media-reports-on-initial-unemployment-claims/) for the same period in each year. The resulting seasonally adjusted number is therefore somewhat arbitrary, and anything but real. Unfortunately, the markets don’t really care about that when the data is initially released. [Traders](http://econintersect.com/wordpress/?p=24330) and algos only care whether the number beat or fell short of equally arbitrary consensus estimates, which in turn depend almost entirely on the seasonal adjustment variance. If the withholding tax growth rate is applied to the SA payrolls data for July 2011, (1.0183 x 131.407 million) the SA number for July would be 133.812 million. That would be an increase of over 720,000 from the current June figure. Wouldn’t that be an August surprise (when released? But we know that’s not going to happen. The growth rate of withholding and the growth rate of jobs will remain at odds. But unless economists are forecasting very strong gains, the July number would beat if it tracks near the withholding data ( [More employment charts](http://affiliate.plugnpay.com/affiliate.cgi?url=http://wallstreetexaminer.com/economic-charts/employment-charts/&%20amp;affiliate=haganes&merchant=capitalsto)). The full figures for the month are available a day after the end of the month. Here’s what they looked like at the end of June along with my observations at the time. As of June 29, the last business day of the month, month to date withholding tax receipts for the full month were up by 0.9% over the same period last year but that is misleading because there was one more calendar day in which taxes could be reported last year, as well as one more business day in which more people would have been at work. Looking at collections on a per diem basis, they were up 4.4% this June versus June 2011. On a per workday basis, the gain was 5.7%. This further supports the thesis that the seasonally adjusted jobs data for June was grossly misleading. As of May 31, month to date withholding tax receipts for the full month were up by 2.1% versus the same period last year, on a nominal basis, not adjusted for inflation. May 31 month to date outlays were up by $24.2 billion pushed up somewhat after a calendar anomaly pushed expenses usually incurred in April into May, contributing to the bogus budget surplus in April. Conversely, the May deficit increase may also be an illusion. Month to date outlays for the full month as of June 29 were up by $9.7 billion, absorbing nearly all of the revenue gain. The Administration will continue to spend as much as possible to boost its chances of getting rehired. June 15 was quarterly corporate tax collection day. Corporate taxes for the month were 16% ahead of last June’s collections. Some of this is due to improved business conditions, but if corporations are achieving this by cutting labor costs, that would be counterproductive over the long haul. The withholding tax data and raw unadjusted jobs data suggests that businesses were hiring. Excise taxes were due for the quarter at the end of June. This year they were up 5.9% over 2011. The Treasury releases its final monthly budget figures on the 8th business day after the close of the month, so this too is timely data offering a fascinating glimpse into the economy. The Treasury’s monthly statement for June showed a net revenue increase in nominal terms of 4.2% year over year. These are net revenues after refunds. Refunds for June are mostly tied to the prior year. Gross collections are more representative of the current period. Here are the comparisons by category on a net and gross basis. Wage withholding was down 5.5% in June versus June 2011, falsely suggesting a weakening economy. That was completely due to the last business day of the month falling on June 29. Semi weekly and twice monthly withholding for the end of June would be delayed into July. In fact, $23.3 billion in withholding taxes were remitted on July 2. That’s one third of all the withholding taxes previously collected in June. Conversely, July will look like a blockbuster month because of that. We’ll have to keep that in mind when reviewing next month’s statement. Social security taxes were up 3.7%, which is really impressive considering the calendar effect. June is a quarterly estimated tax collection month. Self employment tax collections were up 3.2%. Those were due on June 15, so there are no calendar issues involved. That’s a decent indication of the strength of the economy in the second quarter, but it implies nothing about July. Considering inflation, it suggests real growth of around 1-1.5%. The Fed earned and paid the Treasury less than last year as interest rates plunged. The Fed does not mark to market. The surplus it returns to the Treasury is a result of interest income and sales. It made money in May when it closed sales of some of its Maiden Lane holdings. Year to year, revenues had been uptrending slightly suggesting modest economic growth. Meanwhile the deficit, which had been narrowing, grew materially wider in June. It had also widened in May. While revenues are climbing, the Obama administration has spent all of that and then some. It is, after all, election season, time to buy votes with strategic, economy boosting, government spending.

#### No recession - Our evidence assumes worst case scenario

**Hays and Kearns 7/9** – (Kahlee, Stanford trained economist with experience at the Federal Reserve, on air financial reporter for Bloomberg, Jeff, Equity Derivatives Reporter, Bloomberg 7/9/12 “Fed’s Lacker Sees ‘Tepid’ U.S. Growth, Not Recession Risk,” <http://www.bloomberg.com/news/2012-07-09/fed-s-lacker-sees-tepid-u-s-growth-not-recession-risk.html>)//aberg👽

Federal Reserve Bank of Richmond President [Jeffrey Lacker](http://topics.bloomberg.com/jeffrey-lacker/) said that “some of the slowdown is real” for the [U.S. economy](http://topics.bloomberg.com/u.s.-economy/) though the reduction in growth isn’t severe enough to tip the economy back into a recession. “The numbers have been pretty tepid, we’re definitely experiencing a slowdown,” Lacker said today in a Bloomberg radio interview on “The Hays Advantage” with Kathleen Hays and Vonnie Quinn. “I don’t think this is fatal. I don’t think this is pushing us back into a recession right now.” Lacker, who has dissented from all four Federal Open Market Committee decisions this year, is at odds with colleagues on what the Fed should do to boost the economy. He said in a June 22 statement that he opposed the FOMC’s $267 billion extension of its Operation Twist program because it may spur inflation and won’t give the economy a significant boost. “We’re just in a situation where growth is going to fluctuate between somewhat satisfactory and disappointing,” Lacker, 56, said in today’s interview. Lacker has said the Fed will probably have to raise rates in mid-2013, contradicting the FOMC’s statements this year that economic conditions will probably warrant “exceptionally low” levels of the federal funds rate at least through late 2014. U.S. central bankers cut the benchmark lending rate to a record- low range of zero to 0.25 percent in December 2008. A weaker-than-forecast June jobs gain in the U.S. will lead the Fed to keep its benchmark [interest rate](http://topics.bloomberg.com/interest-rate/) at almost zero until the middle of 2015, according to reports from Goldman Sachs Group Inc. and Bank of America Corp., two of the 21 primary dealers that trade directly with the central bank. First Hike Lacker said the Fed’s late-2014 projection “is a forecast,” and not a promise. “If I had to choose today, I’d say it may be late 2013,” Lacker said. “It’s more likely we’re going to need to move a little later in 2013, but it could come sooner.” Fed officials on June 20 lowered their forecasts for growth and employment while noting “significant downside risks” to the economy. Policy makers reduced their so-called central tendency estimate for 2012 gross domestic product growth to 1.9 percent to 2.4 percent from 2.4 percent to 2.9 percent in April. [Estimates](http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20120620.pdf) for 2013 centered around 2.2 percent to 2.8 percent, compared with 2.7 percent to 3.1 percent in the previous forecast. The central tendency forecast excludes the three highest and three lowest estimates. Growth Accelerates The district bank chief said in an April 4 Bloomberg Television interview that growth will probably accelerate to above 3 percent next year, warranting a boost in the benchmark interest rate. Economists estimate that GDP will increase by 2.2 percent this year and 2.4 percent next year, according to the median of 70 estimates in a Bloomberg survey. American employers added fewer workers to payrolls than forecast in June, and the jobless rate stayed at 8.2 percent as the economic outlook dimmed. The Fed releases minutes of the June meeting on July 11. The next FOMC meeting is set for Aug. 1 in [Washington](http://topics.bloomberg.com/washington/). Lacker has been president of the Richmond Fed since 2004 and is the second-longest serving among all 12 regional bank presidents after [Cleveland](http://topics.bloomberg.com/cleveland/)’s [Sandra Pianalto](http://topics.bloomberg.com/sandra-pianalto/). He votes on monetary policy in 2012 as part of the rotation among Fed bank presidents.

#### No recession – slow growth doesn’t equal no growth

**Sechler 7/18** – (Bob, Dow Jones Newswire, “CSX CEO Says He Doesn’t See Risk of U.S. Recession,” Wall Street Journal, 7/18/12, http://online.wsj.com/article/BT-CO-20120718-711698.html)//aberg👽

CSX Corp. (CSX) Chief Executive Michael Ward said Wednesday that he sees no risk of a renewed U.S. recession despite what he acknowledged has been a slight slowdown in the economy since earlier in the year. "We're certain we're going to see growth in the third quarter," Ward said in an interview, referring both to the U.S. economy and to his railroad's overall freight volume. Still, he said he expects the growth to be "more moderate" in the second half than he had anticipated back in April, saying a number of recent economic data points have given him pause. Excluding shipments of coal to U.S. power utilities, however, Ward noted that CSX's freight volume climbed 6% in both the first and second quarters this year. For the figure to turn negative in the second half, "something pretty darn dramatic would have to happen, and we don't see that anywhere on the horizon," Ward said. Meanwhile, CSX said Wednesday that the rate of increase in its core transport prices slowed significantly in the second quarter. The Jacksonville, Fla. railroad company said core prices climbed 3% to 4% in the quarter compared with a year earlier, excluding the impact of falling prices for coal hauled to U.S. seaports and bound for use in overseas steel production. CSX's core pricing climbed by 5% to 6% in the first quarter, and by about 7% throughout 2011, and those figures didn't exclude so-called metallurgical coal bound for export. Ward said CSX excluded export metallurgical coal from the second-quarter pricing figure because it was particularly volatile amid slowing global steel production. "We had to take some decreases to match the world marketplace," he said. Still, Ward said CSX's core pricing gains will exceed inflation in railroad costs this year, which is expected to be 2.4%. CSX, the first of the top U.S. railroads to report second-quarter results, said late Tuesday that earnings ticked up 1.2% despite a big drop in the volume of coal it hauled to electric utilities, helped by expense controls and higher shipments of automobiles and containerized freight. Second-quarter profit came in at $512 million, or 49 cents a share, up from $506 million, or 46 cents a share, a year earlier. Revenue slipped 0.2% to $3.01 billion. Analysts polled by Thomson Reuters had most recently predicted per-share earnings of 47 cents a share on revenue of $3.05 billion. Overall coal shipments, which account for more than a fifth of CSX's volume, slumped 14% in the second quarter compared with a year earlier, matching the first quarter's percentage decline and in keeping with the railroad's April warning that coal would once again be a sore spot. But Ward said Wednesday that the second quarter was likely the low point for coal shipments to U.S. utilities. Hot summer weather and the need to start adding to stockpiles ahead of next winter should spur more demand sequentially in the third quarter, he said.

#### Consumer confidence is at highest point in 4 years

GMT 12 – Global Macroeconomics Team – The Economic Monitoring Team is responsible for the Prospects Daily and the Prospects Weekly. The Prospects Daily is compiled each weekday morning to provide an update of the latest developments in world markets, focusing on growth, trade and prices, interest rate policy, as well as commodity markets, and ascertaining the implications for developing countries. (“Prospects Daily: U.S consumer confidence rises to four-year high in May”, World Bank Blog, May 25, 2012, <http://blogs.worldbank.org/prospects/prospects-daily-us-consumer-confidence-rises-to-four-year-high-in-may>, Callahan)

U.S consumer confidence rises to four-year high in May. Consumer confidence in the United States climbed to its highest since October 2007, according to the Thomson Reuters/University of Michigan final index of consumer sentiment which rose to 79.3 from 76.4 in April. Sentiment was buoyed by fall in gasoline prices and continued signs of a pickup in the U.S. labor market as suggested by the fall in initial unemployment claims in May. The survey’s index of current conditions, which reflects Americans’ perceptions of their financial situation and whether they consider it a good time to buy big-ticket items, also climbed to a four-year high. Further, the sub-index for consumer expectations for six months from now, which closely tracks consumer spending increased to its highest level since July 2007, suggesting that the positive effects from the lower gas prices are outweighing fears US consumers may have concerning the Euro Area crisis. This should bode well for Q2 US GDP, as consumer spending accounting for some 70% of GDP. In Q1 U.S. GDP rose at an annualized pace of 2.2%, with consumer spending contributing 2.04 percentage points.

#### Double-dip recession unlikely in U.S. --- countervailing forces checking

Foley, 12 --- Associate Business Editor of The Independent (6/2/2012, Stephen, “Stephen Foley: America should avoid a double-dip recession,” <http://www.independent.co.uk/news/business/comment/stephen-foley-america-should-avoid-a-doubledip-recession-7811796.html>, JMP)

US Outlook There is no positive way to spin the May unemployment numbers released in the US yesterday. Jobs growth has decelerated sharply in the world's largest economy, the Americans lucky enough to be in employment are working fewer hours, and there is no improvement on the immediate horizon. Temporary employment – usually a signal that businesses' demand for labour has increased and that they will likely add permanent jobs in the near future – was down, too.

The headline number showed just 69,000 new jobs last month, lower than even the most bearish economist's forecast, and that compared to an April figure that was itself revised downward. The construction industry, which had been kept busier than usual in the mild winter, finally ran out of steam. Cash-strapped localand state governments also reduced their headcount.

It all points to a year of sub-par growth, in which that disappointing 1.9 per cent annualised figure for first-quarter GDP is typical of what is to come. The US is not going to be the engine of the global economy this year, it is now clear. China and India are sputtering, too. The kamikaze pilots of the eurozone are still in their austere death spiral. It is not easy to be optimistic.

And yet, the US is still very far from recession, and all these economic woes have **unleashed powerful countervailing forces**. Oil prices have slid, reducing the pocketbook pressure on US drivers, and interest rates are jaw-droppingly low. The gloomy employment figures sent the yield on 10-year Treasuries below 1.5 per cent for the first time in history. Who needs quantitative easing, when you have that level of monetary stimulus?

The odds are still that the US economy will right itself without a double-dip recession, but it isn't morning in America yet, and that bodes ill for President Barack Obama's re-election prospects.

#### U.S. economy will improve --- worst is behind us

WSJ, 12 (5/30/2012, “US Ex-Treasury Summers: The Worst Is Over For US Economy,” <http://online.wsj.com/article/BT-CO-20120530-702534.html>, JMP)

TAIPEI (Dow Jones)--Former U.S. Treasury Secretary Lawrence Summers said Wednesday the worst is over for the U.S. economy.

Speaking at a forum organized by a local magazine in Taipei, Summers said: "Growth of the economy is much better than we expected two to three years ago, when it looked like we had a second depression."

He added: "If the industrialized world wants to function well, the E.U. crisis needs to be addressed in the weeks or months ahead, as the E.U. is the global center of financial intermediation."

### --- XT: Europe / China Undermines Economy

#### Eurozone makes collapse inevitable – kills confidence

**Clarida 12** – C. Lowell Harriss Professor of Economics and International Affairs, Columbia University. (Richard, “The Euro Crisis and the U.S. Economy”, Council on Foreign Relations Interview, May 25, 2012, http://www.cfr.org/united-states/euro-crisis-us-economy/p28361, Callahan)

Hobbled by political uncertainty and a European-wide debate over the merits of austerity versus growth policies, the eurozone sovereign debt crisis is once again putting the global economic recovery at risk (NYT). The world's number one economy, fragile and hampered by slow growth, is not immune. "The U.S. is tied into the global economy through interest rates, through trade, through exchange rates, through credit spreads, through bank borrowing costs, and so if Europe spirals downward, it will certainly impact us," explains economist Richard H. Clarida. The unraveling of the eurozone would have a serious indirect impact on the U.S. financial system by re-pricing risk upward while pushing stocks down, Clarida argues. At the same time, Clarida says, as the U.S. dollar rises and the euro falls, the United States faces the possibility of a "headwind to exports." How is the U.S. financial sector exposed to the eurozone? And what are possible developments in the eurozone sovereign debt crisis that might put the U.S. financial sector at serious risk of contagion? There are several channels of exposure between U.S. institutions and Europe. Obviously, there's direct exposure. But that's relatively modest from the point of view of branches of U.S. banks holding securities against Europe. But obviously U.S. banks are global and have operations in many of the European countries. Were there to be an unraveling or severe dislocation, then the contagion would not be directly on the balance sheet [of U.S. banks], but on just the overall re-pricing of risk. The cost of the capital of the banks would go up, spreads would go up--and as credit spreads rise, the assets on banks balance sheets would lose value, even if not directly tied to Europe. So clearly, a disorderly Greek exit or just unraveling of the commitment to the Eurozone would have serious repercussions in the U.S.--over and above any direct exposure. What are the implications of the euro crisis for U.S. business confidence and U.S. household wealth? The channels are indirect, so that when concerns about the crisis are elevated, we do see several impacts. One--we tend to see U.S. interest rates fall, at least on government bonds, so that's a good thing. On the other hand, credit spreads and the cost of borrowing tends to rise because of general riskiness. Also, stock prices fall, and our ability to export is hurt if the rest of the world is not doing well. On balance, it is a negative for the economy when Europe is under duress.

#### Europe and China crises discourage business hiring and investment

Morici, 6/4 --- economist and professor at the Smith School of Business, University of Maryland (Peter, 6/4/2012, “Depressed by a US jobs stalemate,” <http://www.businessspectator.com.au/bs.nsf/Article/US-jobs-US-economic-recovery-US-unemployment-pd20120604-UWRHY?opendocument&src=rss>, JMP)

Gains in manufacturing production have not instigated stronger improvements in employment largely, because so much of the growth is focused in high-value activity. Assembly work, outside the auto patch, remains handicapped by the exchange rate situation with the Chinese yuan.

Recent moves by China to further weaken its currency and to close its markets to stimulate its own flagging demand indicate matters will get worse without a substantive response from Washington. Also, concerns about health insurance costs, once Obama Care is fully implemented, are discouraging employers.

The economic crisis in Europe and mounting problems in China’s housing and banking sectors continue to **instigate worries among US businesses about a second major recession, and these discourage new hiring. The US economy continues to expand albeit moderately but is quite vulnerable to shock waves from crises in European and Asia.**

#### Europe triggering business uncertainty

Burritt, 6/8 (Chris, 6/8/2012, “CEOs Losing Optimism as Job Slowdown Imperils U.S. Growth,” <http://www.businessweek.com/news/2012-06-08/ceos-lose-their-optimism-as-job-slowdown-imperils-u-dot-s-dot-growth>, JMP)

European Concerns

A consumer pullback in Europe would also hurt all types of businesses, according to Hewlett-Packard’s Whitman. The debt crisis and the possibility that Greece may withdraw from the euro area is causing “a lot of uncertainty in Europe,” she said. “Uncertainty is not business’s best friend.”

Analog Devices Inc. (ADI) (ADI) Chief Financial Officer David Zinsner said in a May 22 interview that a further deterioration in Europe combined with slower growth in China could push sales to the bottom of the company’s predicted range. The Norwood, Massachusetts-based semiconductor maker already predicted sales for the quarter ending in July that fell short of some analysts’ estimates.

The U.S. presidential election in November is another wildcard, according to Niblock, the Lowe’s CEO. While President Barack Obama will argue he’s brought the U.S. out of the worst recession since the Great Depression, his Republican opponent Mitt Romney is saying his policies haven’t worked.

### --- XT: Eurozone Collapse Coming

#### Eurozone collapse coming now

**Bonner 7/16** – (Bill, Best-selling investment author, founder and president of Agora Publishing, Owner of both Fleet Street Publications and MoneyWeek magazine in the UK, “Another Faux Fix in the Eurozone to Keep the money Flowing,” The Daily Reckoning 7/16/12, <http://www.dailyreckoning.com.au/another-faux-fix-in-the-eurozone-to-keep-the-money-flowing/2012/07/16/>)//aberg👽

The latest fix in the Eurozone is already coming un-fixed. Which is, like, so obvious and so expected that we hesitate to mention it. But we bring it up to make a larger point: [economists are morons](http://www.dailyreckoning.com.au/incompetent-economists-counting-the-flaws-of-financial-fixers/2012/06/28/). Yes, dear reader, we realize that we are beating a dead horse. We all know economists are morons. And we all know they're no less moronic since the last time we said so. But today we will beat this horse some more. The immediate problem was [Spanish banks](http://www.dailyreckoning.com.au/can-pretend-capital-rescue-spains-banks/2012/06/12/). They are underwater...and sinking further. The Euro-crats announced a plan to [bail them out](http://www.dailyreckoning.com.au/spanish-assistance-or-bailout/2012/06/12/) directly, rather than funnel the money through the Spanish government, which is also headed for the bottom of the ocean. But Ms. Merkel couldn't go back to Berlin and announce that she had given away the store to the Spaniards. She needed to go back and tell the lumpen that she had fought the hard fight...and that she could hold her head up with the result; the Spanish would have to pay! In the event, the Spaniards were forced to make more cuts. Bloomberg reports: **Rajoy Announces 65 Billion Euros of Cuts to Fight Crisis** Rajoy's fourth austerity package in seven months will raise the sales levy to 21 percent from 18 percent; scrap a tax rebate for home buyers; scale back unemployment benefits and study pension cuts; consolidate local governments and eliminate the year-end bonus for public workers. The budget measures, covering the next two-and- a-half years, are about double those previously announced. The prime minister addressed Parliament in Madrid today as European officials put the finishing touches to a 100 billion-euro bailout for Spain's banks. The amendments to the budget come less than two weeks after it went into effect and a day after the European Union loosened Spain's deficit targets. "I know that the measures I've announced aren't agreeable," Rajoy said in his 70-minute speech to lawmakers. "They aren't agreeable but they are essential. We are in an extraordinarily serious situation." "I said I would cut taxes and I'm raising them," Rajoy said. "But the circumstances have changed and I have to adapt to them." He should have stuck to his tax cut promises. But we'll come back to that. Here's how the UK Telegraph describes it: Proud Spain again humbles itself to the euro's demands... The eurozone's appetite for self harm knows no bounds. With one in four Spanish workers out of a job, output contracting by the day and Asturian miners marching through the capital, the Spanish prime minister, Mariano Rajoy, has determined to push through a further €65bn (£51bn) of austerity measures, as if deliberately set on a strategy of economic death by a thousand cuts. To say "determined" is possibly not the best way of putting it, for this is more like forced with a gun to his head; the latest austerity package is part of the conditionality attached to the eurozone loans for banking bailouts, thereby giving the lie to Mr. Rajoy's proud insistence that the Spanish bailout is in some way less of a subjugation than the others. Everybody's gotta play the game. And the game involves, mainly, keeping the game going...keeping the flow of money going, in other words, from the people who make it to the people who control the system. Economists are just "useful idiots." They claim to know things they can't know...and claim to be able to do things they can't do. And they're useful...because they want to keepn the money flowing! How do you keep the money flowing to the Spanish banks...whose creditors just happen to be big banks in France and Germany? You attach conditions...in other words, you make the Spanish promise that they won't waste the money. Then, the money flows...the game continues...until the next blow up. But wait, if you stop the money flowing...doesn't the whole thing blow up? You bet! Exactly what should happen... And most people would be better off. Bad debt could be written off. Mismanaged businesses could go broke. Stupid investments could disappear. Then, honest people could pick up the pieces and get back to work. Obviously, that wouldn't suit everyone — especially those on the receiving end of the money-flow. They want to keep the game going as long as possible. So, they play the game... Some are supposed to cut spending — so they pretend to cut. Others are supposed to 'grow'...so they pretend to grow.

### AT: Banking Adv --- Defense

#### Financial sector solid now – most recent ev

Reuters 7/3 (Reuters News Service, “IMF's Lagarde says U.S. financial sector 'solid'”, July 3, 2012, <http://in.reuters.com/article/2012/07/03/imf-usa-banks-idINW1E8I300220120703>, Callahan)

(Reuters) - The U.S. financial sector is "generally solid" and has been well restructured following the 2007-09 Wall Street banking crisis, the head of the International Monetary Fund said on Tuesday. "There is a clearly a much improved situation and ... certainly the systemic institutions of the United States are regarded by us as solid," IMF Managing Director Christine Lagarde told a news conference to discuss the IMF's review of the U.S. economy.

#### **Bank are strong now**

WSJ 7/2 – Regina Hing for MarketWatch Journal. (Regina Hing, “Banks lift financial sector; Barclays rallies”, Wall Street Journal, 7/2/2012, <http://articles.marketwatch.com/2012-07-02/markets/32500142_1_suntrust-banks-financial-stocks-barclays-plc>, Callahan)

NEW YORK (MarketWatch) -- Regional banks nudged the financial sector modestly higher Monday, while Barclays PLC shares rallied after its Chairman Marcus Agius resigned following a rate-fixing scandal that cost the bank $453 million in regulatory fines. Barclays (US:bcs)(UK:barc) shares were up 2.9%. Regional bank SunTrust Banks Inc. (US:sti) led gainers in the sector with a 1.8% gain at the open, while PNC Financial Services Inc. (US:pnc) rose 1%. Among the big banks, Morgan Stanley (US:ms) rose 1.1%, and Citigroup Inc. (US:c) advanced 1.6%. The Financial Select Sector SPDR ETF (US:xlf), which tracks the financial stocks in the S&P 500 (US:$spx), added 0.4%. Among the Dow Jones Industrial Average's financial stocks, Bank of America Corp. (US:bac) was down 0.2%, American Express Co. (US:axp) gained 1%, Travelers Cos. (US:trv) added 0.2%, and J.P. Morgan Chase & Co. (US:jpm) rose 0.8%.

#### There’s both lending and investment now

**Rodriguez 12** – Rodriguez/Makan, writers for the Globe and Mail New York. (Vivianne and Ajay, “U.S. financial sector holds key to recovery”, The Globe and Mail, Jan 2, 2012, <http://m.theglobeandmail.com/globe-investor/investment-ideas/us-financial-sector-holds-key-to-recovery/article1357286/?service=mobile>, Callahan)

Mr. Ramsden points out that the improving U.S. economic outlook has allowed banks to increase lending, using record low Federal Reserve lending rates to boost margins. He also expects U.S. banks to cherry pick assets from de-leveraging European banks at a discount and claim market share in commercial lending. “While the European bank and sovereign crisis has caused turmoil in global financial markets, there have been several positives for U.S. banks,” said Mr. Ramsden. Some of those positives, which include improving balance sheets and capital increases, may bode well not only for financial stocks in Wall Street, but also for banks in the credit markets where they still borrow at higher rates than similarly rated companies. “Volatility is likely to remain high and there’s still risk, but [corporate bond]spreads have widened so much that there’s definitely room for some outperformance in the sector next year,” said Shobhit Gupta, credit strategist at Barclays Capital. Barclays’ credit analysts currently have a market-weight stance on US high-grade banks. J.J. Kinnahan, chief derivatives strategist at TD Ameritrade, agrees. “The market has thrown everything it can at U.S. financials and they’re still standing, and on a global basis they’re standing tallest in the room,” Mr. Kinnahan said. “If investor money comes out of tech stocks and is looking for a place to go, it could well end up in financials.”

#### Financial sector rebounding now

Forbes, 11 [Wallace, Forbes Staff, Forbes, July 18, <http://www.forbes.com/sites/wallaceforbes/2011/07/18/u-s-financial-sector-is-incredibly-undervalued-debt-debate/>, “U.S. Financial Sector Is Incredibly Undervalued, In Face Of Debt Debate”, Accessed July 19, //SH]

Hilary Kramer: I’m still an S&P bull — looking for the S&P to hit 1500.  Before the correction in June, we really had gotten a bit ahead of ourselves. There’s no question that the market was overbought after what I really consider window dressing at the end of June, and then, of course, the beginning of the quarter in early July. It’s a matter of a lot of money out there starting to get put to work.

Wallace Forbes: So, you think the market is a little ahead of itself at the moment?

Kramer: Yes, but the Greek crisis rearing its ugly head as well as Italy popping up from seemingly nowhere really did a job on the market recently. We still have to work through the tough part of the Greek restructuring. The world isn’t out of the woods. That being said, the United States – even with the deadline over the debt ceiling looming on August  2nd – is still the considered the safest market in the world. Our equities and our standards of compliance and requirements for company reporting are very appealing internationally.

It used to be that our U.S. Treasuries were the “flight to safety” product. But now, with our recently respectable ISM (Institute for Supply Management) number, it’s evident that the United States is in the process of healing. We’re seeing that retail numbers are even coming back, which is a very important and encouraging sign. It was an area that was really lagging. Now, I’m seeing opportunities for equity investors across the board. There have been some under-loved areas that I am really bullish on.

Forbes: Great. What are some examples of those?

Kramer: I think there has been no love for companies like Goldman Sachs, Morgan Stanley and JP Morgan Chase. To me, JP Morgan is the gold standard of a commercial bank enterprise. Goldman Sachs and Morgan Stanley are the top rung when it comes investment banks; especially appealing is the diversity of products and revenue sources for these banks.  Morgan Stanley’s chart looks dreadful –like it could break down below $20.00. Even though it is a cliché I rarely use in my vernacular; I just have to say that Morgan Stanley is a “screaming buy.”  Those investors that have the guts to enter a sector that’s profitable and enjoys hefty margins will be rewarded handsomely 18 months from now.

Then there are smaller boutique investment banks, like Evercore Partners that operate on a stealth level. Evercore has a very small staff, a small number of partners. It is very entrepreneurial and has reached out and formed partnerships in key countries like China, Brazil, and in Europe. It has found itself in at least one out of every two of the top mergers and acquisition transactions of the last quarter. Ultimately, the talent and aggressiveness of the bankers will reward shareholders. This is the Greenhill & Co., Inc. and Lazard Ltd. of tomorrow.

Forbes: All of those are attractive to you at this point?

Kramer: Yes. I’m also expecting that some of the small regional banks, like Synovus Financial of Columbus, Georgia will bounce back, too.  This is a stock trading in the $2 range. An investor with patience could see a turn around in 18 months to two years from now. A stock like this could be a double. Synovus is still the leader of the southeast in certain communities. The bank has cleaned out its non-performing loans and continues to do so each quarter — selling them off and writing them down. It seems hard to imagine now, but eventually I see consolidation where the larger banks will want to buy these smaller banks that have a loyal customer base and the majority of the market share in certain communities.

Forbes: So the financial area in general, especially the ones that you’ve mentioned, look attractive to you?

Kramer: Yes, very attractive and incredibly undervalued by just about every metric including tangible book value.

#### The financial sector solely promotes growth for the 1%

Creamer, 9 [Robert, Political organizer, strategist, author, Octorber 12, <http://www.huffingtonpost.com/robert-creamer/the-dominance-of-the-fina_b_317310.html>, “The Dominance of the Financial Sector Has Become a Mortal Danger to Our Economic Security” , Accessed July 19, //SH]

Over the last several decades, the financial sector has grown relentlessly. It has doubled in size over the last 14 years. During the period 1973 to 1985 the financial sector never earned more than 16% of domestic profits. This decade, it has averaged 41% of all the profits earned by businesses in the U.S. In 1947 the financial sector represented only 2.5% of our gross domestic product. In 2006 it had risen to 8%. In other words, of every 12.5 dollars earned in the United States, one goes to the financial sector, much of which, let us recall, produces nothing.

That growth has not been among community or regional banks -- or credit unions. I'm talking about Wall Street.

Wall Street's growth is one big reason that most of America's economic growth during the last decade has flowed into the hands of investment bankers, stock traders and partners in firms like Goldman Sachs. The Center on Budget and Policy Priorities reports that fully two-thirds of all income gains during the last economic expansion (2002 to 2007) flowed to the top 1% of the population. And that, in turn, is one of the chief reasons why the median income for ordinary Americans actually dropped by $2,197 per year since 2000.

No surprise then that disproportionate numbers of the "best and brightest" graduates of our finest universities headed off to Wall Street. After all, that's where if you are very clever you can make tens of millions of dollars before you are thirty -- mostly producing nothing.

By 2007 the top 50 hedge and private equity fund managers averaged $588 million in annual compensation each -- more than 19,000 times as much as the average U.S. worker. And by the way, the hedge fund managers paid a tax rate on their incomes of only 15% -- far lower than the rates paid by their secretaries.

### AT: Banking Adv --- Offense

#### Turn – strong financial sector kills growth

Garofalo 12 – Economic Policy Editor for ThinkProgress.org at the Center for American Progress Action Fund. Pat’s work has also appeared in The Nation, U.S. News & World Report, The Guardian, the Washington Examiner, and In These Times. (Pat, “Study: A Large Financial Sector Can Impede Economic Growth”, ThinkProgress Economy, July 9, 2012, <http://thinkprogress.org/economy/2012/07/09/513371/study-finance-impede-growth/?mobile=nc>, Callahan)

Over the last several decades, the financial sector has made up a larger and larger percentage of the U.S. economy, eventually accounting for 40 percent of corporate profits before the financial crisis of 2008. By the end of 2011, even as Americans on Main Street were still grappling with the effects of the Great Recession, finance made up a larger percentage of the economy than it did before the crash. The financial sector is supposed to promote growth by allocating capital to useful parts of the economy, but is that what it’s really doing? In a new working paper for the International Monetary Fund, Ugo Panizza, an economist with the United Nations Conference on Trade and Development, and two other economists found that a smaller financial sector can actually be good for economic growth: In a new Working Paper titled “Too Much Finance?” and published by the International Monetary Fund, Jean Louis Arcand, Enrico Berkes, and I use various econometric techniques to test whether it is true that limiting the size of the financial sector has a negative effect on economic growth. We reproduce one standard result: at intermediate levels of financial depth, there is a positive relationship between the size of the financial system and economic growth. However, we also show that, at high levels of financial depth, a larger financial sector is associated with less growth. Our findings show that there can be “too much” finance. While Greenspan argued that less credit may hurt our future standard of living, our results indicate that, in countries with very large financial sectors, regulatory policies that reduce the size of the financial sector may have a positive effect on economic growth. The authors add that “our analysis suggests that there are several countries for which smaller financial sectors would actually be desirable,” as a financial sector that is too large increases the odds of a crisis and increases the misallocation of capital to less useful sectors of the economy. But of course, any efforts to shrink some of the financial behemoths in the U.S. — or to separate out risky trading from more traditional lending — are met with howls from conservatives.

#### The financial sector empirically doesn’t fulfill it’s goals

Creamer, 9 [Robert, Political organizer, strategist, author, Octorber 12, <http://www.huffingtonpost.com/robert-creamer/the-dominance-of-the-fina_b_317310.html>, “The Dominance of the Financial Sector Has Become a Mortal Danger to Our Economic Security” , Accessed July 19, //SH]

Later this week, Congress begins consideration of a package of measures that would serve as a first step in re-regulating and hopefully shrinking the American financial industry. This battle has not attracted as much attention as the critical fight over health care, but it is just as important for the well-being of everyday Americans.

The "best and brightest" from Wall Street would like to make the issues involved in this debate look complex and technical -- beyond the understanding of ordinary mortals. But there are a couple of clear principles to remember as the debate unfolds:

1) History has shown that financial markets cannot accomplish their ostensible goal of allocating risk and directing capital to their highest and best uses unless they function within the context of very strict rules. That is so because speculators have a natural tendency to create products and systems that allow them to engage in reckless excesses that cause the entire system to lurch from bubble to bubble, collapse to collapse. This is not a theoretical argument. History proves the case beyond a reasonable doubt.

#### Systems of borrowing in the financial sector kills real economic growth

Creamer, 9 [Robert, Political organizer, strategist, author, Octorber 12, <http://www.huffingtonpost.com/robert-creamer/the-dominance-of-the-fina_b_317310.html>, “The Dominance of the Financial Sector Has Become a Mortal Danger to Our Economic Security” , Accessed July 19, //SH]

This huge wealth transfer from the "real" economy to the world of finance has also created a vicious cycle of increased credit dependency. If your family's real income isn't going up, but costs are, you try to borrow to stay afloat. That is one reason why private debt now equals 350% of the Gross Domestic Product -- the highest ever. The more debt that consumers owe to the shrinking number of big financial institutions, the greater the share of their shrinking or stagnant incomes that is siphoned off to the finance sector -- and the cycle just gets worse. And when the disposable income of ordinary Americans shrinks, they don't have the money to buy the new products and services that will fuel long term economic growth in the real economy.

Something is very wrong in this picture.

In fact, as last year's financial collapse made ever so clear, the increasing dominance of the financial sector - and its deregulation -- has become a mortal danger to our economic security. The financial sector - including the big insurance companies -- has morphed into a cancer growing on our economy -- a cancer that could easily strangle our prospects for our long-term economic security.

#### The financial sector produces nothing while passing on risk to average Americans

Creamer, 9 [Robert, Political organizer, strategist, author, Octorber 12, <http://www.huffingtonpost.com/robert-creamer/the-dominance-of-the-fina_b_317310.html>, “The Dominance of the Financial Sector Has Become a Mortal Danger to Our Economic Security” , Accessed July 19, //SH]

2) Much of the financial sector does not produce anything. The principal missions of the financial sector are to take on risk and allocate captial effectively. Some of the industry - especially community and regional banks -- do just that. But in the last year the financial sector as a whole didn't "take on risk," it shifted risk to ordinary Americans through gigantic taxpayer bailouts. And often the Wall Streeters themselves escaped the recent economic debacle, having salted away hundreds of billions of dollars.

Fundamentally the financial sector is made up of middlemen, who spend their time creating schemes that allow them to funnel society's money through their bank accounts so they can take a sliver of every dollar off of the top.

### AT: Steel Industry Adv --- SQ Solves

#### Status quo solves the steel industry – natural gas boom

Brady, 11 – is a NPR National Desk Reporter based in Philadelphia. He covers the mid-Atlantic region and the energy industry (Jeff Brady, “Gas Drilling Boom Brings New Life To Steel Industry”, NPR, 10/13/11, <http://www.npr.org/2011/10/13/141139535/gas-drilling-boom-brings-new-life-to-steel-industry> | AK)

A natural gas drilling boom in Pennsylvania is helping the economies of Rust Belt cities long accustomed to bad news. Drilling requires steel — lots of it — and that has manufacturers expanding and hiring new workers. While much attention has been paid to the environmental risks of drilling into the Marcellus Shale, the economic benefits have been less prominent in the national discussion. But in Youngstown, Ohio, locals have been watching an old industry come back to life. The Brier Hill neighborhood, northwest of downtown Youngstown, has been relatively quiet for the past few decades since the huge steel mills there shut down. But today it's noisy again, with trains passing each other on the tracks and heavy construction under way. "What's really exciting to me is that for many, many years this area was the poster child for the Rust Belt economy," says Walter Good, vice president of economic development for the Youngstown/Warren Regional Chamber. It's his job to attract new companies, and the natural gas drilling boom in nearby Pennsylvania is making that a lot easier. "The phone is definitely ringing more," Good says. New Construction Controversial technologies like hydraulic fracturing, combined with horizontal drilling, allow production companies to now bring vast quantities of gas up to the surface. In January through August of this year, 1,242 wells were drilled into the Marcellus Shale in Pennsylvania alone. Each one needs thousands of feet of steel pipe. That's why the French company Vallourec is building a new $650 million mill in Youngstown. The green-roofed facility is huge — about 1 million square feet. Joel Mastervich, the president and COO of Vallourec's U.S. company, V&M Star, says Youngstown was an attractive place to build the new seamless pipe mill because the infrastructure and experienced workforce are already in place. Plus, it's close to the Marcellus Shale. "We'll be able to produce the pipe, finish it here and send it to a customer that's, maybe, 100 miles away," says Mastervich. Production is expected to begin in a few months, but already the Brier Hill neighborhood is perking back up. Stacey Seidita recently opened a sandwich shop in a brick building that had been empty for years. With about 1,000 construction workers building the mill and the promise of 350 permanent workers down the road, launching her business now made sense. "My father's a contractor and he's been telling me for a little while that V&M is going to really start, so that's when I found this building and decided it was time," says Seidita. Ripple Effects Around the region, you can find many stories of businesses doing well because of the drilling boom — especially in Pennsylvania. U.S. Steel executive Doug Matthews says he had difficulty finding a hotel room in the small town of Williamsport last winter. "That was a little bit surprising," he says. Matthews is the senior vice president of tubular operations at U.S. Steel — his division makes the pipes and tubes the gas drilling industry uses. U.S. Steel is based in Pittsburgh and is still a big driver for the local economy. When it does well, so do its contractors, like Chapman Corp. in Washington, Pa. Crews there are building a large new fabrication shop, as many engineering and construction firms are laying people off. "The $6 million investment that we're putting into our new fabrication facility shows our confidence that the Marcellus Shale play is here to stay," says Rich Tomsic, vice president for sales and marketing. That almost certainly will lead to more jobs in the region. It already has at a time much of the rest of the country is suffering. Pennsylvania's Department of Labor and Industry collects specific data on how many people have been hired because of the natural-gas drilling boom. Hiring for "core-related industries" has spiked from 5,501 in 2008 to 11,913 this year. "This is almost 117 percent growth," says Sue Mukherjee, director of the agency's Center for Workforce Information and Analysis. Mukherjee says 71 percent of the new hires have been Pennsylvania residents and the jobs pay well — $76,000 a year, on average. Her statistics show an uptick in jobs related to gas production, too, such as truck drivers, civil engineers and mechanics. New jobs also are being added in areas you might not imagine at first. This summer the Sierra Club hired Deb Nardone to direct its Natural Gas Reform campaign in Pennsylvania. Nardone says she'd like to see the state hire more regulators to look over the shoulders of drillers. "And also an increase in staff that are doing research ... collecting good science ... [and] monitoring the environmental impacts, whether it's air quality or water quality," she says. But while there are plenty of profits for the natural gas industry to hire new employees, nonprofit groups and state governments are having a much tougher time finding money to do that.

### AT: Steel Industry Adv --- No Impact

#### No impact to steel – jobs decline inevitable

**Griswold, 99**  - Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

The big steel companies and their unions point to the 10,000 jobs that have been lost in the industry in the last year, but that number needs to be put in perspective. First, total job losses in the steel industry are relatively small when compared to the 2.5 million net new jobs created in the whole U.S. economy in 1998. U.S. economic policy should not be driven by an industry whose job losses in the last year are being overwhelmed by an expanding economy that, during the same period, created nearly that many net new jobs on an average business day. Second, falling employment in the steel industry is nothing new. Since 1980, the domestic steel industry has shed two-thirds of its production workers. Most of the layoffs in the steel industry have not been caused by imports, but by rising productivity within the industry. In 1980, a ton of domestically produced steel required 10.1 man-hours to produce; today the industry average is 3.9 man-hours. With productivity rising faster than domestic demand, the industry has required fewer workers. The resulting decline in employment has been relentless, with the number of employed steelworkers falling in 15 of the last 18 years. Employment has moved steadily downward whether imports have been rising or falling as a share of domestic supply. For example, imports as a percent of new supply (shipments plus imports) fell from a peak of 26.2 percent in 1984 to a low of 16.7 percent in 1991. Yet during that same period, employment in the steel industry fell by more than 70,000. (See the attached graph.) Foreign competition has helped to spur this progress in productivity, but the most ferocious competition has come from within our borders, from so-called mini-mills. The more efficient of these smaller mills can produce a ton of steel in under two man hours, and are relentlessly expanding the scope of products they can make. In 1981, mini-mills accounted for 15 percent of U.S. steel production; today they account for nearly half of the steel-making capacity in the United States. With or without protection, the industry will continue to consolidate and shed workers, with production shifting from the larger integrated mills to the smaller, more flexible and efficient mini-mills. Steadily declining employment has come despite three decades of government import protection.

### AT: Steel Industry Adv --- Protectionism Bad

#### No impact to steel decline, and protectionism actually hurts the economy

**Griswold, 99** – Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

First, let me thank Chairman Crane for the leadership he has shown on trade issues, and let me also thank the other members of the committee for allowing the Cato Institute to testify at this afternoon's hearing. The difficulties facing the steel industry today are not unique. Increased competition and lower prices are the bane of every industry's bottom line. Layoffs, falling profits, and industry restructuring can be seen today in the oil industry, where import prices have fallen 40 percent in the last year. Yet just about everyone understands that lower oil prices are good for our economy and that duties on imported oil would drag down living standards and damage our national interest. The same is true for steel protection. The primary cause of rising steel imports and falling prices during 1998 was the Asian economic crisis, which resulted in (1) a collapse in demand for steel in that region and (2) a realignment of currency values that makes foreign steel much more price-competitive in the United States. In light of those circumstances, it is only natural that that prices fell and that the still vibrant U.S. market pulled in extra imports. Many other U.S. industries have been hit by the effects of the Asian crisis: Exporters have seen sales slump while import-competing industries have faced stiffer competition at home. There is no reason why the steel industry should receive special treatment at the expense of its customers and American consumers, just because it is experiencing temporarily unfavorable conditions. The viability of the U.S. domestic steel industry is not threatened by the recent increase in imports.

#### Steel industry fine – protectionism kills jobs, hurts economy

**Lindsey et al, 99** – writers for the CATO institute (Brink, Daniel Griswold, Aaron Lukas, “The Steel ‘Crisis’ and the Costs of Protectionism”, CATO Institute, 4/16/99, http://www.cato.org/pubs/tbp/tbp-004.pdf)//RM

Claims of the imminent demise of America’s domestic steel industry—at the hands of “unfair” and “illegal” imports—have generated a crisis atmosphere in Washington. Antidumping, countervailing duty, and Section 201 actions now under way already threaten draconian cutbacks of steel imports. But U.S. steel mills and their unions want additional protection, including highly restrictive quotas already approved by the U.S. House of Representatives in March. It is vitally important that policymakers gain a measured understanding of the full facts of the steel import question. There is no steel crisis. U.S. steel mills shipped 102 million tons in 1998, the second highest annual total in the past two decades. Eleven of the 13 largest steel mills were profitable in 1998, earning collective profits of more than $1 billion. U.S. steel makers still supply more than two-thirds of domestic steel consumption. The problems confronting the steel industry are already lessening. Steel imports in February 1999 fell to 2.2 million tons, below the monthly average of 2.7 million tons imported during the last “precrisis” quarter of April–June 1997. Steel protectionism is incapable of saving steel jobs. Employment in the steel sector has declined by more than 60 percent since 1980 largely because of rising productivity, and employment will continue to fall even if trade barriers are imposed. Consumers and steel-using producers will pay a heavy price for steel protection. Workers in the major steel-using sectors— transportation equipment, industrial machinery, fabricated metal products, and construction—outnumber workers in the steel industry by 40 to 1. Quotas are a direct violation of our international obligations under the World Trade Organization and would encourage copycat protectionism in other countries. An outbreak of protectionism around the world would directly threaten continued U.S. prosperity. Congress and the administration should reject protection for the U.S. steel industry.

#### Turn - Steel protectionism fails – increases prices and leads to foreign benefits

**SEJ, 90** – Southern Economic Journal (“The Impact of Protectionism on Firm Wealth: The Experience of the Steel Industry”, Southern Economic Journal, April 1990, http://www.jstor.org/discover/10.2307/1059893?uid=3739728&uid=2&uid=4&uid=3739256&sid=21100917515151)//RM

Neo-classical trade theory argues that trade restrictions result in a redistribution of income from consumers to the protected firs. If this argument is valid, then the imposition of new trade restrictions should result in an increase in the protected firms' expected profits. Further, under efficient capital markets the increase should be immediately capitalized in the films' share prices, providing an immediate wealth gain for the firms' shareholders. Similarly, a loss in equity accompanies the removal of trade restriction. In this paper we test for the existence of wealth gains (or losses) upon changes in trade protection for the steel industry. The gains or losses are related to individual firm characteristics. This second issue is important because economists typically analyze the effects of trade protection on an industry basis; rarely do they discuss the question of the distribution of rents to individual firms. Several recent studies have examined the distributional and welfare effects of trade restrictions on the steel industry. A study by the Congressional Budget Office |l5] assesses the short and long run effects of proposed quotas on domestic and foreign steel producers, the domestic steel consuming industry, and the domestic economy. The study's econometric model shows that a quota on steel products will increase prices, output and employment in the domestic steel industry. It also shows that foreign producers benefit from the quotas due to the price increases. The losers are consumers as the quotas are expected to cost consumers between $4.3 and $5.9 billion.

#### Protectionism disrupts the US economy – the steel industry is the key internal link to several sectors

**Griswold, 99** – Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

Beginning with import quotas in 1969, protection has been the rule rather than the exception for the steel industry. Quotas were followed in the late 1970s by the Carter administration's "trigger price" mechanism and then in the 1980s by the Reagan administration's "voluntary" import quotas. U.S. "fair trade" laws seem to have been written primarily for the steel industry. About a third of the antidumping orders in the last two decades have been directed at imported steel.

The latest round of protection--with preliminary antidumping rates ranging from 25 to 71 percent, and a suspension agreement with Russia--threatens a severe disruption in U.S. industry access to needed steel supplies. The Steel Manufacturers Association, the trade group representing the mini-mill sector, recognizes the futility of protection. According to an official statement, its members "note the deterioration of artificially protected industries and markets. They have seen artificially nurtured industries sink into excessive complacency and stagnation. They believe that competition has fostered a revolution in the U.S. steel industry." These words are as true today as ever. Costs to U.S. Economy Raising barriers against steel imports will impose a real cost on the American economy. Millions of American workers and tens of millions of American consumers will be made worse off so that the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, trucks, and cars. (The average five-passenger sedan contains $700 worth of steel.) Artificially propping up the domestic cost of steel will only raise the cost of final products to U.S. consumers.

#### Turn - Import protections on steel hurt exports and lower employment

**Griswold, 98** - Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Industry Sets Steel Trap for US Economy”, CATO Institute, 10/20/98, <http://www.cato.org/publications/commentary/industry-sets-steel-trap-us-economy)//RM>

Propping up steel prices through protection will force other industries to contract and make it more difficult for such voracious steel users as General Motors and Caterpillar to compete in world export markets. Rising steel imports may reduce membership in steelworkers' unions, but they also free labor and capital for other sectors where America has a greater comparative advantage. The dollars we send abroad to buy more imported steel return to the United States to buy American wheat, chemicals, machine tools, computer software and insurance services, creating new jobs in export sectors to replace those lost to import competition. Repatriated dollars build new factories to make Americans more productive, or they finance Treasury bonds, leading to lower interest rates for homebuyers and other borrowers. Thus the jobs "saved" by protecting the steel industry will only come at the expense of destroying potential new jobs in other sectors of the economy. What's good for the domestic steel industry is not always good for America. The U.S. steel industry is not about to close up shop. Thanks in large measure to the presence of foreign competition, American steel companies have been forced to become much more competitive in recent years, with the number of man-hours required to produce a ton of steel falling from 10.1 in 1982 to 3.9 today. (Some of the more advanced "mini-mills" can produce a ton in fewer than 2.0 man-hours.) American steel companies remain the dominant players in the domestic steel market, supplying three-quarters of the 118 million tons of steel Americans consume annually. Despite the rise in imports, most of the major U.S. steel companies continued to operate at a profit in the third quarter of 1998. Why should the U.S. economy be hit with a special-interest tax to subsidize an industry that still dominates the world's largest market? Besides being economically self-defeating, steel protection would be at odds with America's foreign policy interests. The best thing America can do to encourage growth and stability in the world economy is, not to give money away through the International Monetary Fund, but to keep our markets open to the global economy.

#### Protectionism kills domestic manufacturing and causes unempoloyment

**Lindsey et al, 99** – writers for the CATO institute (Brink, Daniel Griswold, Aaron Lukas, “The Steel ‘Crisis’ and the Costs of Protectionism”, CATO Institute, 4/16/99, http://www.cato.org/pubs/tbp/tbp-004.pdf)//RM

Raising barriers against steel imports imposes a real cost on the American economy. Millions of American workers and tens of millions of American consumers will be made worse off so the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, trucks, and cars. Artificially propping up the domestic cost of steel will only raise the cost of final products to U.S. consumers. If protectionist measures succeed in raising the average price of steel mill products by $50 a ton, Americans will pay the equivalent of a $6 billion tax on the more than 120 million tons of steel they consume each year. Steel protection will impose a heavy cost on the huge segment of American industry that consumes steel as a major input to production. The major steel-using manufacturing sectors— transportation equipment, fabricated metal products, and industrial machinery and equipment—employ a total of 3.5 million production workers. Production workers in manufacturing industries that use steel as a major input outnumber steelworkers by 20 to 1.2 0

#### US steel protectionism spurs global protectionism – tanks the global economy and turns the case

**Lindsey et al, 99** – writers for the CATO institute (Brink, Daniel Griswold, Aaron Lukas, “The Steel ‘Crisis’ and the Costs of Protectionism”, CATO Institute, 4/16/99, http://www.cato.org/pubs/tbp/tbp-004.pdf)//RM

Aside from its direct negative impact on the domestic economy, steel protectionism will reverberate internationally to our detriment. Many steel-exporting countries are currently reeling from serious economic problems. U.S. protectionism will only worsen their plight and darken their prospects for recovery. At the same time, it will send a very dangerous signal to foreign governments contending with their own protectionist pressures. Although the United States has been relatively insulated thus far, much of the rest of the world has been buffeted by a series of economic shocks over the past couple of years. With Japan’s prolonged malaise, the acute crises elsewhere in Asia, the collapse of Russia, and the recent currency crash in Brazil, the world economy has stumbled into a highly precarious condition. During these turbulent and difficult times, the best thing America can do to encourage growth and stability abroad is to keep our markets open. Instead, at the behest of the steel lobby, the U.S. government is poised to deliver further body blows to ailing countries by restricting their steel industries’ access to the American market. Meanwhile, steel protectionism is sending the wrong message to the rest of the world. Many countries today are suffering violent economic contractions; as a result, their governments are facing formidable pressure to abandon market-oriented policies and erect protectionist barriers of their own. If the United States—the largest and richest country on earth, with 4.2 percent unemployment, low inflation, and 4 percent growth in 1998—is unable to say no to an industry with only 160,000 workers in a civilian labor force of 138 million, how can we expect other countries to hold the line? A U.S. surrender to special-interest pressure from the steel lobby would be a virtual green light for copycat protectionism around the world. Steel protectionism thus threatens to unleash on the world economy destructive forces that could easily bring an end to the prosperity Americans currently enjoy.2 8

#### US steel protection is ineffective and hurts the global economy

**Griswold, 99**  - Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

Besides being economically self-defeating, steel protection would be at odds with America's foreign policy interests. The best thing America can do to encourage growth and stability in the world economy is to keep our markets open. It makes no sense to hector Japan to stimulate its domestic economy or to underwrite IMF loans to Brazil and Russia while denying producers there the opportunity to earn valuable foreign exchange by selling steel to willing American buyers. One recent study suggested that restrictions on steel imports will enhance overall U.S. economic welfare. Specifically, the Economic Strategy Institute published a study earlier this month which purports to show that steel dumping, however that term might be defined, reduces U.S. economic well-being, and that antidumping duties are needed to prevent this harm. ESI's findings rest ultimately on the fact that wages in the steel industry are higher than average and that displaced steel workers frequently are forced to accept lower paying jobs. Thus, according to the ESI study, net U.S. welfare is reduced by dumping that causes job losses in the steel sector; antidumping is good for us because it prevents those job losses. First, this argument gets causation backwards: it assumes that high-paying jobs are the cause of economic welfare, rather than the consequence of it. If applied across the board, the ESI analysis would mean that public policy generally should protect our high standard of living by discouraging or even outlawing layoffs from high-paying jobs. This is basically the European approach, and its effects are all too visible in low growth and chronic double-digit unemployment. Second, and more narrowly, the ESI analysis assumes that job losses in the steel sector wouldn't occur in the absence of low-priced import competition--an assumption refuted by the industry's steadily declining employment over the past 20 years. Third, the study fails to adequately account for the offsetting production and employment gains that the lower prices would stimulate in the far larger steel-using sectors. Even if one accepts the study's methodology, the hypothetical gains from imposing antidumping duties against foreign steel are tiny--less than .005 percent of annual GDP--and not worth the far more real danger that the law will be used for protection.

#### Domestic steel protectionism fails – hurts manufacturers, kills US global competitiveness

**Stolyarov, 07** – Editor in chief of *the Rational Argumentator* (Gennady, “Why Tariffs Hurt Domestic Industries”, The Rational Argumentator, 12/2/07, <http://www.quebecoislibre.org/07/071202-3.htm)//RM>

In reality, so-called “protective” tariffs protect no one. They actually harm the domestic industries that they are intended to help. Indeed, in the long run, everybody loses when the free market is restricted and when individuals and companies are not permitted the liberty to exchange goods and services throughout the world. Let us consider a hypothetical tariff leveled on, say, steel. The steel industry in the United States might lobby for such a tariff and has done so in the past using the argument that the tariff will protect it from foreign (often state-subsidized) competitors that will “dump” steel on the American market at prices that domestic steel producers can’t possibly match. The tariff, the steel industry representatives might argue, will tax the foreign imports sufficiently to raise their price to a comparable level to the price charged by domestic firms. Of course, just implementing and enforcing the tariff and arranging the administrative machinery for it can be sufficiently costly to taxpayers – including the very owners and employees of the firms that lobbied for the tariff – as to outweigh any possible benefits. But let us assume that the tariff has been successfully put into place and has raised the price that Americans pay for imported steel. What happens then? And who are some of the American consumers that must now pay higher prices? It turns out that the steel tariff would raise costs for American domestic firms – particularly those that use steel as an input. Manufacturers of automobiles, industrial equipment, tools, building materials, and many other products would be faced with far smaller profits – just because the tariff has raised their input costs. Thus, these firms become less competitive relative to other firms abroad that might not have to deal with the same artificially high steel prices. The government-imposed steel tariff actually hampers the profitability and competitiveness of many more domestic industries than it helps. Consider how these firms might respond to an opportunity to move their operations abroad where steel tariffs are lower or don’t exist. Surely, such an action would lower their input costs and enable them to function more effectively. Tariffs imposed to “protect” domestic firms actually give many domestic firms a strong incentive to move outside the country! But even the steel industry would lose in the long run due to steel tariffs. On the face of it, it might seem that the steel industry has been benefited by the “protection” from competition that the tariffs afford. But consider what it takes to produce steel in mass. A steel manufacturer would need to own a lot of specialized machines that include components made of… you guessed it – steel! By hurting the domestic industries that use steel as an input, steel tariffs make it less likely for those firms to develop new products that make it easier and less costly to manufacture steel! Thus, the domestic steel industry is deprived of the ability to benefit from innovations that would have occurred in the absence of the tariff. "Instead of supporting measures that achieve the opposite of their intended effects, why not abolish all “protective” tariffs, give temporary aid to any workers who lose their jobs as a result, and let domestic industries restructure themselves to become as productive and efficient as they possibly can be in free and open competition?"

### AT: Steel Industry Adv --- Alt Causes

#### Alt cause – retirement benefits kill domestic steel competitiveness

**Rockefeller, 02** – United States Senator (John, “Floor Statement: Introduction of the Steel Industry Consolidation and Retiree Benefits Protection Act of 2002”, Rockefeller for Senate, 02/08/02, <http://www.rockefeller.senate.gov/public/index.cfm/floor-statements?ID=55f9d9a1-7535-4ac9-9bca-bad839afb5f1)//RM>

Mr. President, the American steel industry will not consolidate and will not survive without relief from their unique burden of substantial retiree health care costs. Failing to assist the American steel industry with its retiree health care costs puts our industry at a tremendous disadvantage as it competes in the world markets. If we are to have a competitive, viable industry, we must not shirk our responsibility. In the case of steel in America, that means three things: tariffs under Section 201, as is provided for under our trade laws; legacy (retiree health) relief; and effective consolidation of the steel industry. Earlier this year, the President imposed limited and temporary steel tariffs under Section 201. Today, I introduce the Steel Industry Consolidation and Retiree Benefits Protection Act of 2002 – the Steel Legacy bill. This bill provides strong incentives for consolidation in the United States steel industry by supporting companies’ retiree health care costs.

#### Alt cause – decline of the auto industry

Henige, 9 – Managing Partner of Michigan Internet marketing firm Netvantage Marketing, providing clients with search engine optimization, pay per click management, and web analytics consulting services (Adam Henige, “Current Economic Condition of Auto Industry Affects Steel Market”, Ezine Articles, 5/11/09, <http://ezinearticles.com/?Current-Economic-Condition-of-Auto-Industry-Affects-Steel-Market&id=2331139> | AK)

Steel, the biodegradable super-metal, is incorporated into countless facets of human life. One of the most widespread uses for steel is the manufacturing of automobiles. The cars that we drive are made up of this lightweight, durable material. However, due to the current faltering condition of the auto industry, steel manufacturers are seeing a drop in sales due to decreased demand for consumer automobiles. In the United States, the automotive industry accounts for a large portion of steel manufacturing business. In North America alone, automakers produced 16.5 million units in 2006. The projected output for 2009 is 10.5 million units, a 36 percent decline. For those of us living in the Midwest, this economic crisis hits close to home. Detroit and the surrounding area has always been a hub for automobile producers, home to Ford Motor Co. and General Motors Corp. Due to their close link with the auto industry, steel producers and manufacturers are also hard-hit. MCN, or Metal Center News, recently published a survey of 45 toll processing and steel manufacturing companies. The results indicated that a majority of the respondents (57 percent) sighted their business being down by an average of 22 percent in 2008. However, 16 percent claimed flat revenues and 27 percent recorded gains. So, even though the general market trend is headed in a downward slope, there are still companies that site profit.

### AT: State Budget Adv --- Budget Outlooks Improving

#### State budgets are recovering now and are expected to grow in the next fiscal year.

Sigritz, 12 (Brian, “State Budgets in 2011 and 2012: Recovery Begins for States, but Fiscal Conditions Remain Below Pre-Recession Levels,” Knowledge Center, July 3rd, 2012, <http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1)//AS>

Fiscal conditions began to improve for states in the 2011 fiscal year. State revenue collections grew by 6.4 percent and state general fund spending increased by 4 percent following two consecutive years of declines. Additionally, the number of states making midyear budget cuts dropped from 39 states in fiscal 2010 to 19 states in fiscal 2011. In the 2012 fiscal year, states are expected to continue their recent improvement with both state revenues and state spending projected to grow. Fiscal conditions, however, remain below pre-recession levels in many states even with the recent increases. States will have to continue to make difficult decisions in the 2013 fiscal year and beyond as they contend with increased spending demands, slowly recovering revenue collections, uncertainty regarding future federal funding and long-term liabilities including pensions and retiree health care costs

#### State budgets on the rise – no cuts

Goodman, 6/11/12– Staff Writer for the Pew Center (Joshua, “For Many State Budgets, A year of Relief”, Pew Center, 6/11/12, <http://www.pewstates.org/projects/stateline/headlines/for-many-state-budgets-a-year-of-relief-85899397288)//RM>

This year, all three states could claim budget surpluses. These weren’t the only states whose fiscal fortunes were changing for the better. Budgets in a majority of states started to show a substantial recovery. That progress changed the choices states were considering. Unlike a year ago, fewer states were debating tax increases and spending cuts. Instead, more were weighing the relative benefits of restoring services that were cut, rebuilding their reserves or cutting taxes, and several did approve substantial tax cuts. Those more palatable options also contributed to a year of relative budget peace, with fewer states seemingly in danger of not completing their budgets before the start of the new fiscal year. Yet the peace wasn’t universal. A few states, most notably Illinois and California, have confronted budget crises reminiscent of the ones many states faced in the depths of the recession.

#### State revenues projected to increase in 2012.

Sigritz, 12 (Brian, “State Budgets in 2011 and 2012: Recovery Begins for States, but Fiscal Conditions Remain Below Pre-Recession Levels,” Knowledge Center, July 3rd, 2012, <http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1)//AS>

Both state revenues and state spending are projected to continue to grow in the 2012 fiscal year, although at slower rates than witnessed in 2011. According to governors’ enacted budgets, state revenues are expected to increase 1.6 percent in 2012,[5](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1" \l "5) while general fund expenditures are expected to increase 2.9 percent.[6](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#6) Additionally, the vast majority of states have assumed at least moderate budget growth, with 43 states enacting a 2012 fiscal year budget with general fund spending levels above the 2011 fiscal year.[7](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#7)

#### State budgets are recovering now

Shaw, 6/12– Writer for MNI (John, “US Report: State Gov Finances in 2012 ‘Continuing to Improve’”, MNI, 6/12/12, <https://mninews.deutsche-boerse.com/index.php/us-report-state-gov-finances-2012-continuing-improve?q=content/us-report-state-gov-finances-2012-continuing-improve)//RM>

WASHINGTON (MNI) - A fiscal survey of U.S. state governments released Wednesday shows that state governments are slowly recovering from the punishing national recession that began in December in 2007, ended only in the second half of 2009, but whose consequences continue to constrain the economy. "State fiscal conditions are continuing to improve into fiscal 2013, although many state budgets are not fully back to pre-recession levels," the report says. "Fiscal trends indicate that while aggregate state revenues will be above their pre-recession levels in fiscal 2013, total general fund spending will not yet surpass pre-recession levels. Consequently, state budgets reflect a national economy in which growth is slow and not as robust as in previous recoveries, yet overall state fiscal improvement is occurring," it says. States face numerous fiscal challenges as they enter fiscal 2013, including the "significant uncertainty surrounding traditional federal funds because of potential political gridlock over federal funding decisions," the report says.

#### State revenues are increasing

Sigritz, 12 (Brian, “State Budgets in 2011 and 2012: Recovery Begins for States, but Fiscal Conditions Remain Below Pre-Recession Levels,” Knowledge Center, July 3rd, 2012, <http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1)//AS>

Revenue collections are expected to continue to grow in the 2012 fiscal year, although likely at a slower rate than the 2011 fiscal year. State revenues are expected to increase 1.6 percent, or $10.4 billion, in the 2012 year, according to governors’ enacted budgets.[14](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#14) The latest data from the Nelson A. Rockefeller Institute of Government indicates that state revenues are growing as forecasted. According to the Rockefeller Institute, state tax revenues grew by 6.1 percent in the first quarter of the 2012 fiscal year—third quarter of calendar year 2011—compared to the same quarter of the 2011 fiscal year. Additionally, preliminary figures for October and November 2011 show state revenues growing by 5.2 percent compared to the same time period in 2010.[15](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#15)

#### State spending has substantially increased since 2010 and is expected to continue into 2012

Sigritz, 12 (Brian, “State Budgets in 2011 and 2012: Recovery Begins for States, but Fiscal Conditions Remain Below Pre-Recession Levels,” Knowledge Center, July 3rd, 2012, <http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1)//AS>

Similar to what occurred with state revenue, state spending experienced a turnaround in the 2011 fiscal year. Spending from state funds—general funds and other state funds combined—grew for the first time since fiscal 2008. It should be noted though that the level of growth was significantly lower than the historical average. Additionally, federal funds to states continued to grow in the 2011 fiscal year. The federal funds growth rate, however, was much lower in 2011 than 2010 due to the winding down of American Recovery and Reinvestment Act, or Recovery Act, funds. This combination of modest growth in state funds and declining federal funds growth meant that state resources continued to be constrained in 2011. Looking in greater detail at the 2011 fiscal year, general fund spending is estimated to be $636.3 billion, a 2.8 percent increase from 2010. General funds serve as the primary source for financing state operations. General funds typically receive their revenue from broad-based state taxes such as sales and personal income taxes. The majority of program areas saw increased general fund spending in the 2011 fiscal year. Elementary and secondary education, higher education, Medicaid, corrections and transportation all experienced increased general fund spending, while public assistance and the “all other”[19](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#19) category saw relatively minor declines.[20](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#20) By far, the largest growth area in general fund spending was Medicaid, growing 13.5 percent. The large increase in state general fund Medicaid spending is attributable to a combination of factors, including increased enrollment, the winding down of temporary Medicaid funds provided through the Recovery Act, and maintenance of effort requirements included in the Recovery Act. Elementary and secondary education remained the largest category of general fund expenditures in 2011, accounting for 35 percent of general fund expenditures. Medicaid represented 17.4 percent and higher education accounted for 11.5 percent. Combined, Medicaid and education comprised 64 percent of total state general fund spending. Other categories of general fund spending included corrections at 7.4 percent, public assistance at 1.8 percent, transportation at 0.5 percent and all other spending at 26.5 percent.[21](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#21) Federal funds to states increased by 4 percent in the 2011 fiscal year, much lower than the 2009 and 2010 fiscal years, which saw growth rates of 19.3 and 19.4 percent respectively. Federal fund spending grew from $552.7 billion in the 2010 fiscal year to an estimated $574.8 billion in the 2011 fiscal year.[22](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#22) All spending categories of federal funds, with the exception of corrections, experienced at least a modest increase in 2011. Medicaid accounted for the largest share of state spending from federal funds at 43.5 percent. Elementary and secondary education at 12.7 percent and transportation at 7.2 percent represented the next largest shares.[23](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#23) Total state expenditures—general funds, federal funds, other state funds and bonds combined—grew by an estimated 4.1 percent in the 2011 fiscal year to $1.69 trillion.[24](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#24)Medicaid remained the largest component of total state spending in the 2011 fiscal year, representing 23.6 percent of total state expenditures. As recently as the 2008 fiscal year, elementary and secondary education represented a larger share of total state expenditures than Medicaid. In 2011, K–12 education represented 20.1 percent of total state expenditures. Other categories of total state expenditures include higher education at 10.1 percent, transportation at 7.6 percent, corrections at 3.1 percent, public assistance at 1.6 percent and all other spending at 33.9 percent.[25](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#25) Finally, the passage of the Recovery Act in February 2009 produced a shift in the funding sources for state expenditures. Federal funds have grown from representing 26.3 percent of total state expenditures in the 2008 fiscal year to 34.1 percent in estimated expenditures in the 2011 fiscal year, while general funds have gone from representing 45.9 percent of total state spending in fiscal 2008 to 37.7 percent in fiscal 2011.[26](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#26) General funds, however, will likely make up a larger component of total state expenditures in the 2012 fiscal year as states deal with the rapid decline of Recovery Act funds.

#### Budget cuts decreasing

Sigritz, 12 (Brian, “State Budgets in 2011 and 2012: Recovery Begins for States, but Fiscal Conditions Remain Below Pre-Recession Levels,” Knowledge Center, July 3rd, 2012, <http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1)//AS>

The number of states making midyear budget cuts has decreased even further so far in the 2012 fiscal year, with only two states reporting midyear cuts through December. The decrease in the number of states making midyear budget cuts is likely attributable to improved revenue collections and more accurate revenue projections. Through December, 15 states were exceeding revenue projections, while 22 states were on target, and only seven states were seeing revenues coming in lower than projections; not all states were able to provide preliminary 2012 fiscal year data.[32](http://knowledgecenter.csg.org/drupal/content/state-budgets-2011-and-2012-recovery-begins-states-fiscal-conditions-remain-below-pre-rece-1#32)

#### State budgets are improving – 2012 fiscal survey proves.

SSTI, 12 (State Science & Technology Institute “Latest Survey of State Budgets Points to Overall Fiscal Improvement,” June 13th 2012, Volume 16, issues 3, <http://www.ssti.org/Digest/digest.php?page=2012/061312#story4)//AS>

States have been slow to recover from the recession, but amid all the doom and gloom surrounding the national economy, state general fund expenditure trends are moving in a positive direction. The [Spring 2012 Fiscal Survey of States](http://www.nasbo.org/sites/default/files/Spring%202012%20Fiscal%20Survey%20of%20States.pdf) finds governors' recommended budgets show an overall increase in both general fund expenditures and revenues in fiscal year 2013. There are, however, significant challenges ahead for states, including increased expenditures, particularly Medicaid costs and enrollment, and reductions in federal funding. Fiscal 2013 budgets forecast that general fund revenues will reach $690.3 billion, surpassing peak pre-recession levels by $10 billion. Revenue collections are expected to be 3.7 percent above 2011 levels in sales, personal income and corporate tax collections, which make up 80 percent of general fund revenues. The report finds that growth from all of these sources produced greater collections than projected in many states. When comparing current revenue collections to more updated forecasts, 15 states are above projections, 28 states are on target and three states are below. This suggests a number of states could finish fiscal 2012 with modest surpluses. State general fund spending also is expected to increase by 2.2 percent above the estimated amount spent in fiscal year 2013. This represents a third consecutive yearly increase in general fund expenditures following back-to-back declines in general fund spending in fiscal 2009 and 2010, decreasing by 3.8 percent and 6.3 percent respectively. However, even with the increase, general fund expenditures will be 0.7 percent below fiscal 2008 expenditures. The survey found that 39 states proposed a 2013 budget greater than prior year spending plans, but at the same time, there are 25 states with a proposed fiscal 2013 budget where general fund spending is less than pre-recession levels in 2008. Fewer states are making mid-year budget cuts, which is a good indicator that state fiscal situations are stabilizing. Through the first 10 months of fiscal 2012, eight states have made $1.7 billion in mid-year cuts — an improvement from the prior year when 19 states made adjustments totaling $7.4 billion. This is a sharp contrast to 2009 when 41 states made mid-year budget cuts totaling $31.3 billion.

#### Budgets improving – surpluses and restoring services.

Goodman, 12 (Josh, “For Many State Budgets, a Year of Relief,” Pew Center on the States, June 11th, 2012, <http://www.pewstates.org/projects/stateline/headlines/for-many-state-budgets-a-year-of-relief-85899397288)//AS>

Few state economies — or state budgets — were hit as hard by the recession as those of Arizona, Michigan and Rhode Island. Three years ago, desperate for an infusion of immediate cash, Arizona decided to sell parts of its state Capitol complex to private investors. Two years ago, Michigan had endured a full decade of budget crises — the state lost jobs every year between 2000 and 2010 — but was still cutting its higher education budget. Last year, Rhode Island was forced to take control of bankrupt Central Falls, even as the state closed its own $300 million budget gap with a mix of service cuts and tax increases. This year, all three states could claim budget surpluses. These weren’t the only states whose fiscal fortunes were changing for the better. Budgets in a majority of states started to show a substantial recovery. That progress changed the choices states were considering. Unlike a year ago, fewer states were debating tax increases and spending cuts. Instead, more were weighing the relative benefits of restoring services that were cut, rebuilding their reserves or cutting taxes, and several did approve substantial tax cuts. Those more palatable options also contributed to a year of relative budget peace, with fewer states seemingly in danger of not completing their budgets before the start of the new fiscal year.

#### State economies on the upswing -- budget improvements and increased state revenues

Goodman, 12 (Josh, “For Many State Budgets, a Year of Relief,” Pew Center on the States, June 11th, 2012, <http://www.pewstates.org/projects/stateline/headlines/for-many-state-budgets-a-year-of-relief-85899397288)//AS>

While some states haven’t completed their budget work yet, including California, New Jersey and Pennsylvania, there’s no obvious Minnesota or Connecticut in the bunch. Maryland, Virginia and Washington all faced budget stalemates, but ultimately finished their work long before the start of the 2013 fiscal year, which for most states begins July 1. Others reached agreements with relative ease. That’s partially just a fluke of states’ budget calendars. It happens that many of the states that had the hardest time finishing their budgets last year, including Connecticut, Iowa, Minnesota, Nevada and Texas, are biennial budget states. This year, they only had the much-easier task of updating the two-s year budget approved last year or didn’t have to do anything at all. But it also reflects the real improvement in the states’ fiscal condition: It’s a lot easier to write a budget in good —or somewhat better — times than bad. The Nelson A. Rockefeller Institute [reports](http://www.rockinst.org/newsroom/data_alerts/2012/2012-06-07.aspx) that state tax revenue has grown for nine consecutive quarters. The National Conference of State Legislatures [found](http://www.ncsl.org/issues-research/budget/state-budget-update-spring-2012.aspx) this spring that only nine states had new gaps emerge in their Fiscal Year 2012 budgets, while 29 expected to have at least some money left over at the end of the year.

#### State budgets improving – Municipal bonds

**Aneiro, 7/10** – Staff writer for Barron’s (Michael, “Muni Defaults Down at Midyear, State Budgets on Time”, Barron’s, 7/10/12, <http://blogs.barrons.com/incomeinvesting/2012/07/10/muni-defaults-down-at-midyear-state-budgets-on-time/?mod=google_news_blog)//RM>

Despite an ongoing recession and housing slump, the muni bond market isn’t looking half bad through the halfway mark of 2012, and things are looking pretty good at least for the next two months. For starters, Anthony Valeri of LPL Financial points out that for the first time in years, every state passed its annual budget on time in 2013, although governors of Massachusetts and South Carolina have yet to officially sign budgets that passed both chambers of their respective state governments but are expected to do so. The improved budget process is due to an improvement in state revenues, more modest budget gaps, and improvements to the process for passing budgets. Revenue exceeded forecasts for 29 states in fiscal 2012 with only 7 below, and only 4 coming in notably below forecasts. Even after the recent high-profile bankruptcy filing by Stockton, Calif., the number of defaulted municipal issuers is down by 32% to 39 issuers from 57 over the first half of 2011, and down to $800 million in defaulted municipal bonds versus $1 billion over the same time period in 2011, according to MMA data. Of course, last year saw other high-profile bankruptcy filings by Jefferson County, Ala. and Harrisburg, Pa., but in aggregate nothing close to the doomsday predictions of Meredith Whitney that so roiled muni markets in late 2010. But over the past three years, a total of $13.3 billion in municipal debt has defaulted and failed to resume payments, amounting to 0.4% of the entire outstanding municipal bond market. And now, Valeri notes, July and August comprise a significant reinvestment period with 2012 maturing debt exceeding July and August 2011 levels by 39% and 34%, respectively. “After hefty issuance in June demand should provide a favorable tailwind for municipal bonds.” Valeri writes. “With the prospect of decreased issuance for July, reinvestment needs began to kick in on Monday as municipal bonds outperformed Treasuries on an up-day, a rare feat.”

### AT: State Budget Adv --- No State Trade Offs

#### No cuts – states recovering now, and new sources of income offset budget cuts

Oliff, 12 – Part of the Center on Budget and Policy Priorities (Phil, “State Budgets: Improving, But a Long Recovery Ahead”, Center on Budget and Policy Priorities, 5/27/12, <http://galesburgplanet.com/posts/14622)//RM>

States still face a long and uncertain recovery, according to our newly updated survey of state budget short­falls. Major fiscal chal­lenges persist. Thirty states have projected (and in many cases have already closed) budget gaps totaling $54 billion for fiscal year 2013, which begins July 1 in most states. (See map.) States that haven’t already done so will have to close these gaps before the fiscal year begins in a few weeks, since nearly every state is required to balance its budget. State finances are recovering, but slowly. Ten states reported new short­falls totaling $4.3 billion that opened in their budgets for the current year (fiscal year 2012). To be sure, these mid-year gaps are smaller than states faced last year, and overall, fiscal year 2013 short­falls are also generally smaller than in previous years. Never­theless, they remain large by historical stan­dards, due to continued economic weakness and persis­tently high unemployment. Even robust growth can’t easily fill the deep hole that the recession caused. While revenues grew by 8.3 percent between July 2010 and June 2011 (the 2011 fiscal year for most states), they would have to continue growing at that pace for seven more years to get them back on a normal track, as the graph shows. These short­falls are all the more daunting because states’ options for addressing them are fewer and more difficult than in recent years. Temporary federal aid to states from the 2009 Recovery Act helped avert some of the most harmful potential budget cuts in the 2009, 2010, and 2011 fiscal years. But that aid largely expired at the end of fiscal year 2011, leading to some of the deepest cuts to state services since the start of the recession. In particular, states have slashed funding for services that are critical to their economic fortunes, like education. Far from providing addi­tional assis­tance to states, the federal government is much more likely to cut ongoing federal funding for states, likely wors­ening states’ fiscal situation. Despite these chal­lenges, states can start to build a stronger economic future for them­selves. As we’ve explained, addi­tional revenues — generated from raising taxes on high-income taxpayers and prof­itable corpo­ra­tions, for example — could help poli­cy­makers prevent addi­tional cuts to critical services and even reverse some of the cuts that they’ve already made.

#### P3’s solve transportation budget problems and focus funding

Riggs, 12 (Trisha, “Infrastructure 2012 highlights innovation,” Urban Land, May 9th, 2012, <http://urbanland.uli.org/Articles/2012/Spr12/RiggsInfra)//AS>

Constrained public budgets and a growing recognition at the local level of the importance of infrastructure—combined with lack of action at the federal level—are causing states, regions and cities across the U.S. to seek innovative infrastructure approaches and solutions. Local governments are utilizing a range of strategies, including ballot measures taken directly to the public, increased utilization of technology and pricing, and public/private partnerships, according to [Infrastructure 2012: Spotlight on Leadership](http://www.uli.org/ResearchAndPublications/PolicyPracticePriorityAreas/Infrastructure/Infrastructure%202012.aspx), released May 9 by the Urban Land Institute (ULI) and Ernst & Young LLP.

This year’s report looks at an overall decline in infrastructure funding globally, and it focuses on funding solutions underway in the U.S. Even as efforts to increase infrastructure revenues at the federal level remain stalled, states and localities are looking at other ways of overcoming fiscal woes in an effort to move forward with projects that can lay the foundation for economic growth. State and local governments are funding critical infrastructure building or refurbishment needs with increased sales or gas taxes, bond issues, and user fees, including tolls. Public/private partnerships are a growing part of the equation. Infrastructure 2012 notes that in many localities, people are voting to raise taxes for infrastructure investment—from 2008 through 2011, ballots allocating funds to transit capital or operations had a 73 percent success rate. More than a dozen states have raised fuel taxes over the past year, and drivers nationwide are accepting higher tolls for roads and bridges. Local governments are taking advantage of tax increment financing and special assessment districts as well as public/private partnerships, while exploring alternative sources of private investment such as sovereign wealth funds and pension plans.

#### P3’s mean private actors foot the majority of State infrastructure costs

Free Enterprise, 12 (“States Pursue Public-Private Partnerships to Fix America’s Transportation Infrastructure,” Free Enterprise, April 18th, 2012, <http://www.freeenterprise.com/infrastructure/states-pursue-public-private-partnerships-fix-americas-transportation-infrastructure)//AS>

Considering the national deficit, the struggling economy, and the ongoing debates in Congress about how much to spend and where, it is unlikely the federal or state governments alone will be able to foot the bill for this massive undertaking. [According to the U.S. Department of Transportation](http://www.freeenterprise.com/article/experts-call-for-public-private-partnerships-in-transportation), there was $13 billion in requests for financial assistance for infrastructure projects in 2010 but only $1 billion available. An Innovative Approach to Financing In the face of adversity, America innovates, and that has been evident with infrastructure investment. On the state level, businesses and governments are forging new partnerships to jointly bring America’s infrastructure up to speed. These public-private partnerships (PPPs) give governments and the private sector a way to fund infrastructure investment. While PPPs can take different shapes, with structured agreements tailored to a specific project, partnerships generally have private sector partners supplying much of the initial capital needed to cover commercial functions, like construction and operation. They also assume much of the risk inherent in building, maintaining and operating infrastructure projects. Construction delays, access to workers, and other factors can impact building costs, but the advantages are that private partners enjoy long-term, largely stable investments. On the public side, governments can avoid many of the risks involved in major investments while still playing a role in updating and expanding America’s infrastructure. This model is one way America can fund the massive investment needed to bring U.S. infrastructure back from the brink. “Every type of infrastructure offers limitless opportunities for properly structured agreements,” [says Senator Mark Kirk](http://www.freeenterprise.com/2011/11/rebuilding-infrastructure-with-public-private-partnerships) (R-IL), who spoke at the U.S. Chamber’s Infrastructure Investment Forum in November. “The only thing that holds us back is our own creativity. In my time as a public servant, one critical fact is quite clear – if you don’t innovate, you get left behind. Chicago, Illinois, and the nation can lead the way on public-private partnerships, or we can lose the competition to China, Europe, and others. It’s our choice.”

#### 3P’s saves states money.

Free Enterprise, 12 (“States Pursue Public-Private Partnerships to Fix America’s Transportation Infrastructure,” Free Enterprise, April 18th, 2012, <http://www.freeenterprise.com/infrastructure/states-pursue-public-private-partnerships-fix-americas-transportation-infrastructure)//AS>

The benefits of PPPs extend beyond the ability to finance much-needed transportation infrastructure updates. Governments are concerned with providing a public service, but businesses are profit driven. As such, under PPPs, it is in the best interest of the private partners to be efficient and reliable; their profit and success depends on it. The [proposal for the Denver Regional Transportation District’s Eagle PPP Project](http://www.pwc.com/us/en/view/issue-13/the-rise-of-the-public-private-partnership.jhtml), for example, was about $300 million cheaper and 11 months faster to completion than the district’s estimate.

While the importance of a federal multiyear highway and transit funding bill cannot be discounted, fa

the private sector is taking proactive steps with state and local governments to improve America’s transportation infrastructure.

“Traditional funding mechanisms are inadequate for meeting the growing needs of our economy, businesses and citizens,” [Donohue writes in a recent op-ed](http://www.oregonlive.com/opinion/index.ssf/2012/03/pro.html). “It is imperative that we remove regulatory impediments, state and local laws, and outdated attitudes that are taking an estimated $250 billion in global private capital out of play.”

### AT: State Budget Adv --- Health Care

#### Health care reform solves state budgets – federal government picks up the bill

**Angeles and Broaddus, 3/28** – Writers for Center on Budget and Policy Priorities (January and Matthew, “Federal Government Will Pick up Nearly All Costs of Health Reform’s Medicaid Expansion”, Center on Budget and Policy Priorities, 3/28/12, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3161)//RM>

Claims that states will bear a significant share of the costs of the Affordable Care Act’s (ACA) Medicaid expansion — and that this will place a heavy financial burden on states — do not hold up under scrutiny. Congressional Budget Office (CBO) analysis indicates that between 2014 and 2022, the ACA’s Medicaid expansion will add just 2.8 percent to what states spend on Medicaid, while providing health coverage to 17 million more low-income adults and children. In addition, the Medicaid expansion will produce savings in state and local government costs for uncompensated care, which will offset at least some of the added state Medicaid costs. The health reform law requires states to extend Medicaid coverage to non-elderly individuals with incomes up to 133 percent of the poverty line, or about $30,700 for a family of four. The combination of the law’s Medicaid expansion and its subsidies to make coverage affordable for people who aren’t affluent but have incomes too high to qualify for Medicaid will reduce the number of uninsured people by 33 million by 2022, according to CBO. The health reform law provides a favorable financial deal for states, in several respects. CBO estimates show that the federal government will bear nearly 93 percent of the costs of the Medicaid expansion over its first nine years. The additional cost to the states represents a 2.8 percent increase in what states would have spent on Medicaid from 2014 to 2022 in the absence of health reform. This 2.8 percent figure overstates the net impact on state budgets because it does not reflect the savings that state and local governments will realize in health-care costs for the uninsured. In short, the Medicaid expansion will significantly increase coverage at a modest cost to state Medicaid programs, and it will lower state costs for providing care to the uninsured. Federal Government Will Assume 93 Percent of Expansion Costs Over 2014-2022 Starting on January 1, 2014, the health reform law will expand Medicaid eligibility to 133 percent of the poverty line for all non-elderly citizens and individuals who have lawfully resided in the United States for more than five years, and who are not eligible for Medicare. Millions of low-income parents and people with disabilities, and millions of non-disabled low-income adults who don’t have dependent children, will become eligible for the program. CBO estimates that by 2022, some 17 million more individuals — most of whom are now uninsured — will have insurance through Medicaid and the Children’s Health Insurance Program (CHIP).[1] Since its inception, Medicaid has been jointly financed by the federal government and the states, with the federal government currently paying 57 percent of the cost, on average. The health reform law takes a different approach. To minimize the financial burden on states of the Medicaid expansion, the federal government will pay nearly 93 percentof the cost of expanding Medicaid over the next nine years. Specifically, the federal government will assume 100 percent of the Medicaid costs of covering newly eligible individuals for the first three years that the expansion is in effect (2014-2016).[2] Federal support will then phase down slightly over the following several years, and by 2020 (and for all subsequent years), the federal government will pay 90 percent of the costs of covering these individuals. According to CBO, between 2014 and 2022, the federal government will pay $931 billion of the cost of the Medicaid expansion, while states will pay roughly $73 billion, or 7 percent (see Figure 1).[3] Health reform will likely increase participation among individuals who are currently eligible for Medicaid but are not enrolled. States will receive the regular federal Medicaid matching rate for covering these people — and CBO’s $73 billion estimate of the net increase in state Medicaid costs includes the cost of covering these individuals.[4] The $73 billion equals a 2.8percent increase above the $2.6 trillion that states are projected to spend on Medicaid over the same timeframe in the absence of health reform (see Figure 2).

### AT: Unions

#### Unionization kills competitiveness

Griswold 10 – former director of the Cato institute (Daniel, "UNIONS, PROTECTIONISM, AND U.S. COMPETITIVENESS", Cato Journal 30.1 Winter, Proquest) // NK

Unionized Firms Just Fade Away

In competitive product markets, the drag that unions impose on firm performance can be debilitating to the firm and its workers over time. As described above, firms facing vigorous competition are not able to pass along higher costs to consumers without risk of losing significant market share. Newly unionized firms in such markets face the cruel choice of passing along higher labor costs to consumers, thus losing market share to more cost-efficient competitors, or eating the higher costs in the form of lower profits and less reinvestment in physical and intellectual capital. Either choice will result over time in an erosion of the unionized firm's market share.

The negative impact of unionization can be blunted if product markets are less competitive, or if the rest the industry is unionized. As Hirsch (2008b: 199-200) explains:

For a union firm in a reasonably competitive, largely nonunion industry, cost increases cannot be passed forward to consumers through higher prices. Thus, absent a productivity offset, unions should have little bargaining strength. Substantial union wage premiums in a competitive setting absent productivity improvements should lead establishments to contract over time. If a sizeable proportion of an industry is unionized, industry-wide wage increases absent productivity offsets increase costs throughout the industry, costs increases are passed through to consumers, and no individual firm is at a severe disadvantage. But such a situation is difficult to sustain in the long run, if entry/expansion of nonunion companies is possible or products are tradable on world markets.

The inescapable conclusion is that unionized companies in the United States have performed poorly relative to nonunion companies. To the extent that output and resources are mobile, poor union performance has led to a shift of production and employment away from unionized industries, firms, and plants and into the nonunion sector or to producers overseas.

#### Unions drive up wages

Bronfenbrenner, 3 -- director of labor education research at the New York State School of Industrial and Labor Relations at Cornell University (Kate, "Declining unionization, rising inequality", May, Proquest) // NK

MM: How does union density influence the wage impact of unionization?

Bronfenbrenner: When unions have density in an industry, then they have the power to keep wages up. Each employer is less likely to be undermined by another employer paying a lower rate. Unions are much more able to get pattern agreements, and keep the wage rate high.

If a union represents only a small percentage of workers in an industry, they don't have the power to push wages up, because the few employers they are bargaining with know other employers can pay less, and that drives the wages down.

#### Earning inequality is a result of deunionization

Asher and DeFina, 95 -- \*assistant professor of economics at Villanova university \*\*associate professor of economics Villanova University (Martin and Robert, "Has deunionization led to higher earnings inequality?" November/December, Business Review -- Federal Reserve Bank of Philadelphia) // NK

CONCLUSION During the past two decades, earnings in equality has risen to historically high levels. The climb has sparked a debate about whether current inequality is fair and desirable and has led analysts to search for the causes of the increase. Several possible factors have been identified, among them the marked deunionization of the labor force that has occurred since the 1970s. Careful statistical studies have shown that about 10 percent of the rise in earnings inequality among all workers and about 20 percent of the rise in inequality among mature male workers can be attributed to deunionization. As long as unionization rates fail to regain their levels of the 1970s, higher earnings inequalitywill remain unless some other offsetting changes occur.

### 1nc Solvency

#### NIB fails – regulations and inadequate revenue

Pethokoukis, 7/13/12 -- Money and Politics columnist for the American Enterprise Institute

(James, "The CBO just poured cold water on Obama's idea for a national infrastructure bank" [www.aei-ideas.org/2012/07/the-cbo-just-threw-cold-water-on-obamas-idea-for-a-national-infrastructure-bank/](http://www.aei-ideas.org/2012/07/the-cbo-just-threw-cold-water-on-obamas-idea-for-a-national-infrastructure-bank/)) // NK

President Obama has criticized congressional Republicans for opposing his idea to create a national “infrastructure bank” to finance highway and rail construction. The WaPo [describes how the whole thing would work](http://www.washingtonpost.com/business/economy/how-obamas-plan-for-infrastructure-bank-would-work/2011/09/19/gIQAfDgUgK_story.html):

The proposal, modeled after a bipartisan bill in the Senate, would take $10 billion in start-up money and identify transportation, water or energy projects that lack funding. Eligible projects would need to be worth at least $100 million and provide “a clear public benefit.” The bank would then work with private investors to finance the project through cheap long-term loans or loan guarantees, with the government picking up no more than half the tab — ideally, much less — for any given project. … Administration officials have, in turn, tried to allay fears about taxpayer losses by noting that the loans would only go toward projects that have “a dedicated revenue stream,” such as toll roads, to repay the loans. The bank would be managed by an independent seven-member board, with no more than four members from either party.

But a new report from the [Congressional Budget Office](http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf) seems skeptical of the idea in practice, at least as it concerns surface transportation projects: “At least initially, however, an infrastructure bank would probably generate neither significant new revenues for surface transportation nor significant new interest from private-sector investors, when considered as a share of current investment in surface transportation infrastructure.”

Among the problems, according to CBO: a) most current highway spending is for projects too small to meet the minimum size requirements commonly proposed for an infrastructure bank; and b) an NIB might merely shift projects from being funded by state governments to the federal government, resulting in no net increase in investment.

But the biggest drawback is that while NIB proponents like the Obama White House sell it as some kind of non-political, technocratic institution that would pick projects on merit, that goal probably wouldn’t survive the NIB’s first contact with political reality in Washington. The CBO:

Proponents of an infrastructure bank envision an independent federal entity that would select projects on the basis of technical rather than political factors. Although establishing an infrastructure bank outside of DOT might change some of the forces affecting its decision making or its organizational efficacy, any entity created and funded by the Congress would be subject to similar political pressures and federal administrative procedures.

A national infrastructure bank might turn into a crony capitalist’s delight and a pork barreler’s dream come true.

In a great article in [The New Atlantis](http://www.thenewatlantis.com/publications/infrastructure-policy-lessons-from-american-history), Adam White — [who recently did a podcast with AEI](http://www.aei-ideas.org/2012/07/banter-63-infrastructure-and-nation-building/) — takes a hard, historical look at infrastructure banks and sees Obamacrat proposals as suffering from several flaws that have plagued these:

First, infrastructure bank proposals rarely offer any advance indication of exactly which projects, or which kind of projects, would actually be supported. … By not defining in advance the types of projects that would be funded and the public good that would be achieved, the administration’s proposal would only exacerbate the public’s traditional suspicion that government-supported infrastructure is just pork barrel, intended more to benefit the well-connected than the national interest.

Also, since an infrastructure bank would rely heavily on private industry to drive the process, it might be susceptible to the problems that pervaded the nineteenth-century railroad programs. Then, as today, policymakers presumed that public-private partnership would deliver the best of both worlds: the expertise of private enterprise in identifying and carrying out the best possible projects, and the resources of the federal government in supporting those projects. But for railroads, as Carter Goodrich observed, “mixed enterprise came close to representing simply the private control of public investment,” especially when project promoters were able to secure government financial backing without first taking on a substantial financial stake of their own.

Finally, an infrastructure bank would do nothing to transform today’s regulatory landscape, which offers too many opportunities for environmental activists and others to tie up even environmentally sound projects in interminable litigation … None of the major infrastructure bank proposals seriously grapples with the problem of regulation.

An NIB might be made to work, but it seems as if current proposals aren’t quite there yet.

**NIB can’t compete for loans -- treasury rates at all time low.**

**CBO, 12** (Congressional Budget Office, “Infrastructure Banks and Surface Transportation,” July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf>)//AS

Sponsors of some projects that could be funded through an infrastructure bank might choose not to apply, because bank funds loaned at Treasury rates (as commonly envisioned in current proposals) might have too little (or no) cost advantage to warrant the time and uncertainty of the application process. The federal government already subsidizes borrowing by state and local governments by excluding interest received on municipal bonds from federal income taxes. As a result, for many years, the most creditworthy municipal governments could typically borrow more cheaply than the Treasury. 18 Although the municipal bond market saw disruptions during the 2007–2009 financial crisis, average municipal bond yields since 2008 have varied from 25 basis points below to 75 basis points above Treasury yields (100 basis points are equal to 1 percentage point); and in January 2012, interest rates on municipal bonds reached their lowest level in 45 years. 19To the extent that projects funded by an infrastructure bank would otherwise have proceeded using more traditional financing, the result of creating such a bank might be a shift in investment sources rather than an increase in total investment. Of the projects that would not have proceeded without bank support, some might have faced higher interest rates elsewhere because of greater risks that the loans would not be repaid. Infrastructure bank loans to such projects would involve larger economic subsidies (measured as the difference between the interest rates the projects would have faced in the private bond market and the rates provided by the bank) unless the Congress authorized the bank to vary its lending rates according to each project’s risk. To increase the attractiveness to a state or locality of borrowing from the bank instead of issuing municipal bonds, the Congress could allow the bank to lend at below-Treasury rates. Doing so, however, would increase the cost of the bank’s assistance to federal taxpayers and could encourage proposals for projects that would not otherwise pass a cost-benefit test.

#### NIB proposals are less appealing to project evaluators than status quo options

CBO, 12 (Congressional Budget Office, “Infrastructure Banks and Surface Transportation,” July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf>)//AS

Ability of Projects to Repay Loans. Even among projects that are sufficiently large, most do not involve toll collections or other mechanisms for directly charging users or other beneficiaries. Data from the FHWA show that as of July 2011, more than one-half of the tolled interstates, bridges, and tunnels nationwide were in five heavily populated states, where the dense populations are more likely to be able to support tolled facilities. 15 Furthermore, current law restricts the collecting of tolls on existing federally funded highways. 16 Lifting that restriction would probably increase the number of suitable projects and could have the added benefit, if tolls were established, of encouraging drivers to use existing road capacity more efficiently. 17 Project proposals submitted to an infrastructure bank could dedicate specified general revenues—rather than user or beneficiary charges—as the source of funds to repay the loans. Such proposals would probably be less appealing to project evaluators at the bank, however, unless the Congress established an infrastructure bank whose operation differed from that envisioned in current proposals by placing less emphasis on generating new funds.

#### No immediate revenue or private sector leverage.

CBO, 12 (Congressional Budget Office, “Infrastructure Banks and Surface Transportation,” July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf>)//AS

Over time, project sponsors might develop more proposals tailored to receive support from an infrastructure bank. At least initially, however, an infrastructure bank would probably generate neither significant new revenues for surface transportation nor significant new interest from private-sector investors, when considered as a share of current investment in surface transportation infrastructure (see Table 1).

#### Cost minimum prevents NIB from solving the majority of infrastructure projects – less than 4%.

CBO, 12 (Congressional Budget Office, “Infrastructure Banks and Surface Transportation,” July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf>)//AS

Number of New Large-Scale Projects. Most current highway spending is for projects too small to meet the minimum size requirements commonly proposed for an infrastructure bank. (Several proposals would set minimum costs at $25 million for rural projects and $100 million for other projects.) The majority of total nationwide capital spending on highways by all levels of government is not for the construction of new routes, bridges, or lanes but for road repair, safety improvements, or other, smaller projects that would typically not meet the size requirements. Among the projects involving new construction, relatively few projects (about 4 percent of those funded through the FHWA’s programs, representing about 15 percent of the funding requested in 2007) are large or complex enough even to require an environmental impact statement. 14 And the projects considered large enough for assistance from an infrastructure bank are probably a subset of those needing such a statement. An infrastructure bank might induce state and local governments to develop more proposals for large projects. However, state and local priorities for transportation infrastructure are influenced by factors besides a project’s costs, so establishing an infrastructure bank might not lead to many more proposals for large projects. The Congress also could choose to reduce the required minimum project size or make eligible for funding all projects for which the benefits exceed the costs by a set amount. However, smaller projects would generally have smaller benefits for the general public.

### 1nc Solvency --- TIIFF Specific

#### NIIFF fails – funding shortfalls and the need for a new conceptual framework

Anderson 10 – Progressive Policy Institute Policy Memo, Norman Anderson is the President and CEO for CG/LA, LLC which focuses on the creation of long-term value in the world's infrastructure markets. Core services provided by CG/LA Infrastructure include the Infrastructure Leadership Forum Series, Strategic Consulting, Project Development, and Macroeconomic analysis based on proprietary tools. (Norman, “Charting a Course for National Infrastructure Revival”, February 2010, Progressive Policy Institute, Available online @ <http://www.progressivefix.com/wp-content/uploads/2010/02/Charting-a-Course-for-an-Infrastructure-Revival1.pdf>)//MM

As the United States struggles to rouse itself from its economic slumber, the country is beginning to keenly feel the need to lay down a foundation for a new and vibrant economy. A concerted effort to modernize our infrastructure must top any checklist for recovery. The backbone of our economic system has suffered from years of neglect – budgetary, conceptual, institutional. With his recent request for $4 billion to create a National Infrastructure Innovation and Finance Fund, it’s encouraging that President Obama seems to understand how essential an infrastructure revival is to our prosperity. But such a fund is not nearly enough to bring our infrastructure into the 21 st century. And simply devoting money to projects will not lead to results unless we have a clear strategy for revitalizing and reinventing our roads, bridges, railroads, mass transit, and other structures and systems essential to sustaining productivity. To put it plainly, our current infrastructure model is exhausted. We currently invest 1.3 percent of GDP in infrastructure; in 1980, we invested over three percent. Worse, we are investing in the wrong kind of infrastructure. Right now, we are barely covering replacement costs for a system designed 50 years ago -- and which now badly needs updating just to keep up with the rest of the world. For our country to be globally competitive, we will need to nearly triple our level of infrastructure investment each year over the next 10 years, from the current $150 billion level to at least $400 billion per year. And we will need to think differently about infrastructure, designing projects and promoting firms that are carbon neutral, highly innovative, and transformative. These goals will require a fundamental shift in orientation, and a new conceptual framework for infrastructure. To see infrastructure through a new prism, we need: • bold leadership that inspires Americans to dream big about infrastructure again • an uncompromising competitiveness agenda that puts us on track to keep pace with -- and lap -- nations like China From that perspective springs three specific ideas on how to get us on a course to an infrastructure revival: • a true National Infrastructure Bank • a new, NASA-equivalent agency for infrastructure • a new focus on the design and aesthetics of infrastructure projects Charting a Course for a National Infrastructure Revival by Norman Anderson POLICY MEMO About the author Norman Anderson is the president and CEO of CG/LA Infrastructure. February 20102 A Conceptual Framework for Infrastructure First, the country needs a positive and unified infrastructure vision that ties together immediate job creation and long-term productivity. The last time the country had a grand vision for infrastructure was 60 years ago with the Interstate Highway System. In a sense, we need to learn how to think about infrastructure again. Without an organizing vision, we are unmoored. In our current mindset, any project will be just as good as another. The discipline of setting priorities, and of creating and following budgets to reach toward an inspiring and ambitious vision, has disappeared. The Greatest Generation conjured up the last coherent vision for U.S. infrastructure. Now we need to create – and execute – a new vision for the next generation.

### Politics --- 1nc Link

#### Plan will cost political capital

Gregory, 11 --- research fellow at the Hoover Institution at Stanford (8/21/2011, Paul Roderick, “Why We Don't Need An Infrastructure Bank? Japan Is Why,” <http://www.forbes.com/sites/paulroderickgregory/2011/08/21/why-we-dont-need-an-infrastructure-bank-japan-is-why/>, JMP)

A state infrastructure bank will be at the core of President Obama’s “jobs program” that he plans to unveil after his vacation. He will argue we desperately need a new government entity to repair our crumbling infrastructure and create jobs.

The president will spin seductive images of high speed trains, highways without traffic jams, and clockwork subways in every city. With an infrastructure bank, the sky is the limit.

He will roll out respected moderate Republicans and even the Chamber of Commerce to vouch for his bank. He will explain that his miserly opponents, like the kooky Tea Party, favor collapsing bridges, traffic jams, and the loss of international competitiveness. Past generations gave us the interstate highway system and the Hoover Dam. What will we leave behind, he will ask?

Under normal circumstances, the president could sell his infrastructure bank (It only costs $30 billion at the start). But 2010 and the Tea Party will **make it a tough sell even to “reasonable” Republicans**.

### Politics --- 2nc Link Block

#### Passage requires presidential push

Plautz, 10 (9/22/2010, Jason, Environment & Energy Daily, “DEVELOPMENT; Backers say infrastructure bank wouldn't repeat Fannie, Freddie mess,” Factiva, JMP)

**\*\*\*Pennsylvania Gov. Ed Rendell (D)**

Rendell optimistic about chances

In an interview after the hearing, Rendell said the NIB had a chance of passing during Congress' lame-duck session, **but only with more support from the administration**.

#### Bipartisan opposition from influential congressional leaders

Orski 11 – former Associate Administrator of the Urban Mass Transportation Administration (Ken Orski, 5/7/11, “SKEPTICISM GREETS US DOT'S DRAFT TRANSPORTATION BILL” http://www.newgeography.com/content/002224-skepticism-greets-us-dots-draft-transportation-bill)

Item: The US DOT has proposed a "National Infrastructure Innovation and Finance Fund" to finance transportation infrastructure projects of national and regional significance through grants, loans, loan guarantees and lines of credit. The Fund, administered by a heavily bureaucratized structure (executive director, nine-member Investment Council, Advisory Committee) would receive $30 billion over six years. This proposal, also known as the National Infrastructure Bank, faces considerable bipartisan skepticism and overt opposition by several influential House and Senate leaders. Its chances of passage are rated at less than 50-50.

In sum, the unreality of its fiscal ambitions and the lack of political support for its key programmatic initiatives has rendered the DOT’s legislative proposal "dead on arrival" in the judgment of congressional observers. That is not to say that the proposal deserves to be totally ignored. Many of its programmatic provisions – for example, those dealing with accelerated project delivery, tolling, highway and motor vehicle safety, "state of good repair" policy, pursuit of VMT fees, performance management and freight policy—are worthy of consideration and will likely find their way into the final bill.

#### Attachment to Obama means it will be controversial

Cohn, 11(8/11/2011, Jonathan, “Selling Public Works to the Tea Party,” <http://www.tnr.com/blog/jonathan-cohn/93496/infrastructure-bank-roads-airports-funding-obama-kerry-hutchison>, JMP)

**The main obstacle to creating the bank, really, is political.** On the one hand, the infrastructure has a strong bipartisan and cross-ideological pedigree: In March, when Kerry (a Democrat) and Hutchison (a Republican) held a press conference to unveil their proposal, Richard Trumpka (of the AFL-CIO) and Tom Donohue (of the U.S. Chamber of Commerce) appeared with them to offer their endorsement.

On the other hand, the infrastructure bank is part of Obama's agenda. And, as we've all seen, sometimes **that's all it takes to generate fatal Republican opposition.**

Purely on the merits, conservatives ought to embrace the infrastructure bank. Alas, that doesn’t mean they will.

#### Link outweighs --- support is shallow and limited to special interest policy groups

Mele, 10 (1/1/2010, Jim, “Don’t bank on it,” <http://fleetowner.com/management/feature/dont-bank-on-it-mele-0101>, JMP)

Traffic congestion is a sexy topic for the general media — everyone relates to pictures of stopped cars and trucks stretching to the horizon. And with unemployment over 10%, job creation is certainly a hot topic in the press. But utter the word “infrastructure” and all eyes glaze over. So it comes as no surprise that no major media outlet noticed when Congress rejected one of the most innovative ideas for funding a long-term solution to our infrastructure problems.

The proposal for creation of a national infrastructure bank was first introduced in the Senate in 2007. It went nowhere. Although it's taken on slightly different names, **it's cropped up every year since and been rejected every time**. The latest rejection came just last month when the Senate removed it from the fiscal 2010 budget bill it approved.

So what is this idea that refuses to go away, yet attracts little support or attention beyond a few special interest policy groups? Without getting into the complex Federal budgetary processes, a national infrastructure bank, or NIB among the policy wonks, would be a development bank that would issue bonds and use the proceeds to fund major infrastructure projects.

#### Will be a major battle to get it through the House

Zwillich, 11 (10/12/2011, “Infrastructure Bank Likely to Return as a Political Weapon,” <http://transportationnation.org/2011/10/12/infrastructure-bank-likely-to-return-as-a-political-weapon/>, JMP)

President Obama’s jobs plan may have died in the Senate last night, but that that doesn’t mean debate over a national infrastructure bank died along with it.

That’s because Senate Democrats are likely to bring the infrastructure bank back as one of several stand-alone jobs bills expected on the floor in the coming weeks. It’s all part of the president’s promise to ratchet up political pressure on Republicans by making them vote on popular parts of his jobs bill piece by piece.

Senate aides say a federally-run infrastructure bank with$10 billion in loan-making authority is on their list, along with possible bills funding unemployment insurance, teachers and firefighters jobs, a payroll tax cut holiday and veterans hiring incentives.

Sen. Charles E. Schumer (D-NY) who directs Senate Democrats’ political messaging, confirmed the spate of politically-charged jobs bills when he spoke to reporters just after the Senate defeated Obama’s jobs bill last evening.

“This will be an ongoing fight until our Republican friends see they have to do something about jobs. And they will see it,” he said.

House Republicans are not seeing it yet, at least on the infrastructure spending issue. A transportation subcommittee hearing on the topic **quickly turned into a bashing session** on the idea of an infrastructure bank, even though it enjoys bipartisan support in the Senate.

Republicans repeated their charge that the bank would create a new level of federal bureaucracy where loans and grants are already too slow to filter to states planning projects. Their primary concern: thirty-three states already have their own infrastructure banks funded under the federal Transportation Infrastructure Finance and Innovation Act.

“Many people would be skeptical that bureaucrats in Washington would have any idea about which projects would be most worthy of a federal loan,” said Rep. John Duncan (R-Tenn.), the subcommittee’s chair.

Rep. John Mica (R-Fla.), who chairs the full House Transportation and Infrastructure Committee, declared the federal infrastructure bank “dead on arrival in the House of Representatives.”

But if Republican opposition is vehement, Democratic support, at least in the House, seems tepid. Rep. Peter DeFazio (D-Ore.), the subcommittee’s senior Democrat, pointed out loans from an infrastructure banks are just that: loans. They have to be paid back. And he said transportation projects without a dedicated revenue stream, like a toll road, are unlikely to generate the money. Instead, DeFazio and other liberal Democrats back the idea of increased direct government spending on transportation projects as a way to beef up infrastructure and create jobs.

#### Will be unpopular regardless of benefits

Lovaas 11 - Federal Transportation Policy Director, Natural Resources Defense Council (Deron, “An Infrastructure Bank for Transportation”, 6/28/11, Switchboard – Natural Resources Defense Council Staff, online @ <http://switchboard.nrdc.org/blogs/dlovaas/an_infrastructure_bank_for_tra.html)//MM>

The problem is that in our current political climate, talk of using public funds to create a government bank is a total turn-off to many Republicans. No matter how great its potential benefits, a large, national infrastructure bank is exceedingly unlikely to pass muster with this Congress.

#### Will get wrapped into a larger debate about the deficit

Mitchell, 11 (8/15/2011, Josh, “Plan for Highway Bank Faces Uphill Battle; White House Wants Extra Money for Transportation Projects, While GOP Questions How Funds Will Be Allocated, Spent,” <http://online.wsj.com/article/SB10001424053111904823804576500692477795126.html>, JMP)

President Barack Obama is pressing Congress to create a new "infrastructure bank" to finance highway and rail construction, create jobs and jump-start the stalled economy, but the proposal faces hurdles on Capitol Hill.

White House officials have described the bank as a new government entity that would make loans to support public-works projects of regional and national significance with private funding. That includes interstate highways, rail lines linking Midwest farmers to West Coast ports, and equipment for planes to link up to a new satellite-based air-traffic-control network.

By luring more private capital to infrastructure projects with low-interest loans, the bank is designed to provide a long-term solution to more immediate problems.

The law authorizing the gasoline tax that provides the bulk of federal transportation money expires Sept. 30, and the tax, currently at 18.4 cents a gallon, isn't generating enough funds to keep pace with the nation's infrastructure needs anyway.

But the White House, House Republicans and some Senate Democrats differ on the best way to encourage more private investment in public infrastructure. Those disagreements are likely to be swept into a broader debate over how to shrink the federal deficit that could stretch to the November 2012 elections.

Some lawmakers fear that once they return from their August recess, a political fight over spending could delay reauthorization of the law for weeks or even months. The government would lose up to $100 million a day in gas-tax revenue, payments to states would be halted and construction jobs would likely be lost if the law lapses, business groups warn.

#### Gets tied to Solyndra --- generating controversy

Laing, 11 (9/25/2011, Keith, “Solyndra loan controversy casts pall on national transportation bank proposal,” <http://thehill.com/blogs/transportation-report/infrastructure/183717-solyndra-loan-controversy-casts-pall-on-transportation-bank-proposal>, JMP)

An escalating controversy over government loans to Solyndra could sap whatever momentum a proposed national bank for transportation projects may have gained from being included in President Obama's "American Jobs Act."

The bright lights from the inquiries into the grants to the failed California solar energy company come at time when a long-proposed national infrastructure bank was moving to the forefront of the country’s political debate.

The proposal, contained in legislation by Sen. John Kerry (D-Mass.) and Kay Bailey Hutchison (R-Texas) that has been around since at least March, is accompanied by $50 billion in transportation investments in being included in President Obama's $447 billion “American Jobs Act.”

Obama is barnstorming the country calling on Congress to “pass this bill,” recently taking his message to a bridge that connects House Speaker John Boehner’s home state of Ohio and Senate Republican Leader Sen. Mitch McConnell’s home of Kentucky.

“We used to have the best infrastructure in the world here in America,” Obama said in his remarks Thursday. “We’re the country that built the Intercontinental Railroad, the Interstate Highway System. We built the Hoover Dam. We built the Grand Central Station. So how can we now sit back and let China build the best railroads? And let Europe build the best highways? And have Singapore build a nicer airport?”

Supporters admit that message may get muddled in the fallout from the Solyndra scandal, although they said they hoped that would not happen.

“You always have to factor in concerns, but the infrastructure bank as designed, you have to go through a thorough vetting process, by financial people and by government people,” Building America’s Future President Marcia Hale told The Hill Friday.

Chamber of Commerce Executive Director for Transportation and Infrastructure Janet Kavinoky said the fracas over Solyndra is an example of why her organization supports having an infrastructure bank for transportation that is insulated from politics.

As proposed, the bank would be managed by a board appointed by the president and lawmakers in both parties. It would also have its own inspector general to perform audits.

#### There is Republican opposition

Alessi, 11 (9/8/2011, Christopher, “Banking on U.S. Infrastructure Revival,” <http://www.cfr.org/economics/banking-us-infrastructure-revival/p25782>, JMP)

Congressional Democrats (WSJ)--and President Obama--are Washington's biggest proponents of an independent, national infrastructure bank. They argue that the bank would incite private investment and spur job creation in the short term--while strengthening the foundations of the economy in the long run. But **many congressional Republicans** say that, as with the stimulus package implemented during the height of the financial crisis, U.S. workers would not immediately feel the effects of infrastructure spending, if at all. Senate Republican leader Mitch McConnell says more government spending (NYT) would only strangle already-anemic economic growth.

#### Not popular --- decision making shift and funding concerns

Mitchell, 11 (8/15/2011, Josh, “Plan for Highway Bank Faces Uphill Battle; White House Wants Extra Money for Transportation Projects, While GOP Questions How Funds Will Be Allocated, Spent,” <http://online.wsj.com/article/SB10001424053111904823804576500692477795126.html>, JMP)

The president's budget proposal in February suggested the bank reside in the Transportation Department and be controlled by an executive director and board of officials from various federal agencies. Projects would need to meet "rigorous" criteria to ensure they benefit the maximum number of people, preventing more "bridges to nowhere."

Some Republicans say that such a bank would simply add a new bureaucracy in Washington and shift decision-making from Congress to the executive branch.

"How this project would be funded, what it would fund and how those funds would be repaid are critical questions the Obama administration has not answered yet," said Kevin Smith, a spokesman for House Speaker John Boehner (R., Ohio). "If this is more of the same 'stimulus' spending, we won't support it."

#### Dems will force it to be funded with millionaire surtax

Zwillich, 11 (10/12/2011, “Infrastructure Bank Likely to Return as a Political Weapon,” <http://transportationnation.org/2011/10/12/infrastructure-bank-likely-to-return-as-a-political-weapon/>, JMP)

But if Republican opposition is vehement, Democratic support, at least in the House, seems tepid. Rep. Peter DeFazio (D-Ore.), the subcommittee’s senior Democrat, pointed out loans from an infrastructure banks are just that: loans. They have to be paid back. And he said transportation projects without a dedicated revenue stream, like a toll road, are unlikely to generate the money. Instead, DeFazio and other liberal Democrats back the idea of increased direct government spending on transportation projects as a way to beef up infrastructure and create jobs.

“An infrastructure bank could be useful to help this country deal with a massive infrastructure deficit. But it has its limits,” DeFazio said.

That view was backed up by Ron Utt, a senior research fellow at the Heritage Foundation. “The inevitable source of revenues through an infrastructure bank seem likely to be taxes,” he said.

Still, despite the chilly reception in the House, Senate Democrats seem likely to go ahead with their strategy of pressuring the GOP with repeated votes on jobs projects including an infrastructure bank. The proposal is likely to be paid for with a millionaire’s surtax similar to the one that funded the broader jobs bill.

“We are going to keep at it, and keep at it, and keep at it…and they will see,” Schumer said.

### --- XT: No Support in House

#### No support in the House

Patton, 11 (10/13/2011, Oliver B., Washington Editor, “Infrastructure Bank Going Nowhere in House,” <http://www.truckinginfo.com/news/news-detail.asp?news_id=74979>, JMP)

Transportation and Infrastructure Committee Chairman John Mica convened a hearing yesterday on President Obama's proposal to create a national infrastructure bank, and opened the event by making the situation perfectly clear.

"I'm afraid that the national infrastructure bank is dead on arrival in the House," he said.

There followed two hours of testimony from four out of five witnesses on why the bank makes no sense: It's expensive, it takes too long to set up, it adds bureaucracy, and its purpose is better served by programs that already are in place.

The bank is one element of the jobs bill Obama is pushing. Based in part on a Senate proposal by Democrats John Kerry and Mark Warner and Republican Kay Bailey Hutchison, it would provide $10 billion to leverage private and public investment in regional and national infrastructure projects.

The infrastructure bank also has been discussed as a possible provision in the next federal highway program.\

As Mica made clear, the House has no interest. There's more support on the Senate side, where Barbara Boxer, D-Calif., chairman of the Senate Environment and Public Works Committee, has said she wants to have an infrastructure bank. So far, however, such a provision is not included in the Senate's draft legislation.

### --- XT: No Support in this Economy

#### Unpopular --- fiscal climate

Cooper, 11 (3/15/2011, Michael, “Group Wants New Bank to Finance Infrastructure,” <http://www.nytimes.com/2011/03/16/us/politics/16infrastructure.html?_r=1&partner=rss&emc=rss>, JMP)

The proposal — sponsored by Senator John Kerry, Democrat of Massachusetts, and Senator Kay Bailey Hutchison, Republican of Texas — would establish an independent bank to provide loans and loan guarantees for projects of regional or national significance. The idea is to attract more infrastructure investment from the private sector: by creating an infrastructure bank with $10 billion now, they say, they could spur up to $640 billion worth of infrastructure spending over the next decade.

“We have a choice,” Mr. Kerry said at a news conference in Washington. “We can either build, and compete, and create jobs for our people, or we can fold up, and let everybody else win. I don’t think that’s America. I don’t believe anybody wants to do that.”

To underscore the need for better infrastructure, two frequent rivals were on hand at the news conference: Richard Trumka, the president of the A.F.L.-C.I.O., and Thomas J. Donohue, the president of the U.S. Chamber of Commerce, the main business lobby. With a nod to the strange-bedfellows experience of having a labor leader as an ally, Mr. Donohue said, “He and I are going to take our show on the road as the new ‘Odd Couple.’ ”

But the proposal may not have clear sailing. While Senators Harry Reid of Nevada, the majority leader, and Charles E. Schumer of New York, the No. 3 Democrat, will undoubtedly support the measure, Senate officials said **the outlook for such a program is dim, given the current fiscal constraints**. And Congress, like state governments, has been hesitant to cede control of choosing which projects to finance, even as their spending priorities have often been questioned.

President Obama has called for establishing an infrastructure bank since his 2010 campaign. His budget calls for establishing one — and gives it the catchier name I-Bank — that would work somewhat differently: it would create a $30 billion bank that would invest in transportation projects alone, and that would provide grants as well as loans.

### Politics --- Rural Lawmakers Don’t Support

#### Rural lawmakers don’t support a national infrastructure bank

Mitchell, 11 (8/15/2011, Josh, “Plan for Highway Bank Faces Uphill Battle; White House Wants Extra Money for Transportation Projects, While GOP Questions How Funds Will Be Allocated, Spent,” <http://online.wsj.com/article/SB10001424053111904823804576500692477795126.html>, JMP)

The White House didn't respond to a request for comment.

A bill unveiled this year, by Sens. John Kerry (D., Mass), Kay Bailey Hutchison (R., Texas) and Lindsey Graham (R., S.C.), and backed by the Chamber, would take a slightly different approach that could be more palatable to conservatives.

First, the price tag would be lower, with the bank getting $10 billion in initial "seed money." Aides to Mr. Kerry said last week that they were looking to lower that amount further and trying to find savings from other programs to fund the bank.

The bank would be controlled by a chief executive and a board appointed by the president and confirmed by the Senate. And it would issue only loans and loan guarantees, not grants, which critics have called a handout.

The proposal also requires that projects have a dedicated revenue stream—tolls—to ensure the money is paid back. And by limiting funding assistance to 50% of a project's costs, proponents say, the risk to taxpayers would be limited.

Mr. Kerry said the bank, under his bill, would finance economically viable projects without political influence.

"We can't keep pace with our rapidly crumbling infrastructure, and at the same time hardworking Americans are out of work. An infrastructure bank is the key to addressing both problems," Mr. Kerry said in a statement.

Both proposals probably would face resistance from rural lawmakers, whose states are less likely to have large-scale projects able to draw private investors. They fear that the funding would go to the most populous regions, such as California and the Northeast.

### Politics --- AT: Obama Not Push

#### Obama empirically does push

Snyder, 11--- Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio (10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

The debate over an infrastructure bank will continue. John Mica has declared the proposal “dead on arrival” but President Obama and Congressional Democrats aren’t letting up easy. Even if next week’s Senate vote fails to get majority support for an infrastructure bank, they’ll continue to push for it.

### Politics --- Link Turns the Case

#### Will trigger congressional oversight and meddling in funding decisions

Economist, 11 (4/28/2011, “Life in the slow lane; Americans are gloomy about their economy’s ability to produce. Are they right to be? We look at two areas of concern, transport infrastructure and innovation,” <http://www.economist.com/node/18620944>, JMP)

Whatever the source of new revenue, America’s Byzantine funding system will remain an obstacle to improved planning. Policymakers are looking for ways around these constraints. Supporters of a National Infrastructure Bank—Mr Obama among them—believe it offers America just such a shortcut. A bank would use strict cost-benefit analyses as a matter of course, and could make interstate investments easier. A European analogue, the European Investment Bank, has turned out to work well. Co-owned by the member states of the European Union, the EIB holds some $300 billion in capital which it uses to provide loans to deserving projects across the continent. EIB funding may provide up to half the cost for projects that satisfy EU objectives and are judged cost-effective by a panel of experts.

American leaders hungrily eye the private money the EIB attracts, spying a potential solution to their own fiscal dilemma. But there are no free lunches. To keep project costs down, the bank must offer low rates, which depend in turn upon low capital costs. That may be impossible without government backing, but the spectacular failure of the two government-sponsored housing organisations, Fannie Mae and Freddie Mac, illustrates the dangers of such an arrangement. The EIB mitigates this problem by attempting to maximise public return rather than profit. To earn funding, projects must meet developmental and environmental goals, along with other requirements. But **giving the bank a public mission would invite congressional oversight—and tempt legislators to meddle in funding decisions**. The right balance of government support and independence may prove elusive.

### Elections --- 1nc Link

#### Plan is unpopular with the public

 Alden, 12 --- Senior Fellow at CFR (6/14/2012, Edward, “The First Renewing America Progress Report and Scorecard: The Road to Nowhere,” <http://blogs.cfr.org/renewing-america/2012/06/14/the-first-renewing-america-progress-report-and-scorecard-the-road-to-nowhere/>) // NK

But congressional inaction in many ways reflects public ambivalence. Americans want uncluttered highways, efficient airports, and seamless mass transit systems, but they are either reluctant to pay for these things or doubt the ability of governments to deliver. The overdue backlash against pork barrel politics for favored projects, for instance, seems to have hardened into a deeper public cynicism about the ability of government to deliver any needed public works. Even proposals like using a federal seed money to create a National Infrastructure Bank that would funnel private investor (not taxpayer) money into new projects have been unable to get through Congress.

### Spending DA Links

#### Bank will be funded by Congress --- adds to the federal debt

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Other Considerations

As currently proposed, an NIB would receive annual appropriations from Congress and its board would have to submit a report to the President and the Congress at the end of each fiscal year. Establishing an NIB as a shareholder-owned entity would help shield it from political influence. However, there is also a trade-off between independence and the cost of borrowing. If an NIB is a federal agency, it may draw upon the Treasury’s low interest rates to finance its activities. If it is a shareholder–owned entity, it would incur higher costs of borrowing than the Treasury, so the loans going to recipients would have to be at higher interest rates [7].

Therefore, the budgetary and debt impact of federal investment through an NIB depends heavily on its governance structure. Unless the NIB is a shareholder-owned corporation its investment would be included in the federal budget. If it has the power to issue its own bonds and it is not a shareholder-owned corporation, **its debt would be on the federal books**. In any other case, it would be treated like other federal agencies, funded through appropriations and included in the federal budget. The federal government would have to pay for increased spending which is likely to add to the federal debt.

### --- Econ Impact Turns the Case

#### Econ decline decreases government and private infrastructure investment

Nutting, 12 --- MarketWatch's international commentary editor (6/1/2012, Rex, “Investments in the future have dried up; Commentary: Infrastructure spending down 20% since recession began,” <http://www.marketwatch.com/story/investments-in-the-future-have-dried-up-2012-06-01>, JMP)

WASHINGTON (MarketWatch) – When I was growing up in the 1960s and 1970s, the legacy of the Great Depression was everywhere: Dams, bridges, roads, airports, courthouses and even picnic areas and hiking trails. Leaders of that dire time — Democrats and Republicans — took advantage of the Depression to put millions of Americans back to work, building the infrastructure that we still rely on today.

They had lemons, and they made lemonade.

This time, however, we’re not so fortunate. Instead of picking up the shovel and getting to work, we’ve thrown the shovel aside, complaining that we just can’t afford to repair what Hoover, FDR, Eisenhower, and LBJ built, much less invest in the infrastructure than our grandchildren will need.

The fact is, we’re investing less than we were before the recession hit more than four years ago, not just in government money but in private money, as well.

**Economic decline reduces infrastructure funding**

**Garrett-Peltier, 10** --- research fellow at the Political Economy Research Institute at the University of Massachusetts, Amherst (11/1/2010, Heidi, Dollars & Sense, “The case for a national infrastructure bank: a bank could be a recession-proof source of jobs,” Factiva, JMP)

Public infrastructure funding often falls short, however. In a recession, state and local tax revenues fall, making it harder to fund infrastructure projects precisely at a time when they could help the economy recover. Another problem is that during downturns and recoveries alike, higher-income localities are better able to fund their own roads or water systems than poorer ones. So available funds do not necessarily go to the projects providing the greatest benefits.

### Privatization CP

#### NIB distracts from private investment --- government involvement isn’t necessary

Roth, 11 --- Civil Engineer and Transport Economist, The Independent Institute (10/12/2011, Gabriel, Congressional Documents and Publications, “House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Federal financing by means of an "Infrastructure Bank"

The objectives of the "Infrastructure Bank" (or the "American Infrastructure Financing Authority" (AIFA)) as proposed by President Obama, are attractive, but I am not convinced that its financing has to be governmental. Why could not private banks put up $ 10 billion to achieve the same objectives? Because private banks would try to finance only financially viable projects?

Government financing -- which would be subsidized by taxpayers -- could well discourage private financing. The offer of cheap finance could lead to slower spending on infrastructure, because potential borrowers would line up for the bank's loans and put off their own decisions while waiting for the bank's action. Borrowers are likely to be public institutions that would face criticism from their political supervisors if they do not seek loans at lower rates from the government's infrastructure bank.

In dealing with applications, a government-backed bank could be concerned about the reactions of politicians. Government rules would invoke "fairness" as a criterion. And loans would have to be distributed "fairly" among political jurisdictions. The regulations governing the proposed AIFA already require that funds be "set aside" for rural areas, and disputes about what is "rural" could result.

Those of us who are risk-averse may also be concerned about the proposition (claimed for the BUILD Act) that "After the initial years, the American Infrastructure Financing Authority is set up to be a self-sustaining entity". Was not Amtrak "set up to be a self-financing entity after the initial years"? Why should the Federal Government take risks at potential taxpayer expense? Have the lessons of Solyndra not been absorbed?

#### National bank discourages investment

Roth, 11 --- Civil Engineer and Transport Economist, The Independent Institute (10/12/2011, Gabriel, Congressional Documents and Publications, “House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

I conclude that a federal "Infrastructure Bank", even when called the "American Infrastructure Financing Authority", is not necessary for the provision of roads and transit, and could even be harmful, in that it could discourage private investment while wasting scarce federal resources on unviable projects.

#### Privatization solves efficiency, cost, and mistakes

Edwards 11 – senior economist on the congressional Joint Economic Committee and a BA and MA in economics (Chris Edwards, “Federal Infrastructure Investment”, CATO Institute, November 16, 2011, <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment)//MG>

There are many advantages of infrastructure PPP and privatization. One advantage is that we are more likely to get funding allocated to high-return investments when private-sector profits are on the line. Of course, businesses can make investment mistakes just as governments do. But unlike governments, businesses have a systematic way of choosing investments to maximize the net returns. And when investment returns are maximized, it stimulates the largest gains to the broader economy. One reason that privatized infrastructure is efficient is that private companies can freely tap debt and equity markets to build capacity and meet market demands. By contrast, government investment suffers from the politics and uncertainties of the federal budget process. You can see the problems with our air traffic control system, which needs long-term investment but the Federal Aviation Administration can't count on a stable funding stream. For its part, the FAA's management of ATC investment has been poor. The agency has a history of delays and cost overruns on its technology upgrade projects. The solution is to privatize our air traffic control system, as Canada has done with very favorable results.31 A recent Brookings Institution study describes some of the advantages of PPPs. It notes that the usual process for government infrastructure investment decouples the initial construction from the later management, which results in contractors having few incentives to build projects that will minimize operation and maintenance costs.32 PPP solves this problem because the same company will both build and operate projects. "Many advantages of PPP stem from the fact that they bundle construction, operations, and maintenance in a single contract. This provides incentives to minimize life-cycle costs which are typically not present when the project is publicly provided," notes the Brookings' study.33 There are other advantages of infrastructure PPP and privatization. One advantage is the greater efficiency of construction. Extensive British experience shows that PPP projects are more likely to be completed on time than traditional government projects.34 Another advantage is the greater efficiency of operations. Private firms have incentives to reduce excessive operational costs, as illustrated by the labor cost savings from the leasing of the Chicago Skyway.35 Finally, private operators of infrastructure such as toll roads are more likely to charge efficient market rates to users, as illustrated by the leasing of the Indiana Toll Road.36 The Brookings' paper raises some important concerns with PPP, which I share. One is that state officials may lease assets such as toll roads simply to paper over short-term budget deficits. Another concern is that policymakers write poor contracts that assign profits to private parties but risks and possible losses to taxpayers. The Brookings' authors propose approaches to structuring contracts and competitive bidding to ensure efficiency. For new infrastructure investments, well-structured PPP or full privatization appears to be a winning approach for taxpayers, governments, and the broader economy. Taxpayers win because subsidies to infrastructure users are minimized. Governments win because they get new facilities built. And the economy wins because private investment is more likely to be cost-efficient and well-targeted than traditional government investments.

### TIFIA CP --- 1nc

#### Text: The United States federal government should substantially increase the Transportation Infrastructure Finance and Innovation Act program.

#### CP solves the case quicker --- has years of empirical successes

Yarema, 11 --- chair of the Infrastructure Practice Group at the law firm, Nossaman LLP (10/12/2011, Geoffrey, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape" Factiva, JMP)

C. TIF1A Offers Significant Advantages That Can Be Realized Today

While promoting the concept of a national infrastructure bank, the President has rightly noted that "building a world class transportation system is part of what made us an economic superpower." I would suggest, however, that building a new bureaucracy to improve that system is an entirely avoidable diversion of limited federal resources. Instead, we should use the TIFIA program to help restore our nation's transportation infrastructure and regain the competitive advantage of a mobile economy.

1. Use Our Existing Tools

Unlike a newly-conceived national infrastructure bank, TiFIA - and all of the necessary authorizations and organizations required to implement and administer it - already exists. By using TIFIA to help finance improvements to the nation's surface transportation system, we avoid incurring the costs, delays and bureaucratic struggles inherent in creating a brand new governmental institution. The TIFIA program already has in place an established decision-making process, administrative regulations, a dedicated staff, guiding policies and procedures, and a successful 12-year track record as an institution. In a phrase, TIFIA is a proven, valuable and essential commodity.

2. Turn the Backlog into Blueprints - Now

What the TIFIA program also has, as discussed in more specific detail below, is a backlog of applications for nationally significant projects totaling nearly $30 billion. Although we do not typically think of an inventory of unrequited demand as an asset, the existing backlog means that the TIFIA program is already positioned to quickly help finance billions of dollars in new projects that might otherwise be delayed or deferred due' to their size, complexity or the unpredictability of their revenue streams. These are large projects of regional or national significance that are cleared or are close to obtaining environmental clearance, have project sponsors assembling state, local and private capital to substitute for the diminished availability of federal tax dollars, and provide critical improvements to passenger and freight mobility in this country. With additional resources, TIFIA could get more projects currently stalled at the proposal stage to their groundbreaking ceremonies - and in short order.

3. Focus on Transportation

In addition to transportation infrastructure, the President's proposed national infrastructure bank would entertain applications for financing assistance from projects ranging from dams and levees to energy efficiency enhancements and transmission lines. What we conclude from the breadth of infrastructure classes that would be eligible to apply for the bank's maximum $10 billion volume of annual loans and loan guarantees, is that transportation will be fighting for this limited resource in much the same way constituencies of diverse interests and conflicting agendas fight over the General Fund.

TIFIA resources are dedicated to highways and transit projects. With TIFIA serving as the "national infrastructure bank" for transportation projects, the struggle for federal assistance among other forms of infrastructure would be eliminated.

4. Create Jobs

The projects financed through TIFIA will **create jobs in enormous numbers -and quickly**. According to the FHWA, 28,000 jobs are created for every billion dollars in transportation construction. If TIFIA were funded only to the extent of its existing $30 billion backlog, it could create nearly one million jobs.

### TIFIA CP --- 2nc Solvency

#### Expanding TIFIA solves just as well as the plan --- the plan and permutation are just unnecessary duplication that create additional problems

AASHTO, 12 (“CBO Report Finds a National Infrastructure Bank Would Be Duplicative of Current Programs,” July 20th, 2012, <http://www.aashtojournal.org/Pages/072012CBO.aspx)//AS>

A new Congressional Budget Office report released last Thursday finds the creation of a national infrastructure bank could pose some benefits but would ultimately duplicate many programs that already exist while also proving troublesome for many projects looking to secure funding. The report, "Infrastructure Banks and Surface Transportation," explains how this infrastructure bank would work, as some policymakers have suggested this might be a way to fund transportation in the future. It would be federally funded and controlled, and would select locally proposed transportation construction projects for funding based on a set of criteria, such as cost and benefit. Financing would then be provided in the form of loans and loan guarantees. In order to repay those loans, any project financed through the new infrastructure bank would need a solid revenue stream such as taxes or tolls. Other partners could lend financial assistance as well. The report outlines multiple limitations to setting up a national infrastructure bank. CBO states that only some surface transportation projects would be seen as good candidates for the loans, as a majority of projects don't include funding means such as tolls. Also a disadvantage is the fact that the financial assistance (in the form of loans) wouldn't be much different than what the U.S. Department of Transportation currently offers with the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. As the report states, "As an alternative to creating a federal infrastructure bank, that program could be expanded to meet most of the same goals**."** There are, however a couple specific advantages in creating a national infrastructure bank as outlined by CBO, namely that it may encourage sponsors of projects to charge its users for the benefits they get, meaning subsidies to those projects would be a small percentage of total costs. Also beneficial would be that the selection process could overcome barriers in funding multi-jurisdictional and/or multimodal projects, currently a bit more challenging.

#### An expanded TIFIA solves just as well

CBO, 12 (Congressional Budget Office, “Infrastructure Banks and Surface Transportation,” July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf)//AS>

What Existing Options Might Meet the Goals of an Infrastructure Bank?

A program with many of the characteristics of an infrastructure bank already exists within DOT: the Transportation Infrastructure Finance and Innovation Act program. The TIFIA program provides loans, loan guarantees, or lines of credit to help finance complex, large-scale transportation projects deemed significant to a region or the nation. Applicants’ projects are weighed against those of others to determine which receive financing. TIFIA provides flexible repayment terms and potentially more favorable interest rates than applicants could secure in private capital markets for up to one-third of a project’s costs. 27 As an alternative to establishing a federal infrastructure bank, the Congress could broaden the TIFIA program to achieve many of the same goals. TIFIA can offer credit assistance for projects that can achieve an investment-grade rating and that can repay a loan with project-generated funds. The scope of that assistance could be adjusted to better support applications from municipalities that include multiple projects. Nevertheless, all aspects of a project would have to meet federal requirements to proceed under TIFIA, just as they would under an infrastructure bank, and only a limited number of projects are likely to be able to generate revenues that could be used to repay a TIFIA loan. Most projects receiving TIFIA loans have been able to leverage those loans and receive additional financing. Since its inception in 1998, TIFIA has received about $600 million in budget authority. 28 That budget authority supported almost $8 billion in initial project assistance that will be repaid over time. That assistance, in turn, supported projects costing about $30 billion in total; for those projects, the private sector and state and local governments contributed most of the funding. Since 2008, the TIFIA program has received more applications for funding than it has funds available, but not all of those projects have been eligible for a TIFIA loan or ready to proceed to construction. 29 In 2010, projects submitted letters of interest for about $12.5 billion worth of credit assistance from TIFIA. However, a letter of interest does not ensure that a project’s economics make it eligible for a TIFIA loan. If all of those projects were suitable that volume would translate to a little less than $1.3 billion in budget authority, assuming a subsidy rate of 10 percent. If, in contrast, only half of the projects met the eligibility requirements for TIFIA and were feasible, the Congress would need to appropriate about $600 million to meet all of the demand. In all likelihood, the fraction of projects meeting the eligibility requirements is lower, however. On the basis of its assessment of the demand for credit assistance, the National Surface Transportation Infrastructure Financing Commission recommended that the Congress authorize $300 million a year for credit assistance through TIFIA (see Figure 1). 30

#### The counterplan solves the case just as well

CBO, 12 (Congressional Budget Office, “Infrastructure Banks and Surface Transportation,” July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf)//AS>

A key limitation of providing funding through a federal infrastructure bank is that only some surface transportation projects would be good candidates for such funding, because most projects do not involve tolls or other mechanisms to collect funds directly from project users or other beneficiaries. A second drawback is that the support offered for surface transportation by most proposed infrastructure banks would not differ substantially from the loans and loan guarantees already offered by the Department of Transportation (DOT) through its Transportation Infrastructure Finance and Innovation Act (TIFIA) program. As an alternative to creating a federal infrastructure bank, that program could be expanded to meet most of the same goals.

#### TIFIA program is already structured to leverage private funds for transportation infrastructure

Yarema, 11 --- chair of the Infrastructure Practice Group at the law firm, Nossaman LLP (10/12/2011, Geoffrey, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape" Factiva, JMP)

Chairman Duncan, Ranking Member DeFazio and members of the Subcommittee, thank you for inviting me to testify today. My name is Geoff Yarema. I chair the Infrastructure Practice Group at the law firm, Nossaman LLP. We advise state and regional transportation agencies around the country in the innovative procurement, contracting and financing of large transportation projects in ways that minimize the use of federal gas tax revenues.

Nossaman has assisted in the delivery of many of the signature projects that have utilized the foundational mechanisms provided by the existing surface transportation authorization bill, SAFETEA-LU, helping to build the next generation of transportation infrastructure. I was also privileged to serve, at the behest of former Secretary of Transportation Mary Peters, as a Commissioner on the 'National Surface Transportation Infrastructure Financing Commission (the "Financing Commission"). My testimony today reflects my experience on the ground advising public agencies and my two years of work on the Commission.

A. The Evolution of Federal Infrastructure Funding.

As the Subcommittee is well aware, the role of the federal government in delivering large transportation infrastructure projects is changing. Historically, the function of the federal government has been to provide both funding and to regulate how that funding is spent.

Today, federal resources for transportation infrastructure fall far short of need and the expectation that the federal government would or could fix the nation's aging surface transportation system with a direct infusion of federal dollars is fading. Compelled by these very real fiscal constraints, the federal government has been moving away from the traditional, apportionment-based funding paradigm and toward a credit assistance and incentives-based model that leverages fewer federal dollars to maximize local, state and private contributions to finance large transportation projects of regional and national significance.

B. The Evolution Is Already Underway.

This shift in thinking about the federal government's role in financing transportation infrastructure is evidenced by one of the key components of President Obama's proposed Jobs Act: the much-buzzed about national infrastructure bank. The concept, as the President has explained it, would be to use federal dollars to leverage private investment to finance large public works projects. The President has touted the ability of an infrastructure bank to harness substantial private and other non-Federal dollars for capital-intensive projects, including transportation projects that are critical to mobility, goods movement and economic growth. Frankly, I couldn't agree more.

I couldn't agree more because, as far as transportation projects are concerned, we already have a national infrastructure bank - it's called TIF1A. Authorized by the Transportation Infrastructure Finance and Innovation Act, the TIFIA program has been providing federal credit assistance to large-scale highway, transit and rail projects since 1998. In the 12 years that the U.S. Department of Transportation (the "USDOT") has been administering the TIFIA program, we have seen how effective federal offerings of tow-cost financing can be in accelerating the delivery of qualified projects - projects that generate significant economic benefits, implement new technologies and attract private and non-Federal investment.

Under TIFIA, the USDOT helps project sponsors, including state departments of transportation, transit operators, local governments and private entities, to assemble project capital by providing long-term financial assistance in the form of secured loans, loan guarantees and letters of credit. Currently, TIFIA credit assistance is available to finance only 33% of the eligible costs of a project, the applicant needing to demonstrate the creditworthy means of repaying the TIFIA loan and funding the remaining two-thirds of eligible project costs from private investment, commercial loans, federal-aid highway or transit grants. In this way, TIFIA loans provide foundational financing that encourages public sponsors to identify and dedicate project funding from non-federal sources. Costs the U.S. Treasury incurs to provide TIFIA credit assistance typically amount to about 10% of the face value of the credit provided.

Therefore, every $1 of TIFIA credit subsidy creates $10 in the face amount of a loan, which in turn, helps finance a $30 project. In terms more proportional to the scale of project eligible for TIFIA assistance, $100 million in federal credit subsidy can result in $1 billion in federal loans to support a $3 billion project. With this unique level of leverage, TIFIA helps build major projects of regional and national significance at a relative bargain price to the federal government.

#### TIFIA has years of empirical solvency and saves money

Snyder, 11(10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

Highways and Transit Subcommittee Chair John Duncan (R-TN) went as far as to ask, “Is TIFIA the first perfect federal program?” He noted, “Everyone has had glowing comments about TIFIA, and it’s a program that I support as well.”

Geoffrey Yarema of Nossaman LLP (a law firm specializing in public-private partnerships for infrastructure projects) told Duncan TIFIA wasn’t perfect but that it did have 12 years of solid experience. He suggested it be “right-sized” by adding staff and he wants to “change it from a discretionary decision-making process that has the potential for being politicized – and some would say the reality of being politicized – to a first-come-first-served program.”

That change, however, would eliminate the part of TIFIA reformers like most: The fact that it has the power to encourage innovation and goal-oriented, performance-based strategic transportation planning.

Yarema also noted that the Treasury “has actually made money off the TIFIA program,” as opposed to many other federal programs that end up costing taxpayers. He’s all in favor of casting off the idea of an infrastructure bank. “We already have a national infrastructure bank for transportation,” he said. “It’s called TIFIA.”

One thing he and other transportation advocates like about TIFIA is that it’s only for transportation. While the Rockefeller-Lautenberg infrastructure bank proposal in the Senate is transportation-only (at least at first), the dominant I-bank proposal is the Kerry-Hutchison version, which would include other forms of infrastructure like energy and water treatment. Yarema admitted that some may see the breadth of scope as a strength of the bank concept, but he was concerned that “transportation would be in there competing for loans, not just with other transportation projects, but with dams and levees and ports and all kinds of infrastructure.”

### TIFIA CP --- AT: TIFIA Fails

#### Expanded funding and reforms ensure an effective TIFIA program

Yarema, 11 --- chair of the Infrastructure Practice Group at the law firm, Nossaman LLP (10/12/2011, Geoffrey, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape" Factiva, JMP)

D. IVIodernize the TIFIA Process

Since the TIFIA program's inception in 1998, the USDOT has provided TIFIA assistance in excess of $8 billion, supporting projects with a total capita! value in excess of $30 billion for less than $1 billion in budget authority. We should build off of TIFlA's programmatic success by implementing several improvements to the program. The changes I propose would further induce nonfederal public and private investment in our national transportation system and are as follows:

1. Size TIFIA to Meet Demand

As I discussed above, the demand for TIFlA's high-quality federal loans far exceeds the program's existing funding capacity. Currently, the TIFIA program is limited to $122 million in annual budget authority. For fiscal year 2010, the USDOT received 39 applications, of which only four resulted in TIFIA allocations. On March 1, 2011, the USDOT received letters of interest for FY 2011 funding from 34 potential TIFIA applicants with a total estimated project cost of $48.2 billion, a total TIFIA request of more than $14 billion, requiring credit subsidies of roughly $1.4 billion, more than 10 times the $122 million available. A list of these applicants is attached.

The USDOT has selected 8 projects from that list to be funded from the FY 2011 TIFIA program, totaling upwards of $1.8 billion in loans. While these allocations will help finance worthy projects, credit agreements to partially finance these select few fail to make a material dent in the backlog of qualified projects. Moreover, several of the projects that were selected were not invited to apply for the full amount of TIFIA funding that they had originally requested. Georgia's Northwest Corridor project, for example, originally solicited a TIFIA loan in the amount of $375 million out of $1.43 billion in total project costs, but was invited to apply for up to $270 million in TIFIA funding.

Our firm projects demand for TIFIA loans over the next three years to be well in excess of $12 Billion per year, or $1.2 Billion per year in needed credit subsidy. If the role of the federal government is to evolve away from directly funding transportation projects of national importance, it should evolve towards fulfilling the clamoring demand for leverage-making assistance that the federal government, as the "patient investor," is uniquely able to provide. Sizing TIFIA to meet this demand, thereby unleashing TIFIA's ability to mobilize investment from state, local and private sources, only makes sense in today's budgetary climate.

2. Refine TIFIA Based on its 12-Year History

In addition to funding the TIFIA program to meet legitimate demands, I recommend that certain substantive improvements to the TIFIA Program be adopted, summarized as follows:

\* First Come, First Serve. The TIFIA program should be converted from a discretionary, competitive project selection process to a first come, first served, non-discretionary review to verify a project meets objective eligibility criteria. With enough resources to meet demand, the TIFIA program would not need to exercise discretion to turn down credit-worthy and legally compliant projects of regional and national significance.

\* Funding Source. If TIFIA's budgetary authority is exhausted' in any given fiscal year, the USDOT should be directed to give applicants the option to either use other funding sources to pay the credit subsidy amount, including Highway Trust Fund ("HTF") apportionment, or to roll their application into the next fiscal year.

\* Expand Eligible Project Costs. The maximum TIFIA loan amount per project should be expanded to an amount equal to 49% of eligible project costs, including costs incurred at any time before application submission. By raising this limit, we can optimize state, local and private investment in major transportation projects.

\* Eligibility Criterion. In order to protect against premature application for TIFIA credit assistance, we should add an eligibility criterion that requires the project sponsor, have commenced the process for contracting for construction or major equipment acquisition.

0 Minimize Delay. The TiFIA program could be improved with the addition of provisions and procedures for the timely processing of applications and credit documents,

\* Eliminate the "Springing Lien." Under current law, in the event that the borrower goes bankrupt or insolvent, the TIFIA loan "springs" to parity with any debt senior to TIFIA. This discourages the investment of private capital and decreases the value of TIFIA assistance, undermining the very purpose of the program. Congress should eliminate the "springing lien."

### TIFIA CP --- AT: Solvency Deficits

#### Existing infrastructure financing programs can be effectively enhanced --- the plan just creates more bureaucracy and spending

Ridley, 11 --- Secretary, Oklahoma Department of Transportation (10/12/2011, Gary, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape,” Factiva, JMP)

Mr. Chairman and Members of the Committee, my name is Gary Ridley. I am Secretary of Transportation in Oklahoma. I am here today to testify on behalf of the Oklahoma Department of Transportation.

First, we want to thank you, Mr. Chairman, for your work towards identifying ways to increase the efficiency of investing transportation funding and to accelerate project and program delivery. We appreciate that you, Congressman Lankford and the Members of your Committee recognize the important contribution of the transportation system in improving the Nation's economic viability and sustaining our quality of life.

Today, I want to emphasize several points -

. The nation requires new and effective transportation revenue streams, **but does not need new ideas about how to go into debt**.

. The utilization of GARVEE, TIFIA, Public / Private Partnerships, state infrastructure banks and other such financing methodologies have proven effective in delivering certain, well defined transportation system needs and our work should focus on enhancing the effectiveness of these existing programs.

. The proposition that an additional federal Authority is necessary to organize, support and provide states with insight into innovative financing options is ill conceived.

Understanding the Fundamental Difference Between Funding and Financing

Dedicated public funding, innovative financing and opportunistic partnerships have important roles in the development and management of a modern, world class transportation system. Depending on the conditions, each method can be equally effective in facilitating infrastructure implementations and each has both positive aspects and drawbacks. For example, pay as you go infrastructure delivery has minimal up front risk, but may be slow to deliver the desired results. Infrastructure financing accepts a higher level of risk but can sometimes implement large scale and expensive improvements in a vastly expedited manner.

First and foremost, it is imperative we recognize that the success of dedicated funding initiatives, financing methodologies and partnerships are all dependent on the identification and stability of long term supporting revenue streams. When a system exists in a state of disrepair at a defined funding level, it should not be expected that the government can incur enough debt to influence those conditions without introducing new, long term revenue streams. Much the same, a defined funding level that is inadequate to support the development, expansion and maintenance of a system in the near term certainly will not improve those conditions in the long term without reducing the scope of that system or adding some type of new resources.

The federal interstate and national highway systems have been predominantly constructed and operated on a publicly funded basis with the majority of projects designed, operated and maintained by public sector transportation agencies. Most of the mileage of these critical transportation systems was originally conceived and delivered through a pay as you go process facilitated by the dedicated funding revenues provided by the States and the Federal Highway Trust Fund.

The important work of creating those systems as originally conceived is now largely complete and the country has benefitted greatly. However, the aging core transportation infrastructure of this nation has developed an enormous backlog of unaddressed deficiencies that are commonly and consistently recognized. This country's CORE infrastructure is in a state of disrepair and we have no fiscal pay as you go solution for making wholesale improvements. Simply put, it is no secret that the revenues being deposited to the once stable Highway Trust Fund are consistently being outstripped by demand.

Therefore, as we turn our attention to the work of identifying ways to modernize, expand and maintain our aging and deteriorating infrastructure, we must remain mindful that long term, consistent funding is critically important to the development and delivery of transportation improvement projects. Extremely difficult decisions related to the care, preventative maintenance, reconstruction and expansion of the transportation system must be made every hour of every day. These decisions and investment strategies are predicated on the basic, critical needs of the system and the clear understanding of long term resources available to address these needs.

Certainly, when properly vetted and administered, a variety of financing methodologies can be brought to bear in order to help successfully deliver significant transportation improvements that are out of the reach of immediately available transportation funding sources. In recent times, the utilization of Grant Anticipated Revenue Vehicle bonds (GARVEE), Transportation Infrastructure Finance and Innovation Act (TIFIA) financing, Public / Private Partnerships, Build America Bonds, state infrastructure banks and other such methodologies have proven effective in financing certain, well defined transportation system needs.

The difference between identifying new near and long term sources of transportation revenue and simply creating new ways to incur debt without providing for new revenue streams capable of retiring the debt must be acknowledged. None of the referenced financing opportunities specifically provides for any new or additional funding. Bonds still must be repaid with interest. Government guaranteed loans are still loans and the associated long term repayment plan reduces available resources. Capitalizing an infrastructure bank duplicates other financing methodologies and does not generate new revenue. Therefore, attempting to address the dilemma by citing partnerships and innovative financing options simply cannot be the federal government's best or only solution to stemming the further deterioration of our national transportation system.

Transportation Departments across the country are hopeful that the Congress will make every effort to at least fund transportation at the historic levels. However, we understand the difficulties that are presented by the limitations of the Highway Trust Fund revenues. Therefore, we are greatly appreciative of the work to find ways to get more of the scarce transportation dollars to the core transportation infrastructure through reducing or eliminating bureaucracy and transportation funding diversions and increasing the efficiency of project delivery. In addition, the continuation and enhancement of the federally facilitated transportation financing tools that exist and that are already available to the States today represents an important component of this current and on-going discussion.

Enhancing the Existing Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program verses the Creation of a National Infrastructure Bank

As excerpted from the United States Department of Transportation's (USDOT) TIFIA Program Guide -

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a Federal credit program (referenced hereafter as the TIFIA program) for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation (DOT) may provide three forms of credit assistance - secured (direct) loans, loan guarantees, and standby lines of credit. The program's fundamental goal is to leverage Federal funds by attracting substantial private and other non-Federal co-investment in critical improvements to the nation's surface transportation system. The DOT awards credit assistance to eligible applicants, which include state departments of transportation, transit operators, special authorities, local governments, and private entities.

In the current form (extension acts and continuing resolutions recognized), TIFIA receives $122 million each year and can support an estimated $1 billion in average annual credit assistance. In recent years a more widely recognized and mature TIFIA program has received a considerable level of interest and has successfully participated in important transportation improvement projects. Most recently in 2011 the program received over $14 billion in Letter of Interest requests for participation in projects with an estimated value of more than $48 billion.

While TIFIA is generating interest, the relatively low levels of funding availability and the low participating percentages along with narrowly defined project eligibility have potentially constrained the effectiveness of the program. Oklahoma has yet to submit a Letter of Interest to utilize the TIFIA program. This fact is primarily because we have a very limited number of projects that would fit the criteria and have had reasonable success in financing transportation projects through other available mechanisms. However, under the right set of project circumstances we would not hesitate to enter the competitive TIFIA consideration.

Based on the summary information currently available, both the House and Senate reauthorization bills include plans to build upon and improve the TIFIA loan program. It is very appropriate to utilize the existing and successful program and format to deliver an enhanced financing opportunity along with a more robust set of eligibility criteria. Providing additional funding for TIFIA will help meet demand for credit assistance for transportation projects and enable an increased leveraging of Highway Trust Fund dollars with state, local and private-sector funding.

Even with the success of TIFIA, nothing in federal transportation law should inhibit or restrict the way a state is allowed to fund or seek financing for the transportation improvement projects and transportation facilities of today. In a time of such overall funding uncertainty, federal law should be permissive and States should be empowered to look outside the federal government for desperately needed transportation investment dollars.

Conversely, the concept that a new "government corporation" and Federal Authority will somehow enhance the ability to finance infrastructure seems untimely and entirely unnecessary. Especially when considering that many of the proclaimed new ideas encompassed by the Authority already appear to closely parallel the provisions of other existing federal financing programs.

In addition to recognizing the apparent federal duplications of the proposed National Infrastructure Bank, most States already have or can easily obtain the expertise necessary to facilitate infrastructure banks and other innovative transportation financing methodologies. States can choose to work with the existing federal bureaucracy or seek the assistance of private financial institutions, knowledgeable investors and even other experienced states. If Oklahoma determines that innovative financing advice and counsel is necessary, we will consult with other states that have demonstrated success along with the private financial sector. It has been our experience that they will gladly share their information and knowledge with us and we have been effectively and efficiently arranging financing for transportation improvements within our borders for more than 50 years.

Quite simply, the bureaucracy is already in place to finance public infrastructure projects and **an additional federal layer in the form of a new "government corporation" will add no value**. It is time to face the fact that if we are unable to repay our debts now, government loan guarantees and financial innovation are incapable of improving those conditions.

Conclusions

For financing transportation projects, the states only require clear federal guidance in the law and the continued and enhanced utilization of existing financing opportunities. A bold, new vision will be necessary to meet the increasing transportation challenges ahead and it is unlikely that such a vision will be defined by an easy payment plan.

The resolution of our national transportation funding crisis is not yet at hand. The crafting of new, more effective project and program funding, financing and delivery protocols will be slow to develop and must be forged in a renewed and fundamental State and Federal partnership. It is much more likely that efficiencies will be gained through regulatory reforms and red tape reductions, rather than through the creation of new government corporations and additional bureaucracy. The nation requires new and effective transportation revenue streams and delivery mechanisms, but **does not need new ideas about how to go into debt**. Now more than ever, extreme care and caution must be exercised in order to avoid over projecting and over extending our limited resources.

### TIFIA CP --- Politics NB

#### Republicans support funding for TIFIA and State Infrastructure Banks instead of a national bank

Patton, 11 (10/13/2011, Oliver B., Washington Editor, “Infrastructure Bank Going Nowhere in House,” <http://www.truckinginfo.com/news/news-detail.asp?news_id=74979>, JMP)

**\*\*\*John Mica is the Transportation and Infrastructure Committee Chairman**

The sole proponent of the bank among the witnesses at yesterday's hearing, Scott Thomasson of the Progressive Policy Institute, remarked that the Republican reaction to the proposal is a symbol of partisan divide in Congress.

Thomasson noted that business leaders, including the U.S. Chamber of Commerce, support the bank.

"A properly structured national infrastructure bank is an innovative and sound investment tool that represents the next step in the evolution of federal financing programs for transportation, energy and other infrastructure projects," he said in his statement.

The Republican majority on the committee, and the other witnesses, think it makes more sense to improve current financing methods such as state infrastructure banks and the Transportation Infrastructure Finance and Innovation Act federal credit program.

"Rather than create a new national agency, send the money to the states," said Mica. He said 33 states already have infrastructure banks, and most don't have enough money to finance them.

#### Massive congressional support for expanding TIFIA

Snyder, 11--- Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio (10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

There’s been a lot of adulation heaped upon the TIFIA loan program lately. Both houses of Congress are ready to increase funding for the program nine times over, from $100 million to $1 billion a year – despite warnings from outside groups that there may not be enough eligible projects to use up all that money.

The TIFIA program has been around since 1998 but money pressures have led to a steep uptick in applications over the past few years. Some have criticized it for its lack of transparency in decision-making and suggested that it might be more effective housed outside of USDOT and functioning independently.

“Is TIFIA the first perfect federal program?”

Nevertheless, Congressional Republicans have thrown their full support behind the program, mainly as a counterweight to the president’s proposed infrastructure bank. Consistent with their desire to limit the growth of the federal bureaucracy, they resist the idea of creating an entirely new entity, even though the bank would be independent from the government, a la the Export-Import Bank.

There are two competing infrastructure bank bills in the Senate and a new one introduced earlier this week in the House. The Senate is planning to vote next week on a bill to spend $50 billion on infrastructure with another $10 billion in seed money for a bank – pieces of President Obama’s jobs bill, which has been dismembered for separate votes. Next week’s bill isn’t expected to pass. Indeed, many members think TIFIA is the way to go.

At a House Transportation Committee hearing earlier this month, **nearly every Republican present spoke out in favor of expanding TIFIA instead of creating a new bank**. Chair John Mica asked why a bank was needed when “we have a successful example” in TIFIA.

#### Congress wants to use existing programs --- doesn’t support a national bank

Plautz, 11 (9/8/2011, Jason --- of Greenwire, “In I-Bank Debate, States Provide Successful Model,” <http://www.nytimes.com/gwire/2011/09/08/08greenwire-in-i-bank-debate-states-provide-successful-mod-49268.html?pagewanted=all>, JMP)

Former transportation official Orski, who now publishes a transportation newsletter, said the national bank has an advantage in that it can help large, multi-state projects. But, he added, those types of projects are rare and might be better handled through existing structures.

"There is a widespread sentiment both in the House and Senate, rather than creating a new federal fiscal bureaucracy, we ought to strengthen and expand existing financial instruments, primarily TIFIA," he said, referring to the popular Transportation Infrastructure Finance and Innovation Act loan program.

Work on the federal level would also eliminate the easy "set-off" of using gas tax funding to back up a loan, since it would go to projects that might not get a stream of federal money.

### TIFIA CP --- Distinct from NIB

#### TIFIA different than a national bank --- 3 reasons

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

The mandate of an NIB in practice would also overlap with the mandates of other existing programs. There are two major issues arising from this problem: how would an NIB use the existing agency expertise and how would other federal agencies relate to this new entity? If the sharing-of-expertise is accomplished through detailing personnel from other agencies, the other federal agencies may have indirect control over NIB.

One example is the Transportation Infrastructure Finance and Innovation Act program. TIFIA, which dates from 1998, was created to help finance transportation projects of national or regional significance. The program is managed by the Federal Highway Administration and provides three forms of credit assistance – secured (direct) loans, loan guarantees, and standby lines of credit to a wide range of public and private entities. TIFIA has proven very popular this year with a record 39 loan applications, requesting $13 billion in finance assistance—far more than the program’s $1.5 billion dollar annual budget [8]. The recently-announced National Infrastructure Investments program (also known as the TIGER II Discretionary Grant Program) recognizes demand for the federal finance assistance, allowing up to $150 million of its funds to be used for TIFIA payments [9].

TIFIA is illustrative because it highlights the significant demand for this type of financing tool for infrastructure projects. There are, however, three important differences between TIFIA and the general concept of an NIB. One is that TIFIA is only available for transportation projects and other infrastructure sectors such as water are not eligible. The second related point is that TIFIA is run out of the Department of Transportation and not a stand-alone entity or housed in the Treasury Department, as some have proposed an alternative for an NIB. Third is that an NIB is generally expected to also provide grants to uniquely eligible projects whereas TIFIA is only a credit program.

Lastly, there has been some discussion of an NIB using tax-preferred bonds or federal bonds in order to capitalize the bank. Here there is some overlap with a new federal program known as Build America Bonds (BABs). This committee recently supported a bill to extend that program through 2013. Started up in the stimulus package with issuance expectations of $4 to $5 billion, uptake of this new lower-cost borrowing tool now exceeds $97 billion [10]. While the BABs are very popular they are largely funding local improvements such as school and sewer improvements, many of which would not meet an NIB’s criteria for regionally or nationally significant projects.

### T “Increase”

#### Infrastructure bank won’t increase total transportation investment

Lamberton, 11 (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

The proposals are more alike than they are different, but some differences are noted by critics. The administration’s NIB idea, for example, proposes to authorize distribution of funds in “loans, loan guarantees, and grants.” Grants, of course, are not paid back, which Sen. James Inhofe (R-OK) observed is not how a bank operates.

“Institutions that give away money without requiring repayment are properly called ‘foundations,’ not ‘banks,’” publicly commented the senator, who is the ranking member of the Senate Environmental and Public Works Committee. “Banks don’t give out grants; they give out loans. There is also currently a mechanism for giving out federal transportation grants: It is called the highway bill. I don’t believe an infrastructure bank will increase total transportation investment; it will only take money away from what would otherwise go through the existing highway and transit programs.”

### Specification

#### There are multiple different infrastructure bank proposals being floated --- they have subtle but important differences

Lamberton, 11 (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

Three Bank Ideas

Three variations on the theme have been introduced into the public discussion, one by President Obama and two in Congress. They vary slightly in the amount of start-up funds authorized and in the money’s distribution. The proposals are:

• American Infrastructure Financing Authority introduced by Sen. John Kerry (D–MA). It would be funded by a one-time appropriation of $10 billion for loans and loan guarantees to eligible infrastructure projects. It does not authorize borrowing of money, and would consider many different kinds of infrastructure projects.

• The National Infrastructure Development Bank Act introduced by Rep. Rose DeLauro (D–CT). It would be capitalized by annual appropriations of $5 billion for five years, and would issue debt instruments that would not be guaranteed by the federal government.

It would provide loans and loan guarantees on many different kinds of infrastructure projects.

• National Infrastructure Bank proposed by President Obama in his FY 2012 budget would be funded by authorization of $5 billion per year in each of the next six years. It would function under the U.S. Department of Transportation. It would provide loans, loan guarantees, and grants for transportation projects.

The proposals are more alike than they are different, but some differences are noted by critics. The administration’s NIB idea, for example, proposes to authorize distribution of funds in “loans, loan guarantees, and grants.” Grants, of course, are not paid back, which Sen. James Inhofe (R-OK) observed is not how a bank operates.

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The two congressional infrastructure bank bills are faulted by opponents for different reasons. The Kerry proposal relies on congressional appropriations for its funding. Unlike banks, which borrow money at one interest rate and lend it at a higher rate, Kerry’s “bank” takes the money from the federal till and spends it, which is no different from any other stimulus appropriation.

The DeLauro proposal would function more like a bank, acting as an intermediary in project funding, but it would not guarantee any third-party loans secured by contractors. That would seem to be a less risky use of tax dollars as seed money. However, opponents of the bill note that the “development bank” would operate very much like Fannie Mae and Freddie Mac did in the housing market, with disastrous results for the economy when the bubble burst. The debts of those agencies weren’t guaranteed either, but a $150 billion infusion of tax dollars subsequently was ordered up by Congress to bail them out.

#### Specification matters --- some of the infrastructure bank proposals don’t really target transportation

Lamberton, 11 (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

One premise of NIB supporters is that its board of directors somehow would come together and agree on what constitutes true priorities in infrastructure work. Certainly no such agreement exists widely today. A constituency in Congress along with the president is pushing for funding mass transit projects, for example, while another congressional contingent prefers to maintain existing highway networks and build new ones. With only a finite pool of money available to spend, who is to say where the true priority lies?

The DeLauro infrastructure proposal in the House has a softer focus on infrastructure priorities. Her bankers would evaluate projects according to such yardsticks as job creation, reduction in carbon emissions, pollution reductions, and training for low-income workers, to name some. Consequently, the “merits” of, say, a transportation project might end up having little to do with actual transportation. Such an outcome probably would disappoint some people.

**Cohn, 11** (8/11/2011, Jonathan, “Selling Public Works to the Tea Party,” <http://www.tnr.com/blog/jonathan-cohn/93496/infrastructure-bank-roads-airports-funding-obama-kerry-hutchison>, JMP)

Whether the bank could replicate TIGER's success – and, more fundamentally, whether it could significantly bolster the country’s decaying infrastructure – will obviously depend on the specifics, as Pollack's paper points out. How independent should the bank be? (Obama’s proposal would put it inside the Transportation Department; others, like a bill from Senators John Kerry and Kay Bailey Hutchison, would make it a stand-alone entity.) How much start-up money should the federal government give it? (Kerry’s bill calls for just $10 billion while Obama’s calls for $30 billion. An earlier proposal, from Senators Chris Dodd and Chuck Hagel, would have allocated $75 billion.) How wide a range of proposals would it consider? (Obama's bank would limits itself to transportation. Under a proposal from Rep. Rosa DeLauro, the bank would take on energy and telecommunications projects, as well.)

Perhaps more immediately, it’s an open question just how quickly the bank could move money into the economy. Then again, an infrastructure bank bill could include additional, short-term funding for more immediate projects. And the way things look now, the economy will need stimulus well past 2012 anyway.

# States CP

### 1nc States CP

**Text:**

**The 50 states and all relevant territories should establish and fund infrastructure banks. These banks should**

* **cover a broad a range of projects to address the needs of communities**
* **include enabling legislation that specifies the decision-making body and process for the state infrastructure ban and make public input must be part of the project selection process**
* **give environmental and job standards serious consideration in funding decisions**
* **blend financing from a variety of sources so that no one population carries a disproportionate burden and include provisions that make taxes or fees progressive and ensure good projects are funded in a variety of communities.**

#### The counterplan ensures effective state infrastructure banks

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Creating SIBs That Work

In the current budget climate, pushing for new spending is challenging. However, funding infrastructure improvements is critical: improving transportation networks can cut traffic congestion, enhance productivity for local businesses, put people to work, and prepare our communities for a reinvigorated 21st century economy. State infrastructure banks can be an important tool in this process. They can supply the initial capital to get projects moving quickly, attract private funding, and use repayments from old projects to fund new ones. However, advocates need to be actively engaged to ensure that SIBs use taxpayer money responsibly to finance projects that will truly improve our communities and create quality jobs. Whether one lives in a state that already has an SIB or is working with lawmakers seeking to start a new SIB, it is important to keep some key criteria in mind.

Tips for Advocates

 Push for SIBs to cover a broad a range of projects to address the needs of your community, especially public transit which creates more jobs than automobile-only projects. Consider if the more flexible state-funded model is better for your state’s needs than the more narrowly defined transportation-only federally-funded model.

 Push for enabling legislation. Urge lawmakers to put citizen representatives on the decision-making board.

 Ensure that SIBs give environmental and job standards serious consideration in funding decisions. Push for enabling legislation for a state-funded SIB that incorporates community protections.

 Push for provisions that protect SIB funding from being raided by lawmakers for other purposes.

 Urge lawmakers to blend financing for state SIB funding from a variety of sources so that no one population carries a disproportionate burden. Push for provisions that will make taxes or fees progressive and that ensure good projects are funded in a variety of communities.

#### States can cooperate with the private sector to fund infrastructure --- federal requirements drive up costs and cause delays

Furchtgott-Roth, 11 --- senior fellow at the Manhattan Institute (5/26/2011, Diana, “Let's Leave Our Roads to the States,” <http://www.realclearmarkets.com/articles/2011/05/26/lets_leave_our_roads_to_the_states_99043.html>, JMP)

Mr. Kerry envisages the infrastructure bank as independent, with governors appointed by the president. Loaned funds would be repaid, with interest, so the bank would supposedly make a profit. Similar promises were made for Amtrak, when it was established in 1971.

Testifying at the Senate Finance Committee hearings was former Pennsylvania Governor Edward Rendell, now co-chair of Building America's Future, a non-profit coalition of state and local officials where he serves without compensation. He told the committee that the infrastructure bank was the only way to channel funds into the states, and that private organizations would not lend for infrastructure projects because the returns are too low.

Mr. Rendell called for changes in laws that would make it easier for the private sector to invest in transportation infrastructure-changes that would obviate the need for federal involvement. "Lift the cap on tolling," he said. Currently states need special waivers to place tolls on federally-funded projects. If they were allowed more extensive use of tolls, private users could pay for maintenance.

As governor, Mr. Rendell wanted to place tolls on Interstate 80, raising $450 million a year, but the U.S. Department of Transportation in 2010 rejected his request because part of the revenues would have gone to repair other Pennsylvania highways and bridges.

In 2008, Mr. Rendell tried to lease the Pennsylvania Turnpike for $12.8 billion to a consortium of Citibank and the Spanish firm Abertis Infraestructuras, but the state legislature did not pass the proposal.

The committee hearings gave Mr. Rendell a chance to say "I told you so," because it's now obvious that both proposals would have benefited Pennsylvania residents.

Senator Hatch (R-UT), ranking member on the committee, said that states should have more flexibility to raise revenue. Just because someone gives you a car, he said, it doesn't mean that the donor has to pay for the tune-ups. In the same way, just because the federal government funds a road, it should allow states flexibility in funding for maintenance.

Another witness, Gabriel Roth, disagreed with Mr. Rendell about the need for a government-funded infrastructure bank. (Full disclosure: Gabriel Roth, who has considerable experience in the transportation field, is my father.) He testified that even with existing funding systems, **transportation finance could be provided by the states in partnership with the private sector, rather than by the federal government.**

Mr. Roth pointed out that other federal laws, such as Davis Bacon, project labor agreements, high-road contracting, and "Buy America" provisions, **slow down infrastructure and raise costs**. Environmental impact statements can take two years. States are forced to spend money on mass transit, even where there are few users.

There are many examples of private sector investments in roads. A road in the suburbs of Washington, the Dulles Greenway, and California's electronically-tolled express lanes on Route 91 were conceived, designed, financed, and built by private sector consortia. The Macquarie Infrastructure Group is operating and managing the Indiana Toll Road and the Chicago Skyway.

The private sector is also operating other formerly-public infrastructure, such as garbage collection, water systems, and wastewater treatment plants. With state budgets in difficulties, bringing in the private sector saves crucial dollars. The same can happen for roads.

Sohail Bengali, Managing Director of Stone and Youngberg, a financial services company, told me in a telephone conversation, "I think that for certain targeted infrastructure projects, the private sector can be very effective."

A federal infrastructure bank, although ostensibly independent, would be swayed by political criteria and would be tempted to invest in low-return projects, such as roads to nowhere. Mr. Rendell admitted that the bank was needed because the returns to the projects were so low that the private sector would not want to invest in them.

Yet if the projects have such low returns, why should they be funded by taxpayers?

Congress has a choice of how to proceed to provide highways in America. On the one hand is the proposal of a new federally-controlled infrastructure bank which would require even more federal control over highways and the resources to support them. On the other are **proposals for individual states to raise their own funds through new technologies and solve their own transportation problems**. This Memorial Day, as we sit in traffic jams, the choice is clear.

### 2nc Solvency

#### **Independent state action is sufficient**

Salam, 12 --- Policy Advisor at Economics 21 (1/4/2012, Reihan, “Yonah Freemark on State Infrastructure Banks,” [http://www.nationalreview.com/agenda/287217/yonah-freemark-state-infrastructure-banks-reihan-salam#](http://www.nationalreview.com/agenda/287217/yonah-freemark-state-infrastructure-banks-reihan-salam)) // NK

Yonah Freemark asks whether state infrastructure banks might succeed where efforts to create a national infrastructure bank have failed. Sen. Ron Wyden, one of the most innovative Democratic policymakers, has called for federal grants to promote the establishment of state infrastructure banks, perhaps as an acknowledgment of the virtues of decentralization. Yonah, who instinctively favors national solutions, seems somewhat skeptical after profiling the modest achievements of five existing state infrastructure banks.

I am increasingly convinced that state-based rather than federal approaches to improving the quality of infrastructure are the right way to go, but that this should flow from a revival of competitive rather than cartel (or cooperative) federalism. That is, instead of offering federal grants for the establishment of state infrastructure banks, let’s do something more drastic, e.g., either nationalize Medicaid or block grant the program, thus containing a crippling cost driver for state governments, and then allow states to pursue a wide range of different economic development strategies, some of which will be infrastructure-centric, others of which will be more human-capital-centric, etc. This is, of course, an oversimplification of very complex issues.

#### States can utilize their infrastructure banks to work on high-priority projects --- they can draw on existing federal assistance

SSTI, 12 (State Smart Transportation Initiative, “Infrastructure banks offer funding opportunities for transportation projects,” <http://www.ssti.us/2012/03/infrastructure-banks-offer-funding-opportunities-for-transportation-projects/>, JMP)

In 2005, Congress established the federal State Infrastructure Bank (SIB) program for all states in SAFETEA-LU. States choosing to participate develop cooperative agreements with the Secretary of Transportation to establish revolving infrastructure funds that are capitalized with federal transportation funds. Projects eligible for funding through the SIBs include surface transportation projects across all modes that receive traditional federal funding assistance.

Currently there are two types of infrastructure banks at the state level: federally funded SIBs and state funded SIBs. Both types of SIBs create revolving infrastructure funds. While SIBs are the more common type of infrastructure bank, a national infrastructure bank (NIB) has been discussed for several years, and was recently revived as part of the President’s jobs plan. As noted by the Brookings Institution, an NIB would use a “merit-driven approach for advancing a range of infrastructure projects that have the highest return on investment and support economic growth.” Chicago has established the country’s first local infrastructure bank developed around this model.

Four states have established SIBs capitalized solely with state funds. States using federal funds provide a 20 percent local match. States also have the opportunity to contribute additional state or local funds beyond the required nonfederal match. By the end of 2008 (the last year for which full data is available), 32 states and one territory had entered into 602 SIB loan agreements with a total dollar value of $6.2 billion.

Through the SIB financing mechanism, states can leverage money for transportation projects, accelerate construction timelines, and recycle assistance for future transportation projects. SIBs can be used in conjunction with traditional financing and other innovative tools to maximize transportation investments. By offering SIB support for a project, the sponsor may be able to attract private, local, and additional state financial resources, leveraging a small amount of SIB assistance into a larger dollar investment. Alternatively, SIB capital can be used as collateral to borrow in the bond market or to establish a guaranteed reserve fund.

In addition to the leveraging potential of a SIB, the administrative function of a bank can provide technical assistance to state and local governments when issuing complex procurements or entering into multi-year construction contracts.

Infrastructure banks offer the opportunity for states and local governments to work on high-priority projects. As part of the recent effort in Chicago, a new Bus Rapid Transit line and a CTA extension with a zoned fare structure have been floated as projects. The higher fares collected as part of these projects will provide the revenue source to fuel the public/private partnerships.

It is important to note that while the financing available through infrastructure banks is important, these banks do not in themselves constitute a revenue stream. Investors purchase bonds with the assumption that they will be paid back with a return on their investments. A project paid for with a bond issue from an infrastructure bank will need to have an identified revenue stream (tolls, transit fares, parking fees, etc.) anticipated for use in paying off the bonds.

Infrastructure banks require a significant investment of staff time and expertise on the part of the agency and their private-sector partners to establish and manage the fund. It is critical that government entities complete a detailed analysis prior to implementation. The mission, vision, goals, administrative structure, project selection methods should be finalized prior to launch.

SIBs have, to date, been used primarily for highway projects. There are states that feel their SIBs are underutilized. Although this might be listed as a negative, it also presents a significant opportunity. Transit and other multimodal projects, for instance, are underrepresented. Given the growing popularity of transit across the nation, **states with SIBs might work to incorporate additional multimodal projects into their SIB programs.**

### Infrastructure Bank Solvency

#### State structures are best --- federal programs 30% more expensive

Plautz, 11 (9/8/2011, Jason --- of Greenwire, “In I-Bank Debate, States Provide Successful Model,” <http://www.nytimes.com/gwire/2011/09/08/08greenwire-in-i-bank-debate-states-provide-successful-mod-49268.html?pagewanted=all>, JMP)

National vs. state level

With successful test cases like those in Oregon and Kansas, it is obvious why the White House would want to create a bank on the national level. The loans can be used to draw in private partners for large projects, putting more people to work.

But some policymakers are wary of the added bureaucracy and political **complications the federal government's involvement would carry with it**. Under a transportation reauthorization proposal from House Transportation and Infrastructure Chairman John Mica (R-Fla.), a national proposal would be replaced with expanded authority for state infrastructure banks, which Mica said would free up more money faster.

Even some of the recipients of state money agree.

**"I don't see any advantage to a national bank,"** Gilmour said. "I'm concerned that there's been a disconnect at the federal level between those benefiting from transportation investments and those paying for them. ... I can't make my debt payment to ODOT with more debt."

Gilmour, who worked for the Oregon DOT for 26 years, added that he tried to do very little with the federal government because **federal red tape can add up to 30 percent of time and cost to a project.**

#### State infrastructure banks solve infrastructure needs --- federal government has authorized state banks

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Even in the absence of an NIB, two-thirds of state legislatures have already embraced the concept of the infrastructure bank. Since the 1990s, various federal bills have authorized states to create their own state infrastructure banks (SIBs) to finance priority projects. In this brief, we will elaborate on the different types of SIBs that exist today, share some interesting projects that have been funded with SIBs, and posit some best practices that advocates in any state could be urging lawmakers to adopt. An SIB, if designed with enough flexibility in applicable projects and with opportunities for local advocates and lawmakers to weigh in on priorities, can be an effective tool for repairing the ill effects of decades of neglect to our communities’ transportation networks, water systems and power grids.

#### Several states already have infrastructure banks --- others are considering adding one

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

State Infrastructure Banks: Widespread but Uneven in Practice

As of December 2008 (the most recent data available), 32 states and one territory had entered into 579 SIB loan agreements worth a total of $5.56 billion, but more than 87 percent of the dollar amount is concentrated in five states (SC, AZ, FL, TX and OH).13 Several states without an SIB, including Connecticut14 and Maryland,15 are considering establishing them. And in some states where an SIB exists largely in name only due to a lack of funding—New York,16 California,17 and Utah18 for example—lawmakers are considering legislation to create new SIBs.

#### State infrastructure banks can fund non-transportation projects

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

State-funded SIBs can also be established for non-transportation projects. The Pennsylvania Infrastructure Investment Authority (PENNVEST), created in 1988, is a revolving fund that finances both public and private projects to improve sewer, storm water and drinking water projects through the state’s Clean Water State Revolving Fund and its Drinking Water State Revolving Fund.42 PENNVEST has also funded brownfields radiation projects when abandoned mines threatened drinking water supplies.43 Indiana created the Indiana Local Infrastructure Revolving Fund as part of the state budget agency in 1996 to identify infrastructure financing mechanisms available to local communities, including opportunities for the state to enhance the credit quality of municipal bonds and to manage investment pools. These funds can be used for transportation improvements but also for water projects, redevelopment of military bases, juvenile detention centers and other projects.44

### Infrastructure Bank – Federal Modeling

#### States provide a model for a national infrastructure bank

Plautz, 11 (9/8/2011, Jason --- of Greenwire, “In I-Bank Debate, States Provide Successful Model,” <http://www.nytimes.com/gwire/2011/09/08/08greenwire-in-i-bank-debate-states-provide-successful-mod-49268.html?pagewanted=all>, JMP)

In his jobs speech to Congress tonight, President Obama is expected to double down on a pet project that would boost infrastructure spending, create jobs and -- he says -- generate enough revenue to return taxpayer dollars.

Obama first talked about creating a national infrastructure bank on the campaign trail and has not let up on the proposal since taking office. His most recent budget proposal included a $30 billion transportation bank that would offer large loans to regional projects. In a July news conference, he reiterated his support for the idea, which is expected to be part of the jobs package.

In July, Obama said he envisioned "a project where we're rebuilding roads and bridges and ports and schools and broadband lines and smart grids, and taking all those construction workers and putting them to work right now."

While the concept has been discussed repeatedly in both the White House and on Capitol Hill, it is still unclear what a national infrastructure bank would look like. In short, it's a nonpartisan government body that offers loans to large infrastructure projects with the agreement that the money will be repaid and then repurposed for other projects.

The concept of a government-run bank may be toxic to some politicians and experts, but advocates are quick to say it is not exactly like a bank. The scope of the projects it would cover and even how the money would be distributed are still up in the air.

However, state infrastructure banks offer a possible model for how a national bank might look and operate -- and whether it can be successful.

According to the Federal Highway Administration, 32 states and Puerto Rico currently have state-run infrastructure banks, including California, Ohio and Florida. As of 2008, those banks have distributed $6.2 billion across 609 loan agreements, largely covering transportation projects (although some proposals would have the banks extending to energy and water projects as well).

National proposals floating around the House and Senate vary in size, scope and method. One, from Rep. Rosa DeLauro (D-Conn.) would include grants, while another championed by Sen. John Kerry (D-Mass.), would stick purely to loans. The White House has yet to announce what its proposed bank would look like.

"The [Kerry] proposal makes more sense, but it is rather limited in its scope," said Ken Orski, a former transportation official under the Nixon and Ford administrations. "Essentially that means limiting the projects to revenue-producing facilities, such as toll roads and toll bridges and the number of that kind of projects would be quite limited."

And while states cannot offer a great deal of clarity about how a national bank should operate, they do provide a viable model for what might or might not work. Most of the state banks were established under authority from the 2005 federal highway authorization bill, although some were set up as early as the 1990s. Many have seen a relatively modest investment of state and federal money turn into hundreds of millions of dollars in loan guarantees.

"In Kansas, we have communities that are small and couldn't do their projects otherwise. They couldn't get a bank to loan them money because of credit or they couldn't go into the bond market because of their size," explained Danielle Martin, program manager of the Kansas Transportation Revolving Fund. "We can cover huge projects or a small community."

### AT: Permutation

**\*\*\*Don’t read if you also read the solvency evidence about state banks using some fed funds**

#### Federal involvement requires Washington approval and compliance with federal regulations

Lamberton, 11 (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

Some observers believe infrastructure banks are a federal-state issue. That’s the position of U.S. Rep. John Mica (R-FL), chairman of the House Transportation and Infrastructure Committee, who prefers that states establish infrastructure banks. “That way they won’t have to come to Washington to get approval.”

In fact, 33 states already operate such banks, using revolving loans and loan guarantees to fund priority projects. Some of the state infrastructure banks, or SIBs, use federal transportation money to capitalize their accounts; **others fastidiously avoid commingling federal money in an SIB so that federal regulations on expending the funds don’t come into play.**

#### Federal funding subjects states to federal regulations and oversight which cause delays

Puentes, 11 --- Senior Felllow, Brookings Metropolitan Policy Program (9/9/2011, Robert, “Obama's Plan a Chance to Get Strategic on Infrastructure,” <http://www.tnr.com/blog/the-avenue/94771/obamas-plan-chance-get-strategic-infrastructure>, JMP)

After the speech, some Congressional Republicans rightly pointed out that we already have infrastructure banks operating within 33 states. No doubt these state infrastructure banks (SIBs) are important and, since 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for transportation projects.

Most of this support comes in the form of below-market revolving loans and loan guarantees. States are able to capitalize their accounts with federal transportation dollars but **are then subject to federal regulations over how the funds are spent**. Others, including Kansas, Ohio, Georgia, and Florida, capitalize their accounts with a variety of state funds and are **not bound by the federal oversight which they feel helps accelerate project delivery**. Other states—such as Virginia, Texas, and New York—are also examining ways to recapitalize their SIBs with state funds.

#### Federal labor requirements drive up costs

Lamberton, 11 (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

Other issues surround the NIB proposal. One is the impact of union labor on project costs, which critics say is not addressed in NIB legislation. American Banker, the 176-year-old industry publication for the financial and banking community, offered the view last November that project labor agreements requiring union labor undercut the NIB premise of getting the most project for the money.

“Proponents argue that the NIB will include charter limitations to safeguard that funds get directed to infrastructure projects with the highest (public) returns, but that’s never worked,” declared Kevin Villani, a guest columnist and former chief economist at Freddie Mac. **“Federal government policy entrenches rather than bypasses the labor cost problem.”**

Villani noted that the $867 billion stimulus bill was “not designed in the spirit of FDR’s public works projects to get the ‘most jobs for the buck.’ Davis-Bacon Act hiring requirements and project labor agreements maintain the artificially high union wage rates for private-sector employees, and spend the ‘most bucks for the job.’”

It is relevant to note that Associated Builders and Contractors has taken no position on the infrastructure bank. Rather, it is focusing its lobbying efforts in 2011 on eliminating the aforementioned public labor agreements.

#### States can solve --- federal involvement just gets in the way

Freemark, 12 --- writes on cities and transportation at The Transport Politic (1/2/2012, Yonah, “How to Pay for America's Infrastructure,” <http://www.theatlanticcities.com/politics/2012/01/solution-americas-infrastructure-woes/845/>, JMP)

America's transportation infrastructure is in desperate need of an update, and most politicians would agree that more funding should be dedicated the nation’s highways and mass transit systems. Yet there is little consensus about where to find those new funds and Democrats and Republicans disagree stridently over whether Washington should increase its role.

One potentially fertile place for compromise may be in the form of state infrastructure banks, which have gained support from both the left and right in recent months. These public agencies, provided some government funds, would be designed to encourage significant private investment. And they would do so with little interference from the national government.

"I-banks" could lend states, municipalities, and perhaps even private sector agencies a significant portion of project funds that would later be paid back through user fees, public-private partnerships, or dedicated taxes.

The idea is to get more transportation projects under construction without significantly expanding the national deficit. And the idea is not particularly new: Infrastructure banks have been on the radar since 1995, when state banks were initially authorized to receive federal funds. Now, more than thirty states have them in operation.

But most operate on a small scale, and are unprepared to fund large-scale projects. They are also strongly tilted toward highway infrastructure, not multimodal needs.

Yet recent proposals have been much more ambitious. President Obama has made the case strongly throughout his first term that a national bank run by the U.S. Department of Transportation would be most effective, since it would be staffed by experts and backed by the federal government. A proposal announced by the White House earlier this year would put $10 billion in the coffers of such an agency.

Democrats in the Congress introduced a bill to fund such an organization in October, but John Mica (R-FL), chairman of the Committee on Transportation and Infrastructure, has said that he would refuse to endorse such a concept. Mica suggests that **states are up to the task and that Washington’s involvement would get in the way**. Some Democrats have articulated a compromise. Senator Ron Wyden (D-OR), for instance, introduced a bill that would pass one billion dollars to each state to set up their own infrastructure banks.

### --- XT: Federal Involvement Requires States to Meet Fed Regulations

#### Federal financing requires states to meet federal regulations

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” http://nelp.3cdn.net/fadb21502631e6cb79\_vom6b8ccu.pdf, JMP)

Unlike a state department of transportation, which typically owns assets (though it may contract out their construction and maintenance), an SIB acts as a lender or a guarantor. Thus, the SIB has to be concerned with returns on the investment, often by prioritizing projects with their own revenue streams or by collecting payments comprised of future tax revenues if the borrower is a county, city or special district. This distinction means that the ability for repayment is often one of the key criteria for an SIB in selecting projects to fund, and that often these projects include ongoing revenue streams through tolls or other user fees. It also means that public transit projects can be more difficult to fund because they rarely include this kind of money-making guarantee. If a state wants to use its federally-financed SIB to finance transit projects, it must enter into an agreement with the Federal Transit Administration and meet a variety of federal regulations, making transit a less attractive sector for some SIB managers.19 This reluctance can be further exacerbated by the challenge of finding transit projects with a predictable revenue stream for repayment.

### AT: Solvency Deficits \*\*\*

#### No federal role --- more costly and intrusive regulations

Roth, 12 --- Research Fellow at The Independent Institute (5/22/2012, Gabriel, “Phase out federal transport financing!” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

The principle of “subsidiarity” postulates that government decisions should occur at the lowest practicable level, for example locally rather than nationally. This principle suggests that it is indeed time to relieve the federal government of the burden of financing transportation infrastructure, and of the onus of having to raise the required fees or taxes, and return these responsibilities to the states. The following reasons come to mind:

1. **The purpose of federal financing** — completion of the Interstate Highway System — **has been virtually achieved, and it is difficult to identify other advantages from federal financing.**

2. The disadvantages of federal financing — increased costs and intrusive regulation — are evident and substantial.

3. Congress, unable to increase the taxes dedicated to roads, seeks to use general funds to finance some of the transportation expenditures it considers necessary, thus abandoning the US traditional “user pays” principle for roads.

4. Congress keeps deferring long-term road legislation and substituting short-term-extensions of previous (2005) legislation, thus hindering long-term planning of transportation projects.

5. New methods to pay for road use — such as mileage-based user fees to replace fuel taxes — are more likely to succeed as a result of innovations sought by different states, than if imposed by a federal government seeking a “one size fits all” solution.

Reliance on general funds has the critical disadvantage that allocations to transportation from general revenues have to compete against other legitimate claims such as defense. On the other hand, when funding is by user fees, expenditures on infrastructure are determined by users’ willingness to pay.

#### No solvency deficit --- states can just obtain expertise from other states

Ridley, 11 --- Secretary, Oklahoma Department of Transportation (10/12/2011, Gary, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape,” Factiva, JMP)

Conversely, the concept that a new "government corporation" and Federal Authority will somehow enhance the ability to finance infrastructure seems untimely and entirely unnecessary. Especially when considering that many of the proclaimed new ideas encompassed by the Authority already appear to closely parallel the provisions of other existing federal financing programs.

In addition to recognizing the apparent federal duplications of the proposed National Infrastructure Bank, most States already have or can easily obtain the expertise necessary to facilitate infrastructure banks and other innovative transportation financing methodologies. States can choose to work with the existing federal bureaucracy or seek the assistance of private financial institutions, knowledgeable investors and even other experienced states. **If Oklahoma determines that innovative financing advice and counsel is necessary, we will consult with other states that have demonstrated success along with the private financial sector**. It has been our experience that they will **gladly share their information and knowledge with us** and we have been effectively and efficiently arranging financing for transportation improvements within our borders for more than 50 years.

### AT: Multi-State Projects

#### These projects are rare and best handled through existing structures

Plautz, 11 (9/8/2011, Jason --- of Greenwire, “In I-Bank Debate, States Provide Successful Model,” <http://www.nytimes.com/gwire/2011/09/08/08greenwire-in-i-bank-debate-states-provide-successful-mod-49268.html?pagewanted=all>, JMP)

Former transportation official Orski, who now publishes a transportation newsletter, said the national bank has an advantage in that it can help large, multi-state projects. But, he added, those types of projects are rare and might be better handled through existing structures.

"There is a widespread sentiment both in the House and Senate, rather than creating a new federal fiscal bureaucracy, we ought to strengthen and expand existing financial instruments, primarily TIFIA," he said, referring to the popular Transportation Infrastructure Finance and Innovation Act loan program.

Work on the federal level would also eliminate the easy "set-off" of using gas tax funding to back up a loan, since it would go to projects that might not get a stream of federal money.

### AT: Funding

#### State infrastructure banks will attract capital --- they can be self-sustaining

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

State and Local Strategies for Transportation Funding

Many states recognize they must increase funding for their departments of transportation. As lawmakers and their constituents engage in this dialogue, advocates should urge that some of the revenues be used to fund an SIB. Managed properly, an SIB can attract private capital to infrastructure projects, and the revolving loan structure can, with prudent choices in spending, make the SIB self-sustaining.

Several states are considering an increase in their gasoline taxes. “Essentially, our needs cannot be met without new dedicated taxes and fees,” noted the head of the Northern Virginia Transportation Alliance.62 The Virginia gas tax hasn’t been raised since 1987. Nearby, Maryland lawmakers will consider a 15-cent gas tax increase during their 2012 session and have proposed creating a “lockbox” to ensure the money remains dedicated to transportation improvements.63 In Michigan, lawmakers have proposed repealing the state gas tax entirely, and replacing it with an increase in the sales tax with the extra revenues going to the Michigan Transportation Fund.64 Other states have rejected this option. In North Carolina, state law pegs the gas tax to the cost of wholesale fuel prices, allowing it rise and fall with gasoline prices. However, the state’s House of Representatives recently voted to block an increase scheduled for January 2012. North Carolina Department of Transportation officials estimate the resulting cut in revenues will mean canceling plans for repaving 400 miles of highways and replacing 72 bridges, costing an estimated 2,800 jobs.65 Similarly, in Iowa, the governor has rejected a gasoline tax increase recommended by a specially appointed citizens’ panel.66 Iowa’s gas tax hasn’t been raised since 1989.

### AT: Federal Government Funds State Banks

#### State banks can rely exclusively on state funds

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Federally-Funded SIBs Versus State-Funded SIBs

The generic term “SIB” masks the fact that there are actually two types of financing tools going by that name: those authorized by federal legislation that use a mix of federal and state dollars to finance federally-authorized projects, and those that use exclusively state funds to leverage other forms of capital to fund a broader range of projects. The former is potentially more restrictive in the projects it can finance, but also inherently abides by some federal protections. The latter can be more flexible in the types of projects it finances, but may require local advocates and lawmakers to be more thoughtful about project selection criteria to ensure that local infrastructure jobs are good jobs.

#### States have to use a combination of fuel taxes and other funds to fund infrastructure banks

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Challenges to Establishing a State Infrastructure Bank

Not surprisingly, the biggest challenge to establishing a SIB in this economy is funding. Many states are already struggling with shortfalls in transportation dollars. New Jersey, which depends heavily on toll revenues to finance its transportation projects, is looking at shortfalls of more than $47 million—five percent of its target.57 The state’s turnpike authority has cut its 2011 operating budget by $10 million, and rating agencies have lowered their rating on New Jersey turnpike bonds even as the agency tries to implement a 10-year capital improvement program.58 In Virginia, maintaining roads alone threatens to deplete the state’s Highway Maintenance and Operating Fund, and the state has forced to repeatedly shift funds from its Transportation Trust Fund for construction to pay for maintenance.59

In federally-funded SIBs, states are required to match federal funds on an 80-20 federal/non-federal basis. Similarly, in SIBs that exclusively use state funds, state lawmakers also need to identify sources of revenue to fund loans. The main source of funding for about half the states is the state motor vehicle fuel tax, though in only a very small number of states (five) this money flows directly to the department of transportation without legislative appropriation. Additionally, in nearly half the states, constitutional provisions prohibit using fuel taxes for any projects that are not highway or road related. In the others, these funds can typically be used for multimodal or other transportation projects.60 Furthermore, because gas taxes are levied per-gallon and are typically not indexed to inflation or take into account increased gas efficiency, these funds alone are rarely enough to fund an SIB.

South Carolina, the single largest user of SIB money to fund state projects, originally capitalized its SIB with a $66-million appropriation from the state’s general fund in 1997, but uses a blended revenue stream to fund ongoing operations. As of 2007, 38 percent of its revenues came from truck registration fees, 18 percent from state vehicle taxes, 16 percent from the state gasoline tax, and 6 percent from intergovernmental agreements for construction projects. The remainder, 23 percent, came from investment earnings.61

For a state-by-state listing of how each funds transportation projects, see the NCSL’s State Profiles.

### AT: Worker & Environmental Standards

#### California infrastructure bank proves States can fund effective projects and maintain worker standards and environmental protection

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

The California I-Bank: Funding Community Priorities for More Than a Decade

California also has two infrastructure banks, with its state-funded “I-Bank” having very broad discretion in what kind of projects it finances and good criteria that reflect community priorities in choosing projects to fund. By expanding beyond traditional transportation projects, the California I-Bank engages in regional economic development to look at “infrastructure” more holistically than many other states.

Initially capitalized by a $425-million appropriation, the I-Bank does not get annual appropriations from the state. Instead, it is financed entirely by fees, interest earnings and loan repayments. This model allows the state to fund a wide range of important projects and has important worker standards built into the process to ensure it funds only high-quality jobs. Since it began full operations in 1999, it has grown from $6 billion to roughly $30 billion in debt financing.45 In crafting the legislation creating the I-Bank, lawmakers especially noted the need to give opportunities for public pension funds and other institutional investors to play a larger role in state economic development and the missed opportunities for regional development that came with local governments bearing the primary responsibility for economic development and job creation.46

The California I-Bank is comprised of six primary programs that evaluate and finance small- to mid-sized manufacturing companies, nonprofits, school districts, local government agencies and local infrastructure projects. Because the I-Bank has a broader mandate than other SIBs, it has financed a wide variety of projects, including waste transfer stations and wastewater plant upgrades, energy efficiency loan programs, bond issues for educational facilities and public museums, and industrial bond issues for local companies.47 As the I-Bank’s executive director explains, the established criteria were developed through a public hearing process—“quite a long process,” he recalls—that resulted in a set of criteria that is not influenced by political pressure.48 “After consultation with all interested parties and technical experts,” he recently told Congress, “a series of public hearings was held throughout the state to insure that criteria were developed leading to the selection of only the best projects.”49 Projects are assessed and approved by a board of directors comprised of the secretary of the Business, Transportation and Housing Agency as well as the state treasurer, the secretary of the State and Consumer Services Agency, the director of the Department of Finance, and one member appointed by the governor. Its day-to-day operations are overseen by an executive director appointed by the governor and confirmed by the senate.

The I-Bank’s Infrastructure State Revolving Fund (ISRF) program, in particular, contains provisions that ensure funds are used on projects that will be of greatest value to local communities. Using the pre-agreed criteria and worker standards developed during the set-up process, the I-Bank has the tools at hand to identify the most promising projects and get them moving efficiently. Eligible applicants include any subdivision of a local or state government and can be used for projects in a broad variety of categories, ranging from roadways to water systems, and public transit to converting military facilities.50 In addition to verifying a revenue source for repayment, the sponsoring body must affirm that the project will use existing and future public resources to promote economic development and conserve natural resources; that it will attract, create and sustain long-term job opportunities; that the work can start quickly for short-term opportunities; and, depending on the financing they are seeking, that it will benefit economically distressed communities. To ensure quality jobs, any portions of any project financed with I-Bank funds are required to pay prevailing wages.51

At the conclusion of each publicly announced application deadline, the ISRF uses a set “Scoring Criteria for Prioritizing Projects.” The process awards points not only for the number of jobs created per dollar of financing, but also considers if the project will create indirect jobs by selling goods in other regions. Projects with established relationships with local employment and training entities or that improve the quality of life or provide needed amenities in the community also earn points. Furthermore, projects in economically distressed communities are awarded points over those with high median income or low unemployment levels, as are those that renew and maintain existing urban and suburban areas rather than contribute further to sprawl, or that promote conservation of natural resources.52 Even after the selection process, the I-Bank’s policies place a premium on quality jobs. Any borrowers that receive I-Bank financing above $2 million and then award construction contracts must pre-qualify contractors using a state questionnaire that includes disclosures of health and safety violations, wage and hour violations, or environmental violations.53

While the California I-Bank has more requirements than many others, it is still able to award funds in a timely manner and support growth in the state. Between June 2000 and May 2010, the I-Bank board approved 95 ISRF program loans totaling nearly $417.6 million.54 This year, both the speaker of the California Assembly55 and the California Business Roundtable56 have called for expanding the I-Bank so that it can fund more critical infrastructure improvements in that state.

### AT: Constitution

#### No impact—Constitution is flexible.

Litchwick 11 — Dahlia Lithwick, journalist covering courts and the law for *Slate*, 2011 (“Read It and Weep,” *Slate*, January 4th, Available Online at http://www.slate.com/articles/news\_and\_politics/jurisprudence/2011/01/read\_it\_and\_weep.single.html, Accessed 04-30-2012)

This newfound attention to the relationship between Congress and the Constitution is thrilling and long overdue. Progressives, as Greg Sargent points out, are wrong to scoff at it. This is an opportunity to engage in a reasoned discussion of what the Constitution does and does not do. It's an opportunity to point out that no matter how many times you read the document on the House floor, cite it in your bill, or how many copies you can stuff into your breast pocket without looking fat, the Constitution is always going to raise more questions than it answers and confound more readers than it comforts. And that isn't because any one American is too stupid to understand the Constitution. It's because the Constitution wasn't written to reflect the views of any one American.

The problem with the Tea Party's new Constitution fetish is that it's hopelessly selective. As Robert Parry notes, the folks who will be reading the Constitution aloud this week can't read the parts permitting slavery or prohibiting cruel and unusual punishment using only their inside voices, while shouting their support for the 10th Amendment. They don't get to support Madison and renounce Jefferson, then claim to be restoring the vision of "the Framers." Either the Founders got it right the first time they calibrated the balance of power between the federal government and the states, or they got it so wrong that we need to pass a "Repeal Amendment" to fix it. And unless Tea Party Republicans are willing to stand proud and announce that they adore and revere the whole Constitution as written, except for the First, 14, 16th, and 17th amendments, which totally blow, they should admit right now that they are in the same conundrum as everyone else: This document no more commands the specific policies they espouse than it commands the specific policies their opponents support.

This should all have been good news. The fact that the Constitution is sufficiently open-ended to infuriate all Americans almost equally is part of its enduring genius. The Framers were no more interested in binding future Americans to a set of divinely inspired commandments than any of us would wish to be bound by them. As Justice Stephen Breyer explains in his recent book, Making Our Democracy Work: A Judge's View, Americans cannot be controlled by the "dead hands" of one moment frozen in time. The Constitution created a framework, not a Ouija board, precisely because the Framers understood that the prospect of a nation ruled for centuries by dead prophets would be the very opposite of freedom.

### AT: Theory

#### The counterplan is a real world policy option

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Many lawmakers and economists in Washington, D.C. have advocated the creation of a national infrastructure bank (NIB) to kick-start investments in the country’s aging roads, bridges, water systems, transit systems, airports and other infrastructure. This NIB, as proposed in the Senate and by the White House, would provide financial assistance to infrastructure projects that contributed to regional or national economic growth, demonstrated a clear public benefit, led to job creation, offered value to taxpayers, and mitigated environmental concerns.1 The federal assistance would be used to leverage private investment, and would be paid back through user fees or other dedicated revenue sources. Supported by parties as diverse as the Chamber of Commerce and the AFL-CIO, the idea has nevertheless become politically charged in Washington.2

Getting stalled-out in D.C. doesn’t mean advocates for better financing for infrastructure have to sit on their hands. Indeed, in state houses across the country, lawmakers are having robust debates about infrastructure projects, and several cities have taken bold moves to identify innovative infrastructure funding mechanisms.3

The fact is that **infrastructure is a profoundly local issue** and is a key determinant of a community’s standard of living.4 As former Pennsylvania Governor Ed Rendell noted in a U.S. Congressional hearing on infrastructure, “Visible or not, properly functioning infrastructure provides us with the reliability and predictability that we as Americans have come to expect from modern daily life.”5 Everyday Americans feel the effects of deteriorating physical assets close to home in the form of traffic delays, unsafe drinking water, inadequate public transportation and unpredictable electrical power. Local lawmakers recognize this: in a 2011 survey, more than three-quarters of U.S. mayors identified the need to prioritize maintenance of current roads and streets over building new highways, and almost half indicated a need to grow public transit capacity.6

State and local governments and their constituents already carry much of the burden of funding these critical resources. Nationally, “transportation” is typically the third-largest state expenditure after “education” and “public welfare.”7 Since the Cold War era, local governments have invested more than $1.25 trillion in water and sewer investments.8 As the National Conference of State Legislatures has pointed out, “Local governments—including counties, townships and municipalities—provide approximately 30 percent of total surface transportation funding and own 77 percent of the nation’s roadway miles.”9

Yet, federal funding streams through the National Surface Transportation Act or the Federal Highway Trust Fund send money to the states without requirements to consider the infrastructure needs of cities and metropolitan areas. As a 2008 policy brief from the National Conference of Mayors noted, “[O]f the more than $42 billion annually flowing to states for surface transportation investment, only six percent of available funds are directed to decision-makers in the nation’s metropolitan areas.”10 Unfortunately, traditional sources of state funding aren’t doing the job. Through 2010, nineteen U.S. states cut transportation funding,11 and in 2011 another six states followed suit.12 To truly address the infrastructure shortcomings that affect our communities most acutely, we need state-level solutions that include input from local lawmakers and local constituents.

**CP represents a core controversy in transportation policy**

**Orski, 10** --- Publisher, Innovation Briefs (7/20/2010, Ken, “A Cutting-Edge Fiscal Policy Innovation,” <http://transportation.nationaljournal.com/2010/07/should-federal-government-fron.php>, JMP)

With the multi-year transportation authorization simply not a high priority with either the Congress or the President (see our NewsBrief of July 16, "New Political Realities May Sidetrack the Transportation Reauthorization," www.infrastructureUSA.org/category/blog ) and with the future of the Highway Trust Fund increasingly uncertain and vulnerable, the possibility of the states taking control of their own transportation destiny and asserting responsibility over transportation funding is assuming increasing plausibility. The Los Angeles County Measure R, and the 30/10 plan advocated by LA Mayor Villaraigosa may indeed be the harbinger of a major revolution in the way states and local governments should approach the funding and financing of transportation infrastructure. Already today, 60 percent of spending on transportation comes from state, county and local governments. **The question before the states is whether they should continue to rely for the remaining 40 percent on increasingly uncertain federal largesse or whether they should free themselves from federal dependence and embark on a more independent course**. Measure R, a dedicated half-cent sales tax, is expected to generate up to $40 billion for local transportation projects over 30-years. By using the sales tax revenue as collateral for long-term bonds and a federal loan, Los Angeles could accelerate completion of 12 key transportation projects in just 10 years rather than the projected 30. Local authorities would repay the federal loan over 20 years with a portion of the proceeds from the sales tax. The 30/10 plan is not just a short-term job-creation initiative and an antidote to the current recession, as some advocates have portrayed it. It's a cutting edge new approach to making states more independent of the increasingly unreliable and unpredictable federal aid and to reducing the problematic reliance on the gas tax. As such, LA County's Measure R and the 30/10 initiative are a potential model for other states and local jurisdictions that are looking for ways to jump start local transportation infrastructure programs. It is also a fiscal policy innovation that U.S. DOT officials and the Congress should seriously consider as part of the next authorization bill.