# National Infrastructure Bank

Table of Contents

[National Infrastructure Bank](#_Toc329171228)

[Aff](#_Toc329171229)

[1AC](#_Toc329171230)

[Inherency: 1AC 7](#_Toc329171231)

[Econ Advantage: 1AC 10](#_Toc329171232)

[Warming Advantage: 1AC 16](#_Toc329171233)

[Plan 22](#_Toc329171234)

[Solvency: 1AC 23](#_Toc329171235)

[Inherency](#_Toc329171236)

[Model Infrastructure Bad 26](#_Toc329171237)

[Infra Failing 27](#_Toc329171238)

[No Federal Control over investment 34](#_Toc329171239)

[Funding Shortfalls 38](#_Toc329171240)

[Investment Low 39](#_Toc329171241)

[Transportation Failing 42](#_Toc329171242)

[Adv: Economy](#_Toc329171243)

[NIB K2 Econ 50](#_Toc329171244)

[NIB Solves Econ 53](#_Toc329171245)

[Construction Industry 64](#_Toc329171246)

[Jobs 65](#_Toc329171247)

[Investment Uniqueness: Interest High 66](#_Toc329171248)

[Economy: Ext. 67](#_Toc329171249)

[Double Dip: Add-On 70](#_Toc329171250)

[Adv: Global Competitiveness](#_Toc329171251)

[Uniqueness: 73](#_Toc329171252)

[Econ: Competitiveness OW 75](#_Toc329171253)

[Credibility 77](#_Toc329171254)

[Infrastructure Key 79](#_Toc329171255)

[NIB K2 Competitiveness 80](#_Toc329171256)

[Adv: Warming](#_Toc329171257)

[Solves Warming 83](#_Toc329171258)

[Adv: Infrastructure Specific](#_Toc329171259)

[Oil 85](#_Toc329171260)

[Terrorism 87](#_Toc329171261)

[Nexgen 88](#_Toc329171262)

[Intercity rail, freight, air traffic 93](#_Toc329171263)

[High Speed Rail 94](#_Toc329171264)

[Adv: Political Gridlock 96](#_Toc329171265)

[Adv: Budget Burdens 102](#_Toc329171266)

[Ext: 104](#_Toc329171267)

[Adv: State Budgets 110](#_Toc329171268)

[Solvency](#_Toc329171269)

[Highways/Transits 120](#_Toc329171270)

[Solvency: Budget 122](#_Toc329171271)

[Speeds up projects 123](#_Toc329171272)

[Solvency: Large Projects 124](#_Toc329171273)

[Solvency: Laundry List 128](#_Toc329171274)

[Solvency: Private Funding 130](#_Toc329171275)

[Solves Investment 132](#_Toc329171276)

[Solves Economy 134](#_Toc329171277)

[Solvency 137](#_Toc329171278)

[Rational Decision Making/Budgets 139](#_Toc329171279)

[Revenue-Based Good 140](#_Toc329171280)

[Public Private Good 141](#_Toc329171281)

[Political Insularity/Jurisdiction 143](#_Toc329171282)

[Self-Sustaining Good 145](#_Toc329171283)

[Incremental – Intercity rail, freight, air traffic 146](#_Toc329171284)

[Europe Proves 147](#_Toc329171285)

[NIBs work, European proves 148](#_Toc329171286)

[Delegation NM 149](#_Toc329171287)

[Rail, Highway, Buses 150](#_Toc329171288)

[AT: Over Leverage (Fannie/Freddie) 151](#_Toc329171289)

[AT: “Picking Winners” (Solyndra) 153](#_Toc329171290)

[CBA Good 154](#_Toc329171291)

[Localities “Skin in Game” 156](#_Toc329171292)

[Bonds H.R. 407 157](#_Toc329171293)

[Executive Appointed Board 158](#_Toc329171294)

[AIFA 159](#_Toc329171295)

[A2: TIFIA/Export-Import 161](#_Toc329171296)

[Smart Grid](#_Toc329171297)

[Plan Text 163](#_Toc329171298)

[Definition: Smart Grid 164](#_Toc329171299)

[Inherency 166](#_Toc329171300)

[Power Transmission 169](#_Toc329171301)

[Transmission Efficiency 171](#_Toc329171302)

[Renewable Energy 174](#_Toc329171303)

[Economic Value 177](#_Toc329171304)

[Microgrid Technology 178](#_Toc329171305)

[Smart Grid: Tech and Applications 180](#_Toc329171306)

[Smart Grid Solves Econ 182](#_Toc329171307)

[Smart Grid = Topical 183](#_Toc329171308)

[DA Answers](#_Toc329171309)

[Highway Gas Tax DA 186](#_Toc329171310)

[Budget 187](#_Toc329171311)

[Federalism 191](#_Toc329171312)

[Politics: Popular 193](#_Toc329171313)

[Politics: unpopular 195](#_Toc329171314)

[Topicality](#_Toc329171315)

[USFG Investment Increase 199](#_Toc329171316)

[Significantly Increase 200](#_Toc329171317)

[Significantly 201](#_Toc329171318)

[Investment 202](#_Toc329171319)

[CP Answers](#_Toc329171320)

[Pick a Tek CP 204](#_Toc329171321)

[States 205](#_Toc329171322)

[Neg](#_Toc329171323)

[Inherency 210](#_Toc329171324)

[Solvency](#_Toc329171325)

[1NC 212](#_Toc329171326)

[Solvency – 2NC 215](#_Toc329171327)

[Bank Fails – Ext. 222](#_Toc329171328)

[NIB Fails 224](#_Toc329171329)

[Solvency: Neg 225](#_Toc329171330)

[Solvency: Delay 229](#_Toc329171331)

[NIB Doesn’t Solve 230](#_Toc329171332)

[Must Be More than Transportation 232](#_Toc329171333)

[Ruralism 233](#_Toc329171334)

[Bank $ Solvency 234](#_Toc329171335)

[Accountability/Democracy 236](#_Toc329171336)

[Not Enough $ <60 Mill 237](#_Toc329171337)

[Solvency: Delay 239](#_Toc329171338)

[A2: Bank Self-sustaining 240](#_Toc329171339)

[A2: States Banks prove 241](#_Toc329171340)

[Bank Fails – Ext. 242](#_Toc329171341)

[Advantage Answers](#_Toc329171342)

[Econ – 1NC 250](#_Toc329171343)

[State Budget – 1NC 254](#_Toc329171344)

[1NC- Warming 257](#_Toc329171345)

[Disadvantages](#_Toc329171346)

[Federalism 262](#_Toc329171347)

[Federalism Now 263](#_Toc329171348)

[Budget DA](#_Toc329171349)

[Budget Links 265](#_Toc329171350)

[Investment Tradeoff DA 266](#_Toc329171351)

[Highway Bill DA 267](#_Toc329171352)

[Counterplans](#_Toc329171353)

[CP: States 270](#_Toc329171354)

[States Solve 2NC 272](#_Toc329171355)

[States Solve- Ext. 273](#_Toc329171356)

# Aff

## 1AC

### Inherency: 1AC

#### Future Infrastructure budget cuts are inevitable – We must locate other means of investment to rebuild and innovate

Michael Likosky et. al 2011 June, senior fellow at NYU’s Institute for Public knowledge, Josh Ishimatsu, senior fellow at the C enter on L aw & Public Finance, and Joyce Miller, senior fellow at the C enter on L aw & Public Finance, The Social Science Research Council (SSRC) leads innovation, builds interdisciplinary and international networks, “Rethinking 21st - Century Government: Public-Private Partnerships And The National Infrastructure Bank” http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf

In an era of severe budgetary constraints, how can the federal government ensure that America is investing in what is needed to promote economic competitiveness, broad-based opportunity, and energy security? Increasingly, public-private partnerships enjoy broad support as the answer to this question, across party lines and political divisions. Partnership-driven projects are pursued today in wide-ranging areas, including education, transportation, technology, oil and gas, clean energy, mineral extraction, and manufacturing. Well-considered partnerships compliment, strengthen, and reinforce those existing meritorious approaches carried out through traditional means. They represent a fundamentally distinct way for government to address complex challenges, with federal agencies playing a catalytic role rather than a directive one. A National Infrastructure Bank can provide the requisite capacity to implement public-private partnerships. America is at a standstill. Federal, state, and local governments are facing overburdened public balance sheets while enormous sums sit in limbo in pension funds and in the accounts of what the M cKinsey G lobal Institute has called the new global power brokers: Asian sovereign funds, petrodollar accounts, private equity funds, and hedge funds.1 It is why President Obama posed this question to his Economic Recovery Advisory Board in 2009: Obviously we’re entering into an era of greater fiscal restraint as we move out of deep recession into a recovery. And the question I’ve had is people still got a lot of capital on the sidelines there that are looking for a good return. Is there a way to channel that private capital into partnering with the public sector to get some of this infrastructure built?2 Unless we can shepherd this money into our productive economy, the country will have to forego much-needed projects for lack of financing. Public-private partnerships involve federal agencies coinvesting alongside state and local governments, private firms, and nonprofits. Having partnerships within a government’s toolbox not only brings a sizable new source of capital into the market, it also allows public officials to match assets with the most appropriate and cost-effective means of financing. If a class of existing and new projects can be financed from private sources, then we can begin to decrease our debt burden while also investing and growing our economy. Scarce public funds are then freed up to be spent on essential services and those projects best financed through traditional means. Because the success of partnerships depends upon collaborations between government and private firms that may under other circumstances be viewed as raising conflicts of interest, a rethinking of the function of government is essential. In a recent opinion piece in the Wall Street Journal, the president announced an executive order, Improving Regulation and Regulatory Review,3 which “requires that federal agencies ensure that regulations protect our safety, health and environment while promoting economic growth.”4 The piece, entitled “Toward a 21st-Century Regulatory System,” was accompanied by an evocative drawing of a regulator wielding an oversized pair of scissors busily cutting through a sea of red tape. While widely viewed as an effort to curry favor with American businesses, this presidential outreach can also be read as an indication that the federal government will support—and encourage— divergent groups working together to cut through outmoded, counterproductive, or unnecessarily burdensome regulation. Public-private partnerships are especially suited to fulfilling the order’s directives and can serve as a model for our twenty-first-century federal agencies. If coming together as a team—public and private, Republican and Democrat, progressive and Tea Party—is a precondition not only to winning the future but also to solving today’s seemingly intractable problems, then we must take the task at hand seriously. Diverse groups must appreciate the unique and valuable resources and perspectives that those who are their combatants in other contexts bring to the team. Government agencies, more accustomed to acting as referee—setting down basic rules of the game and constraining behavior deemed contrary to the public interest—must find ways of coaching this unruly bunch, not from the sidelines but as a vital player. Government as Player-Coach In a recent appearance at Gamesa Technology Corporation’s factory in Fairless H ills, Pennsylvania, President Obama called attention to the political challenge inherent to any large undertaking. This was a fitting locale for a discussion of the federal government’s evolving role, as O bama had helped catalyze a deal whereby the C erro de H ula wind farm in H onduras would purchase turbine exports from the G amesa factory with support from the Export-Import Bank of the U nited States and from the Central American Bank for Integration. A question from the factory floor concerned the proposed U S Smart G rid, an ambitious, expensive national project to create a modernized, efficient national electricity grid that would save energy over the long haul by reducing the waste tied to our country’s antiquated distribution network. Asked whether the federal government had plans to lay out the substantial sum needed to carry out this endeavor, the president gave an answer that might surprise some, explaining that “the challenge is not so much a money issue.” Pointing to the fact that we “could probably get a lot of private-sector dollars to invest in a smart grid,” he asserted that the challenge was instead a political one, “all these different zoning laws” that arise because “people don’t want transmission lines, et cetera, in their vicinity.” M oreover, “each state and each local government has its own control about siting issues,” so that America behaves like a patchwork of interests rather than as a united nation.5 This political challenge is not a light one and requires working together across diverse interests to coalesce as a team. No longer able to use the power of the purse as primary leverage, government must identify its own unique capacities as a problem-solver within a changed landscape, shifting from a directive to a catalytic role in order to identify and amend problematic regulation that stifles innovation and restricts economic growth while strengthening regulation essential to protect the public. Coaching from the sidelines will no longer ensure a win. Government will only be fully engaged and effective if it has a direct interest in the outcome—federal agencies must act as player-coaches. A player-coach is a member of the team who simultaneously holds both playing and coaching responsibilities. The challenges and constraints faced by fellow team members can best be appreciated on the field, in the heat of play. The player-coach can then inspire the top individual performance of each player while keeping everyone’s eyes on the ball, lending a hand when his or her particular skills are called for. A player-coach does not embrace a game without rules nor an overly managerial approach because he or she knows first-hand both the value of a game plan and the need to adapt, problem-solve, and innovate on the fly. G enuinely skilled player-coaches are able to move strategically and seamlessly between their roles as coach and player in a way that maximizes the team’s interests. O ne of the best, Bill Russell, found just the right balance in his second season as player-coach of the Boston Celtics, when he began making careful targeted use of his time off the sidelines after spending many minutes on the court in his first season.6 Most important, a player-coach agency can turn opponents into teammates. Too frequently, we hamstring our ability to work together by tethering our debates over the appropriate role and function of government to philosophical poles of government and the economy—such as a night-watchman state or a Keynesian one. These approaches exist in their pure forms only within textbooks and political discourse. Today’s pressing challenges demand that we eschew the litmus-test politics that result from the lionizing of philosophical puritanism so that we can find common ground—where traditional regulation and business innovation meet— and advance our shared values together in a workable way. For America to win the future, the government must be fully in the game with truly modern entrepreneurial public agencies that promote public values as a growth accelerant.

#### Fixing what we have will fail – it’s time for a bold new reinvestment in infrastructure

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

As many writers have noted, American infrastructure is depreciating rapidly – we are likely well below the replacement rate of investment in roads, mass transit, airports, ports, rail, and water assets. The logical implication is that we need to invest more. But more investment in and of itself will not move us towards having the right mix of infrastructure assets in place.

The current mix results from one of two selection processes. The first is devolution to the states (for example the cost-sharing grants delivered by the Highway Trust Fund), and the second is selection by Federal agencies (e.g., the Corps of Engineers). At worst, these processes lead to politically motivated outcomes, either because state governments favor some projects for wholly non-economic reasons, or because the Congress can muscle the selection process from the federal agencies. The most recent transportation authorization bill, passed in 2005, made the word “earmark” famous by incorporating a stunning $24 billion of them – the price of having a law passed. Insofar as we have given the task of project selection to the political process, it would be surprising if this kind of event didn’t happen, not that it sometimes does. Politicized project selection is one of several problems associated with the current process. But it is one of the reasons why a National Infrastructure Bank is so important and so urgently needed: not just because a bank might be able to lever federal dollars, but because it can use the existing dollars more wisely and obtain a higher public return. What follows, then, is a description of the role a National Infrastructure Bank could play, taken from the perspective of the specific problems in the current process it might solve. This perspective also allows us to evaluate the administration’s proposal. In a nutshell, Rohatyn and I propose that we collapse all of the federal “modal” transportation programs into the Bank. Any entity – whether state, local, or federal – would have standing to come to the Bank with a proposal requiring federal assistance. The Bank would be able to negotiate the level and form of such assistance based on the particulars of each project proposal. It could offer cash participation or loan guarantees, underwriting or credit subsidies, or financing for a subordinated fund to assure creditors. Any project requiring federal resources above some dollar threshold (on a credit scoring basis) would have to be approved by the Bank. Additionally, we imagine that some part of the funding for existing modal programs would be converted into block grants sent directly to the states and large cities to be spent on projects too small for the Bank’s oversight. Such grants could also be used for those programs desired by the states that do not pass muster on terms proposed by the Bank. This is more a vision of infrastructure policy than a blueprint for the immediate future. Admittedly, it will take years and a meticulous reorganization to produce this configuration. But the best way to measure our progress in infrastructure policy (and the merits of the administration’s proposal) is not to see how quickly we adopt the Bank’s specific features, but to see how the Bank addresses the underlying infrastructure policy flaws it is designed to fix.

#### Unilateral policy infrastructure goals fail – broad base institutional reform is key to efficient and long-term strength

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Our analysis indicates that further infrastructure investments would be highly beneficial for the U.S. economy in both the short and long term. First, estimates of economically justifiable investment indicate that American transportation infrastructure is not keeping pace with the needs of our economy. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; the Federal government has a constructive role to play by stepping up to address the anticipated shortfall and providing more efficient financing mechanisms, such as Build America Bonds. The third key finding is that investing in infrastructure benefits the middle class most of all. Finally, there is considerable support for greater infrastructure investment among American consumers and businesses.

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short-term and long-term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also a more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as to establish a National Infrastructure Bank, which would leverage private and other non-Federal government resources to make wise investments in projects of regional and national significance.

### Econ Advantage: 1AC

#### First, U.S. economic competitiveness is declining

Reuters, 2012

Scott Malone, “U.S. economy losing competitive edge: survey,” January 18, http://www.reuters.com/article/2012/01/18/us-corporate-competitiveness-idUSTRE80H1HR20120118, last accessed 5.25.12

In particular, the nation is falling behind emerging market rivals and just keeping pace with other advanced economies, according to a Harvard Business School survey of 9,750 of its alumni in the United States and 121 other countries. Seventy-one percent of respondents expected the U.S. to become less competitive, less able to compete in the global economy with U.S. firms less able to pay high wages and benefits, the study found. The findings come at a time when high unemployment is a major concern for Americans, with 23.7 million out-of-work and underemployed, and the economy the top issue ahead of November's presidential election. "The U.S. is losing out on business location decisions at an alarming rate" said Michael Porter, a Harvard Business School professor who was a co-author of the study. U.S. companies, which slashed headcount sharply during the 2007-2009 recession, have been slow to rehire since the downturn's official end and some have continued to cut. This month, Archer Daniels Midland Co ([ADM.N](http://www.reuters.com/finance/stocks/overview?symbol=ADM.N)), Kraft Foods Inc ([KFT.N](http://www.reuters.com/finance/stocks/overview?symbol=KFT.N)) and Novartis AG NOVN.XV all said they would be cutting U.S. jobs this year. Survey respondents said they remained more likely to move operations out of the United States than back in. Of 1,005 who considered offshoring facilities in the past year, 51 percent decided to move versus just 10 percent who opted to keep their facilities in the country, with the balance not yet decided. Respondents, graduates of the prestigious business school who were polled from October 4 through November 4, were particularly concerned about how the United States was shaping up versus emerging nations such as China, [Brazil](http://www.reuters.com/places/brazil) and India, with 66 percent saying the United States was falling behind.

#### Global infrastructure investment is outperforming the US

Felix G. Rohatyn, Special Advisor to the Chairman and CEO, Lazard Freres and Co. LLC, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

While America's economic competitors and partners around the world make massive investments in public infrastructure, our nation's roads and bridges, schools and hospitals, airports and railways, ports and dams, waterlines, and air-control systems are rapidly and dangerously deteriorating.China, India, and European nations are spending--or have spent--the equivalent of hundreds of billions of dollars on efficient public transportation, energy, and water systems. Meanwhile, the American Society of Civil Engineers estimated in 2005 that it would take $1.6 trillion simply to make U.S. infrastructure dependable and safe. The obvious, negative impact of this situation on our global competitiveness, quality of life, and ability to create American jobs is a problem we no longer can ignore.

#### **A NIB is key to acquiring global capital funding that will sustain US competitiveness – a delay would be suicide**

Sen. John Kerry (D-Mass.) is chairman of the Senate Foreign Relations Committee. AND Tom Donohue, 3/11/2011 is president and chief executive officer of the U.S. Chamber of Commerce,

We have differences on so many issues. But there’s too much at stake now for political parties to focus narrowly on the next election., “Building a U.S. infrastructure bank” http://www.politico.com/news/stories/0311/52229\_Page2.html

The 21st century can be another American century, but only if we rebuild our nation and do the things that will keep America exceptional for generations to come. Americans have always been builders. We built a transcontinental railroad. We built an interstate highway system. We built rockets that let us explore the farthest edge of the solar system and beyond. Yet when it comes to our nation’s infrastructure, we’re not building for the future. Our roads and bridges are crumbling beneath us. Meanwhile, our competitors are building superior infrastructures that can attract jobs, businesses and capital. We can construct a world-class infrastructure again. But we won’t by simply throwing money at the problem or applying Band-Aids when major surgery is needed. Instead, we need strategic, comprehensive, long-term solutions — and the resources to implement them. First, we must pass a comprehensive, multiyear highway and transit bill that is adequately funded, focuses on national priorities, spends money wisely and removes roadblocks to private investment. Because our infrastructure needs are so great — and our federal budget so tight — we need to leverage every public and private resource available to secure investments that can maintain and improve our system.That’s why we are joining together to build a new, bipartisan consensus for an American infrastructure bank — one that can help create jobs today and will increase our economic competitiveness tomorrow by financing projects for everything from rail to seaports. With traditional funding methods, like appropriations and municipal bonds, squeezed by the economic slowdown, a bank would complement limited public investments by leveraging private resources to help get the job done. By channeling large pools of new investments from private sources that don’t currently invest in U.S. infrastructure, a bank could help solve our infrastructure deficit without straining our budget. We need to do more with less federal money. The bank would operate without political influence to finance projects based on their national and regional importance — not their political value. It would be run transparently by experienced professionals under congressional oversight. It would need to include checks and balances to prevent abuse by both the private sector and political players. It could serve as a catalyst — not a substitute — for private investment. It wouldn’t stop the private sector from taking the lead when it can and should. This is a practical strategy for prosperity and a pragmatic vision that can be embraced outside ideological or partisan concerns. How do we do it? There is $180 billion to $200 billion in private capital available for investment in U.S. infrastructure. Capital is fluid, though. If we don’t make every effort to put these resources to use in our own country, it will flow to our competitors. The answer is to remove the politics, recognize the reality of the U.S. deficit and acknowledge that the private sector, not the federal government, is the chief economic engine. An American infrastructure bank would then be able to access private capital and revitalize and expand networks that connect us to each other and the world, as well as to the resources essential for business and everyday life. Reliable, modern infrastructure isn’t a luxury. It’s the lifeblood of our economy — the key to connecting our markets; moving products, people, information and energy; and generating and sustaining millions of jobs for U.S. workers. In the face of global competition, our growth and exports are directly tied to the modernity of our infrastructure. Yet for too long, we’ve underbuilt and underinvested. Too much of what we have done has been uninformed by a long-term strategic plan. In 2008, it was estimated that we had to make an annual $250 billion investment for 50 years to meet our surface transportation needs alone.We aren’t even close to that today. If we don’t act, we won’t just stand still, and we won’t just fall behind. In an Information Age global economy, choices and consequences come quickly, and inaction could hold us behind permanently as we cede economic opportunities to more disciplined nations. As we invest too little — and our competitors’ investments grow — it will only become harder to catch up as they become more and more attractive for private investments. In 2009, China spent an estimated $350 billion on infrastructure — 9 percent of its gross domestic product. Europe’s infrastructure bank financed $350 billion in projects across the continent from 2005 to 2009, modernizing seaports, expanding airports and high-speed rail lines and reconfiguring city centers. Brazil alone has invested more than $240 billion in infrastructure in the past three years — with an additional $340 billion planned for the next three. These countries are doing what we need to do. Some are racing ahead precisely because they have created infrastructure banks to help them invest more with fewer public resources. Passing a good highway and transit bill, creating a national infrastructure bank and removing roadblocks to private investment can help us rebuild a world-class infrastructure system. But we must also recognize that traditional U.S. public funding mechanisms for infrastructure investment are inadequate for the growing needs of our economy, businesses and citizens. Receipts to the Highway Trust Fund have fallen substantially as cars and trucks improve gas mileage. The Highway Trust Fund’s integrity has been compromised, and its declining resources may be poached for other purposes. We are on an unsustainable path.The sooner we address this challenge, the sooner we can secure the funding we need to increase our mobility, create jobs and enhance our global competitiveness. We need to address this not as separate interests but as a nation with a national purpose. The world of the next generation is changing too rapidly for us to try to compete using last century’s bridges, roads, water systems and transmission lines.

#### An infrastructure bank would jumpstart investment on ports and other infrastructure—solves competitiveness

Rendell, former governor of Pennsylvania, and Smith, mayor of Mesa, Arizona and vice chairman of the U.S. Conference of Mayors, both are members of Building America’s Future Educational Fund, 2011 Ed and Scott, The Wall Street Journal, “Transportation Spending is the Right Stimulus,” August 11, http://www.bafuture.com/sites/default/files/WSJ\_Transportation\_Spending\_Is\_the%20\_Right\_Stimulus.pdf, last accessed 5.25.12

During this time of economic uncertainty and record federal deficits, many question why America should invest aggressively in infrastructure. The answer is simple: Whether it involves highways, railways, ports, aviation or any other sector, infrastructure is an economic driver that is essential for the long-term creation of quality American jobs.

Unfortunately, our position as the world leader in infrastructure has begun to erode after years of misdirected federal priorities. When it comes to transportation, Washington has been on autopilot for the last half-century. Instead of tackling the hard choices facing our nation and embracing innovations, federal transportation policy still largely adheres to an agenda set by President Eisenhower. As a result, American citizens and businesses are wasting time, money and fuel. According to the Texas Transportation Institute, in 2009 Americans wasted 4.8 billion hours sitting in traffic at a cost of $115 billion and 3.9 billion wasted gallons of gas. Meanwhile, nations around the world are investing in cutting-edge infrastructure to make their transportation networks more efficient, more sustainable and more competitive than ours. These investments have put them on a cycle of economic growth that will improve their standard of living and improve their citizens' quality of life. Building America's Future Educational Fund, a national and bipartisan coalition of state and local elected officials, of which we are members, recently issued a report on the subject, "Falling Apart and Falling Behind." It offers a sobering assessment of transportation-infrastructure investments in the U.S. as compared to the visionary investments being made by our global economic competitors. As recently as 2005, the World Economic Forum ranked the U.S. No. 1 in infrastructure economic competitiveness. Today, the U.S. is ranked 15th. This is not a surprise considering that the U.S. spends only 1.7% of its gross domestic product on transportation infrastructure while Canada spends 4% and China spends 9%. Even as the global recession has forced cutbacks in government spending, other countries continue to invest significantly more than the U.S. to expand and update their transportation networks. China has invested $3.3 trillion since 2000, for example, and recently announced another $105.2 billion for 23 new infrastructure projects. Brazil has invested $240 billion since 2008, with another $340 billion committed for the next three years. The result? China is now home to six of the world's 10 busiest ports—while the U.S. isn't home to one. Brazil's Açu Superport is larger than the island of Manhattan, with state-of-the-art highway, pipeline and conveyor-belt capacity to ease the transfer of raw materials onto ships heading to China. To get our nation's economy back on track, we must develop a national infrastructure strategy for the next decade. This policy should be based on economics, not politics. Washington must finally pass a reauthorized multiyear transportation bill; target federal dollars toward economically strategic freight gateways and corridors; and refocus highway investment on projects of national economic significance, such as New York's Tappan Zee Bridge across the Hudson, where capacity restraints impose real congestion and safety costs in an economically critical region. It is also time we create new infrastructure financing options, including a National Infrastructure Bank. Many of these new programs, using Build America Bonds, for instance, can be paid for with a minimal impact on the federal deficit. The government's continued neglect of infrastructure will consign our nation and our children to economic decline. Rebuilding America's future cannot be a Democratic or Republican political cause. It must be a national undertaking. And if it is, there will be no stopping us. Let's get to work.

#### And, failure to restore U.S. competitiveness crushes U.S. primacy—the impact is global war

Khalilzad, Fellow at the Center for Strategic and International Studies, 2011

Zalmay, National Review, “The Economy and National Security,” February 8, http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad?pg=2, last accessed 5.25.12

Today, economic and fiscal trends pose the most severe long-term threat to the United States’ position as global leader. While the United States suffers from fiscal imbalances and low economic growth, the economies of rival powers are developing rapidly. The continuation of these two trends could lead to a shift from American primacy toward a multi-polar global system, leading in turn to increased geopolitical rivalry and even war among the great powers. The current recession is the result of a deep financial crisis, not a mere fluctuation in [the business](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad) cycle. Recovery is likely to be protracted. The crisis was preceded by the buildup over two decades of enormous amounts of debt throughout the U.S. economy — ultimately totaling almost 350 percent of GDP — and the development of credit-fueled asset bubbles, particularly in the housing sector. When the bubbles burst, huge amounts of wealth were destroyed, and [unemployment](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad) rose to over 10 percent. The decline of tax revenues and massive countercyclical spending put the U.S. government on an unsustainable fiscal path. Publicly held national debt  rose from 38 to over 60 percent of GDP in three years. Without faster economic growth and actions to reduce deficits, publicly held national debt is projected to reach dangerous proportions. If interest rates were to rise significantly, annual interest payments — which already are larger than the defense budget — would crowd out other spending or require substantial tax increases that would undercut economic growth. Even worse, if unanticipated events trigger what [economists](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad) call a “sudden stop” in credit markets for U.S. debt, the United States would be unable to roll over its outstanding obligations, precipitating a sovereign-debt crisis that would almost certainly compel a radical retrenchment of the United States internationally. Such scenarios would reshape the international order. It was the economic devastation of Britain and France during World War II, as well as the rise of other powers, that led both countries to relinquish their empires. In the late 1960s, British leaders concluded that they lacked the economic capacity to maintain a presence “east of Suez.” Soviet economic weakness, which crystallized under Gorbachev, contributed to their decisions to withdraw from Afghanistan, abandon Communist regimes in Eastern Europe, and allow the Soviet Union to fragment. If the U.S. debt problem goes critical, the United States would be compelled to retrench, reducing its military spending and shedding international commitments. We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The closing of the gap between the United States and its rivals could intensify geopolitical competition among major powers, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation. The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. [leadership](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad). By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions.

#### Failure to avoid economic decline causes war

Mead, Senior Fellow in U.S. Foreign Policy at the Council on Foreign Relations, 2009

Walter Russell, The New Republic, “Only Makes You Stronger,” February 4, http://www.tnr.com/politics/story.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8&p=2, last accessed 1.23.10

None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises.

Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born? The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

### Warming Advantage: 1AC

The science is settled - warming is real, anthropogenic, and threatens extinction - be highly skeptical of negative evidence

Costello et al 11(Anthony, Professor and Co-Director of the Institute for Global Health @ University College London, Mark Malsin, Professor in the Department of Geography @ UCL, Director of the UCL Institute for Human Health and Performance, Anne Johnson, Professor of Infectious Disease Epidemiology @ UCL, Paul Ekins, PhD in Economics from University of London and Professor of Energy and Environmental Policy @ UCL Energy Institute, "Global health and climate change: moving from denial and catastrophic fatalism to positive action," May, http://rsta.royalsocietypublishing.org/content/369/1942/1866.full)

Advocacy about the health consequences will ensure that climate change is a high priority. The United Nations Convention on Climate Change was set up in 1992 to ensure that nations worked together to minimize the adverse effects, but McMichael and Neira noted that, in preparation for the Copenhagen conference in December 2009, only four of 47 nations mentioned human health as a consideration [1]. With business as usual, global warming caused by rising greenhouse gas (GHG) emissions will threaten mass populations through increased transmission of some infections, heat stress, food and water insecurity, increased deaths from more frequent and extreme climate events, threats to shelter and security, and through population migration [2]. On the one hand it is necessary in the media to counter climate change sceptics and denialists, but on the other it is also important not to allow climate catastrophists, who tell us it is all too late, to deflect us from pragmatic and positive action. Catastrophic scenarios are possible in the longer term, and effective action will be formidably difficult, but evidence suggests that we do have the tools, the time and the resources to bring about the changes needed for climate stability. Previous Section Next Section 2. Climate change evidence and denial Given the current body of evidence, it is surprising that global warming and its causal relationship with atmospheric GHG pollution is disputed any more than the relationship between acquired immune deficiency syndrome (AIDS) and human immunodeficiency virus (HIV) infection, or lung cancer and cigarette smoking. The basic principles that determine the Earth’s temperature are, of course, relatively simple. Some of the short-wave solar radiation that strikes the Earth is reflected back into space and some is absorbed by the land and emitted as long-wave radiation (heat). Some of the long-wave radiation is trapped in the atmosphere by ‘greenhouse gases’, which include water vapour, carbon dioxide and methane. Without GHGs the Earth would be on average 33°C colder. Over the last 150 years, since the Industrial Revolution, humans have been adding more carbon dioxide and methane into the atmosphere. The result is that the Earth’s atmosphere, ocean and land are indeed warming—due to increased atmospheric ‘greenhouse gas’ concentrations [3]. Gleick et al. [4], from the US National Academy of Sciences, wrote a letter to Science stating ‘There is compelling, comprehensive, and consistent objective evidence that humans are changing the climate in ways that threaten our societies and the ecosystems on which we depend’. The most recent report by the Intergovernmental Panel on Climate Change (IPCC) [5], amounting to nearly 3000 pages of detailed review and analysis of published research, also declares that the scientific uncertainties of global warming are essentially resolved. This report states that there is clear evidence for a 0.75°C rise in global temperatures and 22 cm rise in sea level during the twentieth century. The IPCC synthesis also predicts that global temperatures could rise further by between 1.1°C and 6.4°C by 2100, and sea level could rise by between 28 and 79 cm, or more if the melting of Greenland and Antarctica accelerates. In addition, weather patterns will become less predictable and the occurrence of extreme climate events, such as storms, floods, heat waves and droughts, will increase. There is also strong evidence for ocean acidification driven by more carbon dioxide dissolving in the oceans [6]. Given the current failure of international negotiations to address carbon emission reductions, and that atmospheric warming lags behind rises in CO2 concentration, there is concern that global surface temperature will rise above the supposedly ‘safe limit’ of 2°C within this century. Each doubling of atmospheric carbon dioxide concentration alone is expected to produce 1.9–4.5°C of warming at equilibrium [7]. Of course, climate modelling is an extremely complex process, and uncertainty with projections relating to future emissions trajectories means that the time scale and magnitude of future climate change cannot be predicted with certainty [8]. These uncertainties are magnified when future climate predictions are used to estimate potential impacts. For example, the environmental impacts of climate change are also uncertain, but could underestimate such impacts because they detrimentally interact with habitat loss, pollution and loss of biodiversity due to other causes. There is also the additional problem that switching from biome to biome may not be directly reversible. For example, rainforest recycles a huge amount of water so it can survive a significant amount of aridification before it burns and is replaced by savannah. But the region then has to get much wetter before rainforest can return, as there is greatly reduced water cycling in savannah [9]. In the policy arena, further uncertainty surrounds the desire for international agreements on emission cuts, and the possible routes to such agreement and implementation. The feasible speed of technological innovation in carbon capture and provision of renewable/low-carbon energy resources is also uncertain. Denying the causes or the current weight of evidence for anthropogenic climate change is irrational, just as the existence of ‘uncertainties’ should not be used to deny the need for proportionate action, when such uncertainties could underestimate the risks and impact of climate change. There is no reason for inaction and there are many ways we can use our current knowledge of climate change to improve health provision for current and future generations. Previous Section Next Section 3. Catastrophism At the other end of the scale are doom-mongers who predict catastrophic population collapse and the end of civilization. In the early nineteenth century, the French palaeontologist Georges Cuvier first addressed catastrophism and explained patterns of extinction observed in the fossil record through catastrophic natural events [10]. We know now of five major extinctions: the Ordovician–Silurian extinction (439 million years ago), the Late Devonian extinction (about 364 million years ago), the Permian–Triassic extinction (about 251 million years ago), the End Triassic extinction (roughly 199 million to 214 million years ago) and the Cretaceous–Tertiary extinction (about 65 million years ago). These mass extinctions were caused by a combination of plate tectonics, supervolcanism and asteroid impacts. The understanding of the mass extinctions led Gould & Eldredge [11] to update Darwin’s theory of evolution with their own theory of punctuated equilibrium. Many scientists have suggested that the current human-induced extinction rates could be as fast as those during these mass extinctions [12,13]. For example, one study predicted that 58 per cent of species may be committed to extinction by 2050 due to climate change alone [14], though this paper has been criticized [15,16]. Some people have even suggested that human extinction may not be a remote risk [17–19]. Sherwood & Huber [7] point to continued heating effects that could make the world largely uninhabitable by humans and mammals within 300 years. Peak heat stress, quantified by the wet-bulb temperature (used because it reflects both the ambient temperature and relative humidity of the site), is surprisingly similar across diverse climates and never exceeds 31°C. They suggest that if it rose to 35°C, which never happens now but would at a warming of 7°C, hyperthermia in humans and other mammals would occur as dissipation of metabolic heat becomes impossible, therefore making many environments uninhabitable.

#### Plan results in a 12% reduction in C02 emissions

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Finally, a well-maintained and robust network of transportation infrastructure, which allows individuals to access multiple modes of transportation, results in significant efficiency benefits for Americans. One study found that in 2009, households at the national median level of income residing in “location efficient” neighborhoods with diverse transportation choices realized over $600 in transportation cost savings, compared to similar households living in less efficient areas.21 Further, well-maintained roads with adequate capacity, coupled with access to public transit and other driving alternatives, can lower traffic congestion and accident rates which not only saves Americans time and money but also saves lives. Congestion is not limited only to our nation’s roads but also to our rails. Freight rail systems can play a vital role in relieving road traffic and in moving goods in a more fuel efficient manner. One study estimated that on average, freight railroads are four times more fuel efficient than trucks.22 These benefits can also reduce dependence on foreign oil, improve energy efficiency, and reduce air pollution. For example, one study in the Los Angeles area found that traffic congestion has a significant effect on CO2 emissions, and that reducing stop-and-go traffic conditions could potentially reduce emissions by up to 12 percent.23 Another study estimates that America’s public transportation system reduces gasoline consumption by 4.2 billion gallons annually. 24

Increasing energy efficiency of transportation solves GHG emissions- inefficiency result in massive warming - the plan's congestion pricing solves

Greene and Schafer ‘3 (David L. Greene, Oak Ridge National Laboratory and Andreas Schafer, Massachusetts Institute of Technology, “Reducing Greenhouse Gas Emissions From U.S. Transportation”, <http://www.c2es.org/publications/report/reducing-greenhouse-gas-emissions-us-transportation>, May 2003, LEQ)

Significant reductions in greenhouse gas emissions from U.S. transportation can be achieved by increasing the energy efficiency of transportation equipment. This strategy requires only incremental changes to conventional technologies and fuels, and so preserves both the characteristics of modern conventional vehicles that consumers desire and the enormous investment in the infrastructure for producing, distributing, and retailing conventional petroleum fuels. However, increasing energy efficiency of the transportation system takes time, typically 15 years or more between efficiency gains in new equipment and comparable efficiency gains for the entire fleet of transportation vehicles (see Box 2, “Changing Transportation Energy Use Takes Time”). A. Passenger Cars and Light Trucks27 By 2015, the fuel economy of light-duty vehicles32 (passenger cars, vans, minivans, sport-utility vehicles, and pick-up trucks) can be increased by about one-fourth to one-third with existing technology at a cost less than the value of the fuel saved. By 2030, it is likely that fuel economy can be increased to significantly higher levels (50 percent to 100 percent), at possibly greater cost, depending on the progress of technology. Vehicle fuel efficiency can be increased by improving the energy efficiency of the drive train (engine and transmission) and by reducing the amount of energy necessary to move the vehicle (by reducing weight, aerodynamic drag, and rolling resistance). While the single largest contribution to improved fuel efficiency is expected to come from the drive train, the largest total increase in fuel economy can be achieved through a combination of these technologies, which allows a compounding of individual energy efficiency improvement potentials. Only rarely is the full power of a vehicle’s engine needed. For example, a typical passenger car requires less than 20 horsepower to cruise on a level highway, meaning that the typical model year 2000 passenger car has more than eight times the power it needs for cruising. Several technologies are now available that can improve engine efficiency when operating under “low load” conditions. An appropriate combination of these technologies could increase engine efficiency by up to 25 percent.33 Transmissions also offer a significant energy efficiency improvement potential of several percent.34 Reductions in aerodynamic drag of at least 10 percent (lowering fuel consumption by about 2 percent) are readily achievable, and the rolling resistance of tires can be lowered (leading to fuel consumption reductions of 1 to 1.5 percent) without compromising handling, comfort, or braking. There are also opportunities to reduce vehicle weight by greater use of advanced lightweight, high-strength steels, aluminum, and composite materials. For example, the steel industry has shown how the weight of the structural components of a typical passenger car can be reduced by about 25 percent (approximately 100 lbs.) with no loss of crashworthiness or performance.35 Vehicles made from aluminum can achieve a 40 percent reduction in the weight of structural components, with improved crashworthiness.36 Additional emerging vehicle technologies that could improve efficiency are the 42-volt electrical system, which permits electrification of many accessories that are now mechanically operated, and the integrated starter/alternator (ISA), which allows the engine to be shut down during idling or deceleration and restarted instantly when needed. Depending on the amount of battery storage, the ISA system can also permit a certain amount of regenerative braking, recapturing energy normally wasted in braking for later use. By combining such proven and near-term technologies (excluding weight reduction), a recent study of automotive fuel economy by the National Research Council (NRC) concluded, “Technologies exist that, if applied to passenger cars and light trucks, would significantly reduce fuel consumption within 15 years.”37 Based on their assessment, the NRC Committee found that passenger car fuel economy could most likely be increased by 12 (for subcompacts) to 27 percent (for large cars) and light truck fuel economy by 25 (small SUVs) to 42 percent (large SUVs), using technologies that would not change the size, weight, or performance of vehicles. While many of these technologies would increase the vehicle’s price, they could more than pay back their cost over the life of the vehicle.38 The NRC study, however, also cited reasons to believe that when choosing a car, the typical car buyer considers only the first three years of fuel savings, not the fuel savings over the life of the car. If this is so, it represents a significant market barrier to fuel economy improvements (see Box, “Markets and Fuel Economy”). Taking a longer look ahead, a team of researchers at MIT’s Energy Laboratory concluded that much greater increases in fuel economy could be achieved with new technologies likely to be ready for use by 2020. They found that by 2020 it should be possible to increase the fuel economy of passenger cars by 50 percent using evolved conventional technologies and to more than double miles per gallon using advanced technologies that could be developed and commercialized by 2020; the associated increase in retail price would amount to 5 percent and 20 percent, respectively.39 New technologies will expand the envelope of technical feasibility well beyond the limits of current technologies considered by the 2002 NRC study. Table 1 summarizes key characteristics of selected vehicles from the MIT study. The “evolved” 2020 gasoline vehicle represents what may be achievable through the continued improvement of conventional technologies, such as those considered in the 2002 NRC report. The advanced conventional vehicle adds more efficient lean-burn40 engine technology and substitution of lighter-weight materials without compromising crashworthiness. Several of the 2020 advanced vehicles include a compression-ignition diesel engine, where fuel is injected into highly compressed hot air and auto-ignites. While diesel engines introduced in passenger cars and light trucks in the United States in the 1980s did not compete well against gasoline engines, significant advances in diesel technology have been made over the past decade (see Box 4, “Diesel Vehicles: Promise and Problems”). In Europe, where fuel prices are about three times higher than in the United States, modern diesels comprise 40 percent of the new automobile market. The key questions they face in the United States are whether consumers will pay a price premium of $1,000 to $2,000 for a more powerful, more durable engine with 40 to 50 percent better fuel economy and whether even modern diesels can meet the more stringent levels of U.S. emissions standards. There are reasons to believe diesels will meet U.S. emission standards and will find success in certain markets. Two of the advanced vehicles considered by MIT are hybrids, in which the internal combustion engine is complemented by an electric motor. Various hybrid designs and operating strategies are possible, but generally a downsized internal combustion engine operates more of the time near its maximum efficiency point.41 The electric motor supplies peak power for acceleration and allows the internal combustion engine to be shut down instead of operating in inefficient regimes, such as idling or deceleration. High power-density batteries are added to permit energy captured during regenerative braking to be stored for use by the electric motor and to provide power supply for accessories when the engine is shut off. By making the most effective use of both power sources, the advanced hybrid design in combination with a continuously variable transmission can improve fuel economy by 40 to 50 percent. Already in 2002, three hybrid vehicles were commercially available: the Toyota Prius, Honda Insight, and the hybrid version of the Honda Civic. Over the next few years, more hybrids are expected to enter the U.S. market. Hybrids today have 30 to 40 percent higher fuel economy than comparable conventional vehicles but cost $3,000 to $4,000 more. Manufacturers are likely to find creative ways to use hybrid technology to add value for consumers, such as providing electrical outlets capable of running any household appliance or power tool, allowing the vehicle to be used as an emergency generator, or offering on-demand 4-wheel drive. These and other special features could make hybrids attractive to customers even at a price premium. With special value-added features and a wider availability of vehicle types, hybrids could become a major technology for raising fuel economy and reducing GHG emissions. The above-referenced and numerous other assessments of the technological potential to increase light-duty vehicle fuel economy indicate that fuel economy can probably be increased cost-effectively by 25 to 33 percent over the next 10 to 15 years using market-ready technologies.42 As used here, the term “cost-effective” is defined as the fuel economy level at which the last dollar spent to improve fuel economy produces exactly one dollar in present value, lifetime fuel savings. By 2030, fuel economy can be increased by 50 to 100 percent using advanced technologies that are likely to be available by that time. The higher range of increase, however, may increase the retail price of vehicles beyond what can be recovered by consumers over the life of the vehicle, if U.S. gasoline prices are approximately $1.50 per gallon or less. Clearly, predicting technological progress is uncertain. Advanced technologies may be available sooner or later than expected, and possibly never. The diesel engine is one example. Unless its emissions of nitrogen oxides and particulates can be reduced to meet current and future government standards, its proven fuel economy benefits will not be available to manufacturers. In addition, there may be market barriers to the use of advanced fuel economy technologies. If consumers do not fully value lifetime fuel savings, manufacturers will be understandably reluctant to make major engineering and design changes to raise fuel economy. And if market trends continue to favor ever heavier and more powerful vehicles, technologies that could be used to increase fuel economy will instead be needed just to hold it constant. IV. System Efficiency Transportation greenhouse gas emissions could be reduced by several percent via various behavioral changes that can be implemented quickly but require determined and sustained effort. Achieving such impacts would require more comprehensive and effective efforts than have been seen to date in the United States. Even if the technology of transportation equipment were fixed and alternative fuels were not available, it would still be possible to reduce GHG emissions without loss of accessibility using the following approaches: (1) taking more direct routes from origins to destinations, (2) increasing vehicle occupancy rates, (3) shifting traffic from modes with high emission rates to modes with low emission rates, and (4) improving the in-use efficiency of vehicles through better maintenance and driving behavior. In addition, Chapter 5 will discuss restructuring the built environment to maintain accessibility with less vehicle travel through more efficient land use and urban design. Governments play a major role in the efficiency of the transportation system through the investments they make in infrastructure and operations, particularly for highways, transit systems and airports. In the year 2000, governments at all levels in the United States spent $130 billion dollars providing and maintaining highways for public use.94 Nearly all of the money is spent by state and local governments, but $33 billion is collected by the federal government and distributed mostly to states. Highway user fees of all kinds amounted to $99 billion in 2000, but more than $20 billion of those fees was spent on nonhighway purposes, with $8 billion going to mass transportation. Other major sources of funds for highways are general fund appropriations by state and local governments, property taxes, and other taxes and fees, mostly collected by local governments. Governments spent $21 billion on airports in 2000, slightly less than the amount collected from users of air transport.95 The Airport and Airway Trust Fund is the single largest revenue source, with $10.5 billion in 2000. Governments spent $32 billion on transit systems in 2000, $8 billion on water transport systems, and less than $1 billion on all rail projects.

And the plan creates a signal of US green leadership - leads to a global climate agreement

Burwell 10 (David, Director of the Energy and Climate Program @ Carnegie Endowment for International Peace, " Transportation—The Leading Cause of Global Warming," April 15, http://carnegieendowment.org/2010/04/15/transportation-leading-cause-of-global-warming/2fr2, LEQ)

Road transportation is the greatest contributor to global warming for the next 50 years according to a recent study by NASA’s Goddard Institute for Space Studies. By analyzing the climate impact of each sector of the economy, the study determined that motor vehicles emit significant levels of pollutants that warm the atmosphere with few counteracting pollutants that create a cooling effect. In a video Q&A, David Burwell suggests steps U.S. policy makers can take to reduce emissions, promote green growth, and mitigate transportation’s harmful effects on climate. “We have to look at how much we drive and take actions to reduce the total demand for transportation—particularly driving,” says Burwell. By moving forward with a transportation bill that invests in a green transportation system, “the United States could show other countries—particularly China, India, and other emerging economies—that it is serious about reducing its transportation carbon and this would contribute to the likelihood of a global climate agreement.”

A consensus of scientists concludes warming is undeniably real and anthropogenic - the impact is extinction

Flournoy 12| PhD and MA from the University of Texas, Former Dean of the University College @ Ohio University, Former Associate Dean @ State University of New York and Case Institute of Technology, Project Manager for University/Industry Experiments for the NASA ACTS Satellite, Currently Professor of Telecommunications @ Scripps College of Communications @ Ohio University (Don, "Solar Power Satellites," January, Springer Briefs in Space Development, Book)

In the Online Journal of Space Communication , Dr. Feng Hsu, a NASA scientist at Goddard Space Flight Center, a research center in the forefront of science of space and Earth, writes, “The evidence of global warming is alarming,” noting the potential for a catastrophic planetary climate change is real and troubling (Hsu 2010 ) . Hsu and his NASA colleagues were engaged in monitoring and analyzing climate changes on a global scale, through which they received first-hand scientific information and data relating to global warming issues, including the dynamics of polar ice cap melting. After discussing this research with colleagues who were world experts on the subject, he wrote: I now have no doubt global temperatures are rising, and that global warming is a serious problem confronting all of humanity. No matter whether these trends are due to human interference or to the cosmic cycling of our solar system, there are two basic facts that are crystal clear: (a) there is overwhelming scientific evidence showing positive correlations between the level of CO2 concentrations in Earth’s atmosphere with respect to the historical fluctuations of global temperature changes; and (b) the overwhelming majority of the world’s scientific community is in agreement about the risks of a potential catastrophic global climate change. That is, if we humans continue to ignore this problem and do nothing, if we continue dumping huge quantities of greenhouse gases into Earth’s biosphere, humanity will be at dire risk (Hsu 2010 ) . As a technology risk assessment expert, Hsu says he can show with some confidence that the planet will face more risk doing nothing to curb its fossil-based energy addictions than it will in making a fundamental shift in its energy supply. “This,” he writes, “is because the risks of a catastrophic anthropogenic climate change can be potentially the extinction of human species, a risk that is simply too high for us to take any chances” (Hsu 2010 ) . It was this NASA scientist’s conclusion that humankind must now embark on the next era of “sustainable energy consumption and re-supply, the most obvious source of which is the mighty energy resource of our Sun” (Hsu 2010 ) (Fig . 2.1 ).

[It's](http://thinkprogress.org/romm/2009/10/08/204710/it-is-not-too-damn-late-part-1-the-science/?mobile=nc) not too late to solve the worst of warming

Romm 9 | Fellow @ American Progress(Joe, Fellow @ American Progress, " Is it just too damn late? Part 1, the Science," Oct 8, http://thinkprogress.org/romm/2009/10/08/204710/it-is-not-too-damn-late-part-1-the-science/?mobile=nc)

It’s not too late to avert the worst impacts of human-caused global warming. In fact, it’s not too late to stabilize total warming from preindustrial levels at 1.5°C — or possibly less. But the U.S. must pass a comprehensive climate and clean energy bill, leading to a major global deal, to give us a plausible chance of getting on the necessary emissions pathway. From a scientific perspective, a major new study (subs. req’d, discussed below) is cause for some genuine non-pessimism, concluding “Near-zero CH4 growth in the Arctic during 2008 suggests we have not yet activated strong climate feedbacks from permafrost and CH4 hydrates.” The media and others want to move quickly from denial to despair, because both perspectives justify inaction, justify maintaining our grotesquely unsustainable behavior, justify sticking with the global Ponzi scheme in the immoral delusion we can maintain our own personal wealth and well-being for a few more decades before the day of reckoning. I have, however, received a number of queries from progressives about the meaning of this somewhat misleading Washington Post article, “New Analysis Brings Dire Forecast Of 6.3-Degree Temperature Increase,” which begins: Climate researchers now predict the planet will warm by 6.3 degrees Fahrenheit by the end of the century even if the world’s leaders fulfill their most ambitious climate pledges, a much faster and broader scale of change than forecast just two years ago, according to a report released Thursday by the United Nations Environment Program…. Robert Corell, who chairs the Climate Action Initiative and reviewed the UNEP report’s scientific findings, said the significant global temperature rise is likely to occur even if industrialized and developed countries enact every climate policy they have proposed at this point. The increase is nearly double what scientists and world policymakers have identified as the upper limit of warming the world can afford in order to avert catastrophic climate change. I don’t think the basic story should be a surprise to regular readers of this blog. We’re in big, big trouble, and we’re not yet politically prepared to do what is necessary to avert catastrophe — as I’ve said many times. But that is quite different from concluding it’s too late and we’re doomed. The WashPost story is about the Climate Rapid Overview and Decision-support Simulator — the C-ROADS model. It “translates complex climate modeling into readily digestible predictions” and “is being adopted by negotiators to assess their national greenhouse-gas commitments ahead of December’s climate summit in Copenhagen,” as explained in a recent Nature article (subs. req’d, excerpted here). As one of the leading C-ROADS modelers — my friend Drew Jones — explained in his blog, the Post headline could have easily been: “New Analysis Shows Growing Commitment to a Global Deal Will Help Stabilize Climate.” The first thing to remember is that the major developed countries, including China or India, haven’t agreed to cap their emissions, let alone to ultimately reduce them. Until that happens, no model of global commitments is going to keep us anywhere near 2°C (3.6F). Second, people forget that the 1987 Montr©al protocol would not have stopped the atmospheric concentration of ozone-destroying chemicals from rising forever. And yet we appear to have acted in time to save the ozone layer. Third, people also seem to forget that the United States government led by President Bush’s father, and including the entire Senate, agreed that we would tackle global warming the same way — with the rich countries going first. I have no doubt that China will ultimately agree to a cap (see “Peaking Duck: Beijing’s Growing Appetite for Climate Action“). Indeed, if a shrinking economy-wide cap on GHGs similar to the House bill or draft Senate bill ends up on Obama’s desk in the next few months, then the international community will almost certainly agree on a global deal, which will include China sharply reducing its business-as-usual growth path. Then in the next deal in a few years, China will, I expect, agree to a cap no later than 2025. But I’m getting ahead of myself. This is an important issue that I will treat in a multipart series. People seem to view this question of “Is it too late?” as if it were primarily a scientific issue, but that is because they have internalized their preconceptions about what is politically possible in terms of clean energy deployment in this country and around the world. There is no evidence scientifically that it is too late to stabilize at 350 ppm atmospheric concentrations of carbon dioxide, at 1.5°C total planetary warming from preindustrial levels. Nor is there any scientific evidence that we can’t afford to overshoot 350 ppm — as we already have — for a period of many decades.

The impact is extinction

Lendman 7 | Research Analyst @ Global Research, Winner of the Mexican Press Club's International Award for Journalism (Stephen, " Resource Wars - Can We Survive Them?" June 6th, http://www.globalresearch.ca/index.php?context=va&aid=5892)

With the world's energy supplies finite, the US heavily dependent on imports, and "peak oil" near or approaching, "security" for America means assuring a sustainable supply of what we can't do without. It includes waging wars to get it, protect it, and defend the maritime trade routes over which it travels. That means energy's partnered with predatory New World Order globalization, militarism, wars, ecological recklessness, and now an extremist US administration willing to risk Armageddon for world dominance. Central to its plan is first controlling essential resources everywhere, at any cost, starting with oil and where most of it is located in the Middle East and Central Asia. The New "Great Game" and Perils From It The new "Great Game's" begun, but this time the stakes are greater than ever as explained above. The old one lasted nearly 100 years pitting the British empire against Tsarist Russia when the issue wasn't oil. This time, it's the US with help from Israel, Britain, the West, and satellite states like Japan, South Korea and Taiwan challenging Russia and China with today's weapons and technology on both sides making earlier ones look like toys. At stake is more than oil. It's planet earth with survival of all life on it issue number one twice over. Resources and wars for them means militarism is increasing, peace declining, and the planet's ability to sustain life front and center, if anyone's paying attention. They'd better be because beyond the point of no return, there's no second chance the way Einstein explained after the atom was split. His famous quote on future wars was : "I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones." Under a worst case scenario, it's more dire than that. There may be nothing left but resilient beetles and bacteria in the wake of a nuclear holocaust meaning even a new stone age is way in the future, if at all. The threat is real and once nearly happened during the Cuban Missile Crisis in October, 1962. We later learned a miracle saved us at the 40th anniversary October, 2002 summit meeting in Havana attended by the US and Russia along with host country Cuba. For the first time, we were told how close we came to nuclear Armageddon. Devastation was avoided only because Soviet submarine captain Vasily Arkhipov countermanded his order to fire nuclear-tipped torpedos when Russian submarines were attacked by US destroyers near Kennedy's "quarantine" line. Had he done it, only our imagination can speculate what might have followed and whether planet earth, or at least a big part of it, would have survived.

### Plan

#### The United States Federal Government should establish a National Transportation Infrastructure Bank.

### Solvency: 1AC

#### The bank increases private investment and is the most efficient and effective method of national infrastructure development

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

There are improvements that can be made in how we finance infrastructure investment. Governments on all levels face significant budget constraints. It is imperative that we maintain and strategically grow our investments in key areas, such as infrastructure, and finding additional sources of capital would increase our ability to do so, while also increasing efficiency in our project selection process.

President Obama has proposed a National Infrastructure Bank to help finance infrastructure projects. A well-designed infrastructure bank could: • increase overall investment in infrastructure by attracting private capital to co-invest in specific infrastructure projects; • improve the efficiency of our infrastructure investment by having a merit-based selection process for projects; and • fill the gaps in our infrastructure funding system, which currently disadvantage investments in multi-modal and multi-jurisdictional infrastructure projects. One way to address the need for more infrastructure investment is to attract more private capital for direct investment in transportation infrastructure. There is currently very little direct private investment in our nation’s highway and transit systems. The lack of private investment in infrastructure is in large part due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in specific infrastructure projects. In addition, the private benefit for investors is less than the benefit for society as a whole because of positive externalities from infrastructure. A National Infrastructure Bank could address these problems by directly funding selected projects through a variety of means. The establishment of a National Infrastructure Bank would create the conditions for greater private sector co-investment in infrastructure projects. Additionally, with a few notable exceptions, federal funding for infrastructure investments is not distributed on the basis of a competition between projects using rigorous economic analysis or cost-benefit comparisons. The current system virtually ensures that the distribution of investment in infrastructure is suboptimal from the standpoint of raising the productive capacity of the economy. To address the lack of merit-based funding, a National Infrastructure Bank would develop a framework to analytically examine potential infrastructure projects using a cost-benefit analysis, and would evaluate the distributional impact of both the costs and benefits of each project. Of course, not all costs and benefits from infrastructure projects can be quantified, but an effort should be made to quantify those that can be quantified and to take account of any additional benefits and costs to society. A rigorous analytical process would result in support for projects that yield the greatest returns to society, and would avoid investing taxpayer dollars in projects where total costs exceed total societal benefits. A National Infrastructure Bank would select projects along a sliding scale of support that most effectively utilizes the bank’s limited resources, targeting the most effective and efficient investments.

#### 60 billion in seed money will result in a trillion dollars in leverage in ten years

Felix G. Rohatyn, Special Advisor to the Chairman and CEO, Lazard Freres and Co. LLC, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

One way to finance the rebuilding of our country is by creating a national infrastructure bank that is owned by the federal government but not operated by it. The bank would be similar to the World Bank and European Investment Bank. Funded with a capital base of $50 to $60 billion, the infrastructure bank would have the power to insure bonds of state and local governments, provide targeted and precise subsidies, and issue its own thirty- to fifty-year bonds to finance itself with conservative 3:1 gearing. Such a bank could easily leverage $250 billion of new capital in its first several years and as much as $1 trillion over a decade. Run by an independent board nominated by the president and confirmed by the Senate, the bank would finance projects of regional and national significance, directing funds to their most important uses. It would provide a guidance system for the $73 billion that the federal government spends annually on infrastructure and avoid wasteful "earmark" appropriations. The bank's source of funding would come from funds now dedicated to existing federal programs. Legislation has been proposed that would create such an infrastructure bank. Congresswoman Rosa DeLauro (D-CT) has introduced a House bill, and Senators John Kerry (D-MA) and Kay Bailey Hutchison (R-TX) have brought forward legislation in the Senate. The Senate bill, with $10 billion of initial funding, is a modest proposal but passing it would give us a strong start. We should regard infrastructure spending as an investment rather than an expense and should establish a national, capital budget for infrastructure. While this idea is not new, it has been unable to gain political traction. From a federal budgeting standpoint, it would be the wisest thing to do. President Obama and Congress should take action promptly.

## Inherency

### Model Infrastructure Bad

#### Status quo targeted infrastructure investments exacerbate structural ills

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

What followed—the American Recovery and Reinvestment Act (ARRA)—was the most important and visible infrastructure policy effort of the past year and reflected a belief that infrastructure investment could provide both short-term jobs and long-term growth. Our early and ongoing assessments of ARRA found that the law usefully directed billions of dollars toward infrastructure. In fact, we estimate that, excluding the tax cuts, about a quarter of the total recovery package is directed toward infrastructure.

Unfortunately, the need for fast action meant the nation had to rely on existing “business-as-usual” delivery systems. As a result it thwarted any conversation about real reform and reinforced the approach of spreading money around instead of targeting investments. The administration’s one spatial directive of investing in so-called economically distressed areas only made a bad situation worse.

### Infra Failing

Infrastructure in critical condition – minimal funding, ineffective investments and no funding. An advance in infrastructure key to long term economic health.

Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

**Few areas of policy are as critical to states’ long term economic health, or as significant a share of state budgets, as transportation.** However**,** state transportation **systems face two overarching challenges: their funding sources are shrinking and their investments are not made in a sufficiently strategic, economy-enhancing way. In short, the systems are both broke and broken**. An emphasis on **fiscal responsibility does not mean states should slow down investing in transportation**. In fact, **these investments are more important than ever because of the short-term job creation effects and the long-term implications for economic competitiveness.** But **states cannot rely on the same sources of revenue to fund transportation projects,** nor can they spend transportation dollars in the same ways. Specifically, states should: Use transportation dollars to leverage other state investments and the strengths of metropolitan areas. Use market discipline to find savings and new revenue sources. Create or augment new public/private institutions like State Infrastructure Banks

Infrastructure will drive the Economy – current system is broke.

Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

**Infrastructure—**along with human capital and innovation—**is** one of **the assets that will drive the next economy and is of paramount importance to maximizing growth and opportunity.** Yet in **the U**nited **S**tates**, transportation and infrastructure policy** is at a crossroads. The current system **is both broke and broken, most recently illustrated by delays in reauthorizing federal transporta­tion laws**. Though infrastructure was a prominent feature of the American Recovery and Reinvestment Act (the stimulus package) no consensus over the next generation of transportation policy has yet emerged in Washington. In the absence of federal action, the debate on transportation policy will shift to the state level. Few areas of policy are as critical to states’ long term economic health. Transportation is also a relatively significant portion of most states’ budgets. At 7.9 percent of general state expenditures, “transporta­tion” generally ranks third among state spending categories after only “education” and “public wel­fare,” though this varies quite a bit among the states (Alabama ranks last at 3.1 percent; Nevada ranks first at 16.7 percent. Missouri is the median at 10.7 percent).1 **Transportation is** also **a significant employment sector, providing jobs to more than 4 million Americans. Yet even thought there was a slight uptick in the number of workers employed in trans­portation, most states, like Colorado** (-5,000), **New York** (-12,000), **Tennessee** (-1,400), **and Michigan** (-5,100) **saw job declines in this sector**.2 While state governors and legislatures recognize that their systems are job and economic engines, infrastructure investments and the decision-making process around **transportation priorities have not kept pace with the growth and evolution of the economy**.3 A more export-oriented economy will require revolutionizing our ports to support next generation shipping and telecommunications exchanges. A lower carbon future means we need to remake a transportation system almost totally dependent on petroleum-based fuels. To lead on innovation, we need to make quantum leaps on new, clean infrastructure technologies. And to ensure our investments are opportunity-rich they can no longer be sprawl-inducing and decentralizing. But these elements tend to receive insufficient consideration in state transportation programs and planning. **To bridge this gap, states should**: Use transportation dollars to leverage other state investments and the strengths of metropolitan areas. Use market discipline to find savings and new revenue sources. **Create or augment new public/private institutions like State Infrastructure Banks**

Transportation Infrastructure key – America’s infrastructure deteriorating and no funding

Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

**A 21st century state transportation strategy that strengthens** metropolitan **America and is tightly linked to the vital elements of the next economy is critical for our nation to emerge from the rubble of the recession.** Yet state transportation systems face two overarching challenges: they are both broke and broken. First, **state transportation funding sources are shrinking. Twenty-one states**—including New York, Illinois, and Florida—**saw transportation program area cuts in** **fiscal year 2010 and 11**—like Michigan— expected cuts for the next fiscal year.4 Part of **the states’ funding problem is** that **they are still heavily reliant on the motor vehicle fuel tax** (the gas tax) **for** the bulk of **their transportation revenues.** From 1995 to 2008, more than half of the funds states used for highways came directly or indirectly through state and federal gas taxes (Table 1). But slowdowns in fuel consumption overall and stagnant gas tax rates have squeezed this revenue source.5 At the same time revenues are down, the demands for spending have increased**. A litany of reports and analyses highlight the deteriorating condition of the nation’s** transportation **infrastructure**.6 Over a quarter of major roads’ rides in urbanized areas are not at acceptable levels.7 According to the lat­est data, nearly 72,000 bridges (12 percent of the total) in the U.S. are considered to be “structurally deficient” meaning their condition had deteriorated to the point that rehabilitation or replacement is approaching or imminent. More than one-fifth of the bridges are deficient in states like Oklahoma, Iowa, Pennsylvania, Rhode Island, and South Dakota.8 In addition to its condition, U.S. infrastructure lags when it comes to the deployment of advanced information and telecommunications technology.9 **Second, state investments are not made in a sufficiently strategic, economy-enhancing way.** States also face challenges because they spend their (now-declining) transportation dollars poorly. For example, many states have tended to allocate investments via logrolling rather than evidence. As a result, projects are spread around the state like peanut butter.10 **The metropolitan areas that will deliver the next economy**—since they already concentrate the assets that matter to smart eco­nomic growth like transportation—**are often undermined by spending and policy decisions that fail to recognize the economic engines they are and focus investments accordingly.** Nor have states been deliberate about recognizing and supporting the particular needs and challenges of both metro and non-metro areas. State transportation policies also remain rigidly stovepiped and disconnected as states fail to take advantage of potential efficiencies gained through integrated systems. **By failing to join up transporta­tion up with other policy areas**—such as housing, land use, energy—**states are diminishing the power of their interventions and reducing the return on their investments.** This is a very different approach from how the economy functions and is out-of-step with innovations to connect transportation invest­ments to economic prosperity. The benefits of federal, state and private investments are amplified when metropolitan areas pursue deliberate strategies across city and suburban lines that build on the distinctive advantages of the broader metropolis. Lastly, states have generally not had the courage to make hard choices and truly tie their transpor­tation programs to achieving the kinds of outcomes described above. Benefit/cost or economic impact analyses are rarely, if ever, used in deciding among alternative projects and regular evaluations of outcomes are typically not conducted.11 Most states fail to prioritize rehabilitation and maintenance on a programmatic level and instead react on a project-by-project basis. So far, efforts to reduce oil dependency are largely ephemeral. And only three states consider social equity a primary transporta­tion goal.12 Incoming governors and state legislatures face serious transportation-related challenges. They can pursue band-aid approaches to shore up their budgets through standard program cuts and allow their existing programs to limp along. Or they can begin to put in place a policy framework that connects transportation to the elements of the post-recession economy in a pragmatic manner.

**States Counter-Plan**

Fed not needed – States can oversee an infrastructure program without being bound by federal oversight

Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

Create new public/private institutions**. To finance the kind of major investments necessary to support the Next Economy**, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies**, states should establish a state infrastructure bank (SIB) or enhance it if one is already in place.**

Beginning in 1998, when the federal government provided $150 million in seed funding for initial capitalization**, SIBs have become an attractive financing tool for states. Since then, 33 states have established SIBs to finance 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.**24

Fed Interference slows progress – States can solve quicker

Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

Create new public/private institutions. To finance the kind of major investments necessary to support the Next Economy, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies**, states should establish a state infrastructure bank** (SIB) **or enhance it if one is already in place. Beginning in** 19**98**, **when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for states.** Since then, **33 states have established SIBs to finance 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.24 But rather than bringing a tough, merit-based approach to funding, many SIBs are simply used to pay for the projects selected from the state’s wish list of transportation improvements, without filtering projects through a competitive application process**. A better approach would be for states to use their infrastructure banks more strategically, focusing on those** transportation **projects** that will facilitate the flow of exports or connect workers to jobs. The projects should be evaluated according to strict return on investment criteria, not selected with an eye towards spreading funding evenly across the state. (Such an approach is analogous for how the federal government should establish a national infrastructure bank.) **States should** also think beyond just transportation and **create true infrastructure and economic development banks to finance not just roads and rails, but also energy and water infrastructure, perhaps even school and manufacturing development. California’s** Infrastructure and Economic Development Bank **(“I-Bank”) provides a compelling model**. **After its initial capitalization of $181 million in 1999, the I-Bank has funded itself on interest earnings, loan repayments, and other fees, and has supported over $400 million in loans.**25 Then, either as part of the augmented SIB or separate, states should help broker the often complex infrastructure partnerships between the public and private sectors. A poll by the financial advisory firm Lazard shows strong willingness for states to consider private investments rather than increas­ing taxes, cutting budgets, or taking on more debt.26 However, the private sector is now seeking more legislative certainty prior to bidding on projects and has little appetite for negotiating transactions that are subject to legislative or other major political approvals. **While half of the states have enacted enabling statutes for** public/private partnerships **(PPPs), the** wide **differences between them makes it time consuming and costly for private partners wishing to engage in PPPs in multiple states to handle the different procurement and management processe**s.27 States should therefore move to enact comprehensive PPP legislation that is accountable, transparent, and permanent. They should also push the federal government to play a helpful role with its state and metropolitan partners by creating standards and providing technical advice to be considered in PPPs. The GAO recently noted that the federal government has done much to promote the benefits of PPPs but it needs to do more to assist states and metro areas in this way.28

### No Federal Control over investment

#### The federal government has limited control over their investments, states free-ride on grants displacing spending

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

To understand the federal investment process for infrastructure today we need to examine both how the federal government plans and manages for the assets it owns and also for those in which it invests, but are owned by states, municipalities, and others. For the former, OMB provides detailed guidance to federal agencies on the capital process.25 While it is true that there is no unified federal capital plan, OMB helps federal agencies budget, plan, and prioritize their capital projects.26 The goal is to make sure that the capital assets in each agency contribute to the fulfillment of agency objectives. OMB’s capital process guide, first released in 1997 and expanded in 2006, integrates the executive and legislative initiatives that affect the federal capital process.27

OMB recommends frequent use of cost-effectiveness or benefit-cost analysis (BCA) in deciding whether investment in a new capital asset is the best way to fulfill an agency’s needs. In addition, a BCA is considered the fundamental method of selecting a capital asset, by ranking the net present benefit of several options available.28 Both benefits and costs should be estimated in a lifecycle manner and benefits should be estimated in relationship with the goals and needs of the agency. While OMB recommends monetary quantification of both benefits and costs, it does acknowledge that qualitative considerations—explicit regulatory requirements, considerations of business strategy, or unquantifiable social benefits or costs—may be important in the final evaluation.29

Over the years, GAO examined how selected federal agencies plan and budget for capital assets and to what degree they follow OMB’s guidelines.30 The agencies implement the main principles of capital planning and budgeting, but the results vary. While linking the proposed investments with the strategic goals of the agency is common, several agencies had problems with conducting asset inventories and assessments of the condition of their assets (i.e. the Department of Veterans Affairs and the U.S. Customs and Border Protection).31

One of the major criticisms of the current federal capital process is of the full funding requirement. The current rule requires that budget authority for the full costs of the asset be enacted in advance of any commitment by the federal agency.32 This rule results in spikes in spending, especially for small agencies. In an era of tight budgets and soaring deficits, there is a concern that federal agencies might forego capital spending due to this requirement.

However, full funding is also one of the few existing mechanisms to ensure long-term accountability of the federal government for its investment decisions.33 It is a fiscal control mechanism, because a lack of upfront fully committed funding can lead to higher delivery costs if a project is halted and re-started several times, or worse, half-finished projects—or so-called white elephants—that run out of money entirely.34 This type of budgeting eliminates the crowd out effect of multiple contingent appropriations associated with an earlier project on the funding of future projects. Also, Congress will not have to be in the situation to continue funding a project that is no longer wanted. Upfront full funding is a federal budget scorekeeping rule, enforced by OMB, and not a rule by statute. In fact, the laws are more lenient. The statutes require federal agencies, such as the Army Corps of Engineers, to have adequate budget authority for individual contracts.35 In contrast, full funding regulation asks the federal agency to get upfront funding for an entire project, even if it includes several contracts.

But as discussed, most federal investments in transportation are grants to state and local governments. The federal surface transportation programs are jointly administered by the federal, state, and local governments, but the federal government has little involvement in the selection or management of the assets in which it invests. The federal government deals with its investment in surface transportation on a program basis, without direct control over the vast majority of individual projects like highways. Once funds are appropriated (largely by formula), the states can distribute them among projects within various program categories as they see fit. In fact, the U.S. code neuters the federal role and specifically says that the appropriation of highway funds “shall in no way infringe on the sovereign rights of the states to determine which projects shall be federally financed.”36

Over the years, the federal government has increasingly delegated the oversight responsibility over its investment in state and local transportation assets to the grantees. For example, federal government oversight in transit occurs only for major capital projects that cost over $100 million. For the rest of the federal transit investment, the grant recipients self-certify their compliance with the federal laws and regulations. This self-verification of compliance with federal requirements has also increased in the field of planning and project selection, which are requirements for receiving federal assistance.37 There is limited linkage between federal investments in state assets and the goals of the federal programs. The surface transportation program goals are sometimes unclear or contradictory.38 Even when goals are related to specific performance outcomes (i.e. congestion, highway fatalities), they are not included in funding formulas. The states do not have any incentive to increase the performance of the federal investments, as long as the formulas are agnostic to rewarding this type of behavior.39 In addition, the flexibility of the states in allocating federal funds complicates the ability of the federal government to target certain goals.

The federal investment in state and local assets does not necessarily result in a correspondingly higher level of public investment overall. As GAO found, the structure of federal highway grants is fundamentally flawed: “The federal grant system does not encourage states to use federal grants to supplement their own spending but rather results in states using federal grants to substitute for their own spending.”40 In a recent study using latest data (1983–2000), GAO finds this “substitution rate” to be as high as 50 percent.41 This means that for every dollar of federal spending, states have withdrawn 50 cents of their own spending. These results are supported by numerous studies that confirm the federal aid displacement of state investment.42 In short, the federal budgeting community agrees that federal government does not treat federal investment appropriately.43 While both the federal capital process and the federal grants to states have their own problems, there are three main problems plaguing the federal investment process as a whole:

1. Bias against maintenance. While federal investment allows maintenance funding, most of the investment is geared towards new capital assets. To the extent federal investment supports maintenance, state and local grantees use their transportation grants to cover major maintenance, such as major rehabilitation and repair of capital assets. However, without the funding of appropriate preventive maintenance, the useful service life of infrastructure assets is shortened unnecessarily. Analyzing data provided by the Federal Highway Administration (FHWA), the Congressional Budget Office (CBO) found that maintenance of existing road infrastructure has higher net benefit than new construction, beyond a certain point.44 Efficient resurfacing projects had an average benefit-cost ratio double that of new lane projects.45 Through the federal capital process, federal agencies are required to conduct asset inventories that would assess the capital assets’ condition and need of maintenance. In addition, Federal Financial Accounting Standards require the agencies to report deferred maintenance.46 The federal agencies vary in the implementation of these conditions.47 Federal transportation grants to states for new capital assets do not have adequate maintenance clauses. Given that the grant programs allow for the inclusion of major repair and rehabilitation projects, states do not have a strong incentive to spend on preventive maintenance but rather let assets degenerate until they can qualify for more federal money.48 This result has been reinforced by the fact that state and local governments cannot use the money resulting from a tax exempt bond issue to cover maintenance.49 However, deferred maintenance should affect the creditworthiness of state and local governments due to its impact on the condition of the borrowers’ assets.50

2. Flawed selection process. In general, government investment is justified if the targeted capital asset is associated with a market failure and produces a net welfare benefit to society. While the market failure is usually easily identifiable, the costs and benefits of federal government financing for a project are harder to estimate. Many have called for investment in a capital asset to be justified based on economic analysis, such as a BCA or wider BCA that would intertwine quantitative and qualitative factors. While there are legal requirements for BCA based approaches, there is no uniform implementation or estimation for a wide range of projects. The Federal Capital Investment Program Information Act of 1984 requires the federal budget to include projections of public civilian capital spending and recent assessments of public civilian physical capital needs.51 Also, an Executive Order from 1994 clearly specifies the requirements of BCA for federal investment in infrastructure, in all federally-financed assets.52 It refers to the estimation of market and nonmarket costs and benefits over the full life cycle of a project. Further, it directly addresses the issues of demand management, implementation of better management practices to improve the return of current projects, and involvement of states, as recipients of federal grants.

Federal agencies are supposed to use these principles to justify major infrastructure investment and grant programs, those in excess of $50 million annually. With all the legal requirements in place, BCA is not done consistently by federal agencies.53 The states themselves often do not use formal BCA in deciding among alternative projects and regular evaluations of outcomes are typically not conducted.54

3. Insufficient long-term planning. A major complaint is the “short sightedness” of the federal investment process. The federal budget is released and updated annually, but there is little attention to long-term plans, and there are no mechanisms to hold policymakers accountable for the long-run effects of annual budgetary implementation. Overall, federal agencies lack comprehensive long-term capital plans.55 While not providing a unified view at the federal government level, a federal agency’s long-term capital plan would show an agency-wide perspective to inform congressional appropriations committees.56 Some congressional staff responsible for resource allocation and oversight of federal agencies expressed interest in receiving this type of information.57

The federal transportation grants have contract authority that allows states to do multiyear planning and contracting. The federal surface transportation program provides an 80 percent matching grant to states to conduct statewide planning and to develop long-range statewide plans. These plans “should include capital, operations and management strategies, investments, procedures, and other measures to ensure the preservation and most efficient use of the existing transportation system.”58 While both the federal agencies and the grantees have to develop long-term capital plans, there is no comprehensive long-term strategic view for the capital assets financed by the federal government. There is no incentive for decisionmakers to push for better long-range planning, because there is no accountability mechanism to assess the long-term results of federal investment.

The federal investment process does not appropriately allocate resources either through federal agencies or state and local recipients. Bias against maintenance, a flawed selection method and insufficient long-term planning plague the federal investment process. Overall, these problems result from both the incentives provided by the legal or regulatory framework and their implementation. For example, while operating leases score lower in the federal budget, they also lead to underinvestment in federal capital.59

Besides the shortages of the OMB capital guide and the existing statutes, the administrative discretion of the federal agencies and the grantees contribute to the deficiencies in the federal investment process. The federal agencies do it because of inability to follow a multitude of regulations and executive orders, in the context of ever changing policy objectives. This issue is complicated in the case of the U.S. Department of Transportation that mostly assists state-run transportation programs.60 The local and state grantees drive the capital planning and management of the transportation assets funded by the federal government. A clear and direct link between investment decisions and outcomes would help both federal agencies and grantees in managing the federal investment process.

### Funding Shortfalls

#### **Transportation Stopgap measures will fail funding shortfalls are inevitable**

Energy Security Leadership Council 2011 “Transportation Policies for America’s Future Strengthening Energy Security and Promoting Economic Growth” February 2011, General P.X. Kelley, USMC (Ret.) 28th commandant, u.s. marine corps, Frederick W. Smith, chairman, president & ceo, fedex corporation.

In 2009, the Highway Account ran a deficit of $7.3 billion after outlays of almost $38 billion.42 The Transit Account is smaller, but is also running deficits, with revenues of about $4.8 billion and outlays of $7.3 billion in FY 2009.43 Due to the injection of stimulus funds, the Transit Account ended FY 2009 with a closing balance of $5.2 billion, but within a few years this balance is expected to once again go negative without further injections (Figure 2.7).44

Recent actions taken by Congress have only provided a temporary solution. Over the last three years, Congress has enacted emergency legislation to support the HTF using general fund transfers. In 2008, $8 billion was transferred, followed by another $7 billion in 2009, and then another $19.5 billion in March 2010, which extended funding for formula programs through to December 31, 2010. The Congressional Budget Office (CBO) expects this transfer to support the existing contractual obligations of the highway and transit programs through 2013.45

Many potential solutions have been proposed to address the funding deficiencies of the system. In September 2010, for example, a permanent infrastructure bank that would leverage public and private capital to invest in projects with national and regional significance was proposed. A similar idea was first advanced in the Senate, and legislation based upon the concept has also been introduced in the House of Representatives. Other policymakers have also recently pushed for greater investment in transportation infrastructure.46

### Investment Low

#### Infrastructure investment is unsustainable – new sources of capital are key

Energy Security Leadership Council 2011 “Transportation Policies for America’s Future Strengthening Energy Security and Promoting Economic Growth,” February 2011, Admiral Dennis C. Blair, U.S. Navy (Ret.) former director of national intelligence and commander in chief, u.s. pacific command, General Bryan “Doug” Brown, U.S. Army (Ret.) former commander, u.s. special operations command, … and several others…, http://tinyurl.com/6nlvbbn

As the government mandates more stringent fuel economy standards, and consumers continue to shift to more efficient and alternatively-fueled vehicles, the outlook for U.S. transportation system funding—90 percent of which comes from fuel taxes—is becoming increasingly unsustainable. Outlays Exceed Revenues The present federal funding mechanism for highway and transit programs—the HTF—is different from most federal spending in that the bulk of the revenues come from people who pay fuel taxes. Because federal fuel taxes are levied on a per-gallon basis and have not been increased since 1993, their real value has declined by around one-third. This, combined with the fact that spending has climbed steadily, has necessitated infusions from the general fund of $34.5 billion over the past three years (with more bailouts expected to be necessary until the system is restructured). The primary revenue sources for the Highway and Mass Transit Accounts are an 18.4-cent per gallon tax on gasoline and 24.4-cent per gallon tax on diesel fuel. The Mass Transit Account now receives 2.9 cents per gallon of those fuel taxes.39 Although there are other sources of HTF revenue, such as truck registrations and surcharges on truck tires, fuel taxes provide about 90 percent of the revenue to the funds. Therefore, the current federal transportation funding regime must rely on continually rising gasoline consumption to support increased spending. As shown in Figure 2.6, with the exception of the late 1970s and early 1980s, consumption has in fact risen steadily. In recent years, however, it has flattened out (and actually declined temporarily as oil prices spiked and the global financial crisis took hold), and the EIA—which does not assume significant fleet penetration of alternative fuel vehicles—expects that it will decline only slightly through 2020. More stringent fuel economy standards announced in 2009 and 2010, as well as the push for revolutionary technologies such as electric vehicles, mean that fuel consumption—and fuel tax revenue— may continue to decline more rapidly in the future. As recently as 1998, the HTF was running such a large surplus that Congress transferred $8 billion from it to the general fund. In 2001, the HTF reached a cash balance historical high of around $20 billion. Since then, however, the balance has steadily declined simply because annual outlays are exceeding receipts collected from federal gas taxes and other HTF revenue sources. 40 In 2005, estimated outlays exceeded estimated revenues, and it was forecast that if realized over the FY 2005 to 2009 authorization period, the balance would fall to approximately $400 million by the end of FY 2009. Actual revenues for FY 2008 were about $4 billion lower than expected due to fewer purchases of trucks and motor fuel, and USDOT received indicators that the Highway Account balance was declining faster than expected.41 In 2009, the Highway Account ran a deficit of $7.3 billion after outlays of almost $38 billion.42 The Transit Account is smaller, but is also running deficits, with revenues of about $4.8 billion and outlays of $7.3 billion in FY 2009.43 Due to the injection of stimulus funds, the Transit Account ended FY 2009 with a closing balance of $5.2 billion, but within a few years this balance is expected to once again go negative without further injections (Figure 2.7).44 Recent actions taken by Congress have only provided a temporary solution. Over the last three years, Congress has enacted emergency legislation to support the HTF using general fund transfers. In 2008, $8 billion was transferred, followed by another $7 billion in 2009, and then another $19.5 billion in March 2010, which extended funding for formula programs through to December 31, 2010. The Congressional Budget Office (CBO) expects this transfer to support the existing contractual obligations of the highway and transit programs through 2013.45 Many potential solutions have been proposed to address the funding deficiencies of the system. In September 2010, for example, a permanent infrastructure bank that would leverage public and private capital to invest in projects with national and regional significance was proposed. A similar idea was first advanced in the Senate, and legislation based upon the concept has also been introduced in the House of Representatives. Other policymakers have also recently pushed for greater investment in transportation infrastructure.46

#### Infrastructure Gridlock inevitable

Scott Thomasson, President, NewBuild Strategies LLC, April 2012 “Encouraging U.S. Infrastructure Investment” Policy Innovation Memorandum No. 17 http://www.cfr.org/infrastructure/encouraging-us-infrastructure-investment/p27771

Despite the pressing infrastructure investment needs of the United States, federal infrastructure policy is paralyzed by partisan wrangling over massive infrastructure bills that fail to move through Congress. Federal policymakers should think beyond these bills alone and focus on two politically viable approaches. First, Congress should give states flexibility to pursue alternative financing sources—public-private partnerships (PPPs), tolling and user fees, and low-cost borrowing through innovative credit and bond programs. Second, Congress and President Barack Obama should improve federal financing programs and streamline regulatory approvals to move billions of dollars for planned investments into construction. Both recommendations can be accomplished, either with modest legislation that can bypass the partisan gridlock slowing bigger bills or through presidential action, without the need for congressional approval. The Problem The United States has huge unpaid bills coming due for its infrastructure. A generation of investments in world-class infrastructure in the mid-twentieth century is now reaching the end of its useful life. Cost estimates for modernizing run as high as $2.3 trillion or more over the next decade for transportation, energy, and water infrastructure. Yet public infrastructure investment, at 2.4 percent of GDP, is half what it was fifty years ago. Congress has done little to address this growing crisis. Ideally, it would pass comprehensive bills to guide strategic, long-term investments. The surface transportation bill, known as the highway bill, is a notable example of such comprehensive legislation. It is the largest source of federal infrastructure spending, allocating hundreds of billions of dollars over several years for highways, rapid transit, and rail. But the most recent six-year highway bill expired in 2009, and Congress has been unable to agree on a new multiyear bill since then. The Senate passed a new bill in March 2012 that provides only two years of funding and efforts in the House to pass a longer-term bill have nearly collapsed. The continuing impasse forced Congress to pass its ninth temporary extension of the old law at the end of March 2012, this time for ninety days. Transportation Secretary Ray LaHood announced in February that he does not expect a bill to pass before the 2012 election, a view many experts share. Even if Congress passes a new highway bill, the country's infrastructure debacle is hardly resolved. Transportation is only one part of the problem, and the pending bills do not even raise investment in this sector from previous, insufficient levels. Nor do they address the biggest long-term problem for transportation—inadequate funding from the Highway Trust Fund. Since the mid-1950s, federal gas tax revenues have been deposited into the Highway Trust Fund and then allocated to states for transportation improvements. But the gas tax is not tied to inflation and has not been raised since 1993. At current spending and revenue levels, the trust fund will be insolvent within two years. Raising the gas tax would alleviate the funding problem, but both parties consider that and other new taxes to be political nonstarters. Unlocking Progress There is no shortage of good proposals to encourage infrastructure investment. For example, President Obama has endorsed the idea of creating a national infrastructure bank to leverage federal funds and encourage PPPs. Bipartisan negotiations in the Senate produced a bill for a scaled-down version of the bank, focused on low-cost federal loans to supplement state financing and private capital. The bill is not supported by House Republican leaders, however, and is unlikely to pass this year. There are also important transportation reforms in both pending highway bills where Republicans and Democrats are on common ground: expanding the popular Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program, streamlining the Department of Transportation bureaucracy to speed approval of new projects, and eliminating congressional earmarks—a huge step toward smarter project selection based on merit rather than political interests. But if the highway bill does not pass, none of these reforms will happen.

### Transportation Failing

#### The Physical condition of our transit systems are deteriorating

U.S. Department of Transportation, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” 2008, [**http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm**](http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm)

**The overall physical condition of the U.S. transit system can be evaluated by examining the age and condition of the various components of the Nation's infrastructure.** This infrastructure includes vehicles in service, maintenance facilities, the equipment they contain, and other supporting infrastructure such as guideways, power systems, rail yards, stations, and structures (bridges and tunnels). Since the 2006 C&P Report, asset data for approximately 71 percent of the Nation's transit assets have been updated. The Federal Transit Administration (FTA) has undertaken extensive engineering surveys and collected a considerable amount of data on the U.S. transit infrastructure to evaluate transit asset conditions. FTA uses a rating system of 1, "poor," to 5, "excellent," to describe asset conditions. The Rail Modernization study, released by FTA in April 2009, considered an asset to be in a **state of good repair** when the physical condition of that asset is at or above a specific condition rating value of 2.5 (the mid-point between adequate and marginal). This replaces the over-age criteria used in previous C&P reports, which were based on FTA's minimum vehicle replacement ages. **The estimated average condition rating of urban bus vehicles declined slightly from a rating of 3.08 in 2004 to 3.01 in 2006.** The average age of urban bus vehicles remained constant at 6.1 years, with 21.8 percent of the fleet considered over-age. **The average estimated condition of bus maintenance facilities declined from 3.41 in 2004 to 3.26 in 2006. In 2006, 63.7 percent of bus maintenance facilities** were in adequate, good, or excellent condition, a **decline from 68.1 percent in 2004**. **The estimated average condition rating of rail vehicles continued to increase from 3.50 in 2004 to 3.51 in 2006.** The average age of rail vehicles remained relatively consistent at 19.8 years in 2006 compared with 19.7 years in 2004, with 32.1 percent of the fleet defined as over-age. The estimated average condition of rail maintenance facilities decreased from 3.82 in 2004 to 3.68 in 2006. In 2006, 73.8 percent of rail maintenance facilities were estimated to be in adequate, good, or excellent condition. The estimated average condition rating of rail stations improved from 3.37 in 2004 to 3.53 in 2006. In 2006, 99.3 percent of communications systems, 80.2 percent of train control systems, and 88.5 percent of traction power systems were in adequate, good, or excellent condition. The estimated average conditions of elevated structures, underground tunnels, and track declined from 2004 and 2006; however, the condition of vehicle storage yards improved slightly. **The total value of the U.S. transit infrastructure was estimated at $607.2 billion in 2006.** Of this total, rail assets comprise $500.8 billion, with nonrail and joint assets comprising the remaining $106.4 billion. The data collected for these efforts represent a significant improvement in data availability and are significantly more comprehensive in comparison to previous C&P reports.

#### Congestion is getting worse – we must act now **U.S. Department of Transportation**, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” 2008, <http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm>

**Americans** continue to **grapple with gridlock on the Nation's highways, leading to travel delays, wasted fuel, and billions of dollars in congestion costs**. **From an economic perspective, travel time accounts for almost half of all costs experienced by highway users** (other key components of user costs include vehicle operating costs, and costs associated with crashes). **Congestion occurs when traffic demand approaches or exceeds the available capacity of the highway system.** Three key **aspects of congestion are severity, extent, and duration.** **Severity** refers to the magnitude of the problem at its worst. The **extent** of congestion is the geographic area or number of people affected. **Duration** of congestion is the length of time that the traffic is congested. Since there is no universally accepted definition of exactly what constitutes a congestion "problem," this report uses several metrics to explore different aspects of congestion. The Texas Transportation Institute (TTI) collects data for 437 urban communities of different sizes across the Nation. **The TTI 2007 Urban Mobility Report estimates that drivers experienced over 4.2 billion hours of delay and wasted approximately 2.9 billion gallons of fuel in 2005. The total** congestion **cost for these areas was $78.2 billion. The average daily percentage of VMT under congested conditions** is a metric that indicates the portion of daily traffic on freeways and other principal arterials in an urbanized area that moves at less than free-flow speeds. The measure **increased by 3.8 percentage points from 24.9 percent in 1997 to 28.7 percent in 2005 for all urbanized areas combined**. However the increase between 2004 and 2005 was only 0.1 percentage point, which suggests the growth of congestion is slowing. **The largest increase during this period was in medium-sized urbanized areas with population between 500,000 and 999,999.** Another metric, the Travel Time Index, measures the amount of additional time required to make a trip during the congested peak travel period. Using the year 1987 as the base for comparison, the Travel Time Index for all urbanized areas increased from 1.16 to 1.28 in 2005. In 1997, a trip that would take 20 minutes during off-peak non-congested periods would take 4.6 minutes longer during the peak period. The same trip in 2005 would require 25.6 minutes during the peak period. The largest increase between 1997 and 2005 was experienced in medium-sized urbanized areas. The measure of annual hours of delay per capita represents the average amount of time lost due to congested conditions per urbanized area resident. **The annual person-hours of delay per capita** for all urbanized areas **grew from 17.1 hours in 1997 to 21.8 hours in 2005.**The average length of congested conditions is a measure of the amount of time during a 24-hour period when traffic is operating under congested conditions. The average congested travel period increased from 5.9 hours in 1997 to 6.4 hours in 2005, although it has stabilized since 2002.

#### Over 50 percent of infrastructure in the U.S. is outdated

**U.S. Department of Transportation**, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” **2008,** [**http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm**](http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm)

**Major construction of bridges began after the end of the Second World War and continued through the construction of the Interstate System. The latter saw an intense period of construction of bridges across the Nation. Approximately 46.8 percent of all bridges were built before 1966; 24.6 percent of all bridges are less than 20 years in age, and 31.2 percent are less than 25 years old. When broken into 25-year age ranges, 31.2 percent of the bridges are 25 years old or less, 39.8 percent are 26 years to 50 years old, 19.7 percent are 51 to 75 years old, 7.7 percent are 76 years to 100 years old, and 1.7 percent are more than 100 years old. The share of bridges 50 years old or older is 29.0 percent, while the portion of bridges less than 50 years is 71.0 percent.** ***Exhibit 2-20*** **shows the distribution of bridges by age. The age of a bridge structure is only one potential indicator of its physical condition.** **Several additional factors can affect the physical condition of a structure. These include, but are not limited to: the original type of design; the frequency, timeliness, effectiveness, and appropriateness of the maintenance activities implemented over the life of the structure; the loading the structure has been subject to during its life; the climate of the area where the structure is located; and any additional stresses from events such as flooding to which the structure has been subjected.**

## Adv: Economy

#### Aging infrastructure is bottlenecking the American economy, plan boosts the entire economy

Richard Little, Director, Keston Institute for Public Finance and Infrastructure Policy, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

The massive network of seaports, waterways, railroads, and highways we built in the nineteenth and twentieth centuries were designed to unlock the nation's natural resources, agriculture, and manufacturing strength and bring these products to market. Today, despite a dynamically changing economy, these sectors along with trade and transportation still account for more than a quarter of U.S. GDP or $3.5 trillion, but many transport linkages have become bottlenecks due to long-delayed repair and replacement. The entire U.S. economy, as well as consumers, would benefit from a more efficient and resilient supply chain.

#### NIB would boost economic growth: Jobs, Middle Class,

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

President Obama’s FY 2013 Budget proposes a bold plan to renew and expand America’s infrastructure. The plan includes a $50 billion up-front investment connected to a $476 billion six-year reauthorization of the surface transportation program and the creation of a National Infrastructure Bank. In support of this commitment, the Department of the Treasury, with the Council of Economic Advisers, has updated our analysis of the economic effects of infrastructure investment. The new data and analyses confirm and strengthen our finding that now is an ideal time to increase our investment in infrastructure for the following four key reasons:  Well-designed infrastructure investments have long-term economic benefits and create jobs in the short run;  This economic activity and job creation is especially timely as there is currently a high level of underutilized resources that can be used to improve and expand our infrastructure;  Middle-class Americans would benefit disproportionately from this investment through both the creation of middle-class jobs and by lowering transportation costs for American households; and  There is strong demand by the public and businesses for additional transportation infrastructure capacity. Return on Investment  Many studies have found evidence of large private sector productivity gains from public infrastructure investments, in many cases with higher returns than private capital investment. Research has shown that well-designed infrastructure investments can raise economic growth, productivity, and land values, while also providing significant positive spillovers to areas such as economic development, energy efficiency, public health, and manufacturing.  However, not every infrastructure project is worth the investment. Investing wisely in infrastructure is critically important, as is facilitating private financing for public infrastructure. Traditional funding methods limit the flexibility and cost-effectiveness of infrastructure financing. For example, there is currently very little direct private investment in our nation’s highway and transit systems due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in these types of infrastructure projects. Newer funding initiatives address some of these funding shortcomings. The establishment of a National Infrastructure Bank would enable greater private sector co-investment in infrastructure projects. A National Infrastructure Bank would also allow for the rigorous analysis required to direct support to projects with both the greatest returns to society and the long-run economic benefits that can justify up-front investments.  Build America Bonds (BABs) were another highly successful tool to attract additional private capital to finance infrastructure projects. These bonds were used to fund over $180 billion for new public infrastructure such as bridges, transit systems, and hospitals from 2009 through 2010 in all 50 states and the District of Columbia. Reinstatement of the BABs program is proposed in the President’s Budget.

#### Infrastructure bank is key to increase rate of return for long term growth, and resolve inefficient transportation use

Greenstone, 2010 2009-10 he served as the chief economist at the White House’s Council of Economic Advisers. His research is focused on estimating the costs and benefits of environmental quality and the consequences of government regulation. The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. GREENSTONE: Yeah, thanks for the question, and thank you for including me on such a distinguished panel. I’ll try not to bring down the average too much. So I’ll just start with I think two points that we all know, but it’s probably worth reminding ourselves of, you know. And it’s come up so far: infrastructure is a crucial component of long-run, broad-based growth. If you can’t deliver the goods quickly, you’re going to make less money, and businesses will do less well. So there’s no question this is a central place for government. The second thing that’s probably worth keeping in mind is infrastructure does have this great future in the middle of a recession, which is, you have to hire people to do the work. And so in the current environment, there’s a lot of reasons to be excited about doing infrastructure spending. I think two things are kind of brewing around here, and I think to this issue. I think there’s two primary challenges for infrastructure policy. The first I kind of think was a paradox. There’s some research by Cliff Winston, who’s here at Brookings, has really a surprising finding, because on the one hand, the American Society of Civil Engineers and several other groups, we have to spend $2 trillion over the next 5 years just to keep the infrastructure up. So that’s on the one hand, it seems like there’s a desperate need. On the other hand, Cliff Winston’s research suggests that the returns on infrastructure spending are actually quite low. His research found that in the 1970s, the return on a dollar spending was about 17 percent. That’s a great investment; everyone should want to do that investment. By the 1980s, using the same methodology that was down to 5 percent. It’s beginning to not look like such a hot investment. And in the 1990s, again, based on his research, it was down to a 1 percent rate of return. So how can it be that our infrastructure is crumbling and we also aren’t doing -- we have very low rates of return. And I think -- I don’t know that all the answer lies in this, but I think part of the answer lies in our system’s allocation, which I think is represented below. Proposal is partially intended to address. So most spending is done through formulas or earmarks, and those systems do not -- they’re not even really designed to produce spending that’s going to have a high rate of return. And I think we have to be honest that that’s a major impediment to infrastructure producing the long-run growth that we all think is an important component to a long-run growth strategy. I should mention, on the discretionary side, I think that there are some real bright spots. The TIGER program I think was a real winner. I think the infrastructure bank, which has performance metrics, it’s a proposal, but it has performance metrics, is a fantastic idea. But the point I want to make is, there are some real shining lights on the discretionary side, but I think the vast majority of spending still goes through formulas and goes through states. And to the extent that that system is not reformed along with the discretionary side, I think we are at risk of continuing to have the low rates of return. Also, with my academic hat on, I think it’s also worth saying we don’t have a great formula for figuring out what the rates of return are or how to do a cost-benefit analysis in infrastructure spending. And I think one thing that the DOT or the federal government generally could do is, try and do some capacity building on that, both by seeding states with the capacity to do that better, and I think also convening some kind of federal group. And, you know, one of the power to the Race to the Top is, the goal was really, really clear. You know, at some level they just wanted to raise educational -- the productivity of the educational system. And I think trying to achieve multiple goals, which we often do, you know, recognizing -- we try to achieve too many goals through infrastructure. I think a more narrow focus on rates of return and monetizing the benefits would have lots of payoff. The second -- so I think that’s the first primary challenge for infrastructure policy. The second primary challenge I think is, we don’t really -- we don’t currently use our existing infrastructure efficiently. I think everyone here has made some comment about what a pain it was to get here this morning. And, you know, I didn’t time this myself last night, but I thought about it, trying to time how long it would take me to drive from Brookings to the Beltway on Connecticut Avenue at midnight, and then to compare that to driving back here in the morning. And I’m going to guess it would have taken me 10 minutes last night and it would have taken an hour this morning. I think one important thing is, and I know it’s quite challenging politically, is to find ways to use our infrastructure more efficiently. And at the end of the day, I think that involves recognizing that when I put my car on the road, I am actually slowing down Representative DeLauro, who’s also trying to drive to work. Maybe she walks actually. CONGRESSWOMAN DeLAURO: No. MR. GREENSTONE: No. And I think congestion pricing or some other tolling system like that has got to be an important part. So I’m not saying that we should have an even number of cars on Connecticut Avenue at all hours of the day, but I think some of the cars, through a congestion pricing scheme, could be shifted to a different time of the day. And just to underscore that, just because -- and so when people are sitting in traffic, those are real costs. They don’t show up on the federal budget, and they don’t show up on the state budget, but those are real costs that the inefficient use of the system are saddling the economy with. Those are costs that bakers can’t deliver their cakes, those are costs that plumbers can’t get to do jobs, and I think we have to try and find a way to make ourselves comfortable with that.

#### **Infrastructure investment is low now – undermining job growth**

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

The first part of this report demonstrated that additional, carefully selected infrastructure investment should yield substantial benefits to the U.S. economy. This section considers the current state of our economy and why it is an opportune time to increase infrastructure investment. The main conclusion is that because of the availability of underutilized resources (especially labor), the opportunity cost of infrastructure investment is currently well below its normal level. The recession that started in late 2007 had an exceptionally large impact on the labor market, as the United States lost 8.7 million jobs between December 2007 and December 2009. Due to the collapse of the real estate market, the contraction of employment in the construction industry was especially acute. A full 21 percent of those who lost jobs over this time period were in the construction industry. Even as the economy has begun to recover, construction employment remains well below pre-recession levels. In December 2011, total payroll jobs in the construction industry remained 25 percent below the level of December 2007, dropping 1.9 million from 7.5 million to 5.6 million employees (seasonally-adjusted), which constitutes one-third of the total jobs lost over this period. In February 2012, the unemployment rate for construction workers was 17.1 percent, and over the past twelve months, the unemployment rate for construction workers has averaged 15.6 percent.

#### National bank avoids political mitigation – resulting in the most efficient market based growth

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

Last January we urged the new administration to focus on infrastructure investments that will stabilize and strengthen our economy beyond the current crisis. Smart investments in infrastructure, we argued, can generate productive, sustainable and inclusive growth. We called for a strategy of "invest and reform" to ensure that infrastructure investments were driven by market logic, factual evidence, and performance rather than the greatest short-term political reward. We recommended a range of funding and finance vehicles, such as a national infrastructure bank, to target those infrastructure projects (from road and rails to ports and pipes) that have the highest return on investment. We offered a re-imagined partnership with states and localities and the use of market mechanisms and pricing to deliver better outcomes. To better align these efforts we advocated for better coordination among the myriad agencies that construct, use, maintain and operate under this broad umbrella of “infrastructure.” Without a doubt, the administration had its hands full from the outset. The real concerns about the condition and quality of our infrastructure and the serious funding and financing shortfalls quickly manifested themselves at the same time the president and his team worked to staunch the bleeding from a rapidly deteriorating economy.

#### NIB is key to growth development, long-term competitiveness, and Foreign direct investment

Puentes 2011, Robert, Senior Fellow, Brookings Institution, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

Most experts agree the United States must address the nation's aging network of roads, bridges, airports, railways, power grids, water systems, and other public works to maintain its global economic competitiveness. In 2010, President Barack Obama proposed a national infrastructure bank (PDF) that would leverage public and private capital to fund improvements, and in April 2011 a bipartisan coalition of senators put forward a similar concept (NYT). Four experts discuss how the United States can best move forward on infrastructure development. Robert Puentes of the Brookings Institution suggests focusing on increasing exports, low-carbon technology, innovation, and opportunity. Renowned financier Felix Rohatyn endorses the concept of a federally owned but independently operated national infrastructure bank that would provide a "guidance-system" for federal dollars. Infrastructure policy authority Richard Little argues that adequate revenue streams are the "first step in addressing this problem," stressing "revenue-based models" as essential. Deputy Mayor of New York City Stephen Goldsmith says that the "most promising ideas" in this policy area involve public-private partnerships. Robert Puentes, Senior Fellow, Brookings Institution Infrastructure is central to U.S. prosperity and global competitiveness. It matters because state-of-the-art transportation, telecommunications, and energy networks--the connective tissue of the nation--are critical to moving goods, ideas, and workers quickly and efficiently and providing a safe, secure, and competitive climate for business operations. But for too long, the nation's infrastructure policies have been kept separate and apart from the larger conversation about the U.S. economy. The benefits of infrastructure are frequently framed around short-term goals about job creation. While the focus on employment growth is certainly understandable, it is not the best way to target and deploy infrastructure dollars. And it means so-called "shovel ready projects" are all we can do while long-term investments in the smart grid, high-speed rail, and modern ports are stuck at the starting gate. We often fail to make infrastructure investments in an economy-enhancing way. This is why the proposal for a national infrastructure bank is so important. So in addition to the focus on job growth in the short term, we need to rebalance the American economy for the long term on several key elements: higher exports, to take advantage of rising global demand; low-carbon technology, to lead the clean-energy revolution; innovation, to spur growth through ideas and their deployment; and greater opportunity, to reverse the troubling, decades-long rise in inequality. Infrastructure is fundamental to each of those elements. Yet while we know America's infrastructure needs are substantial, we have not been able to pull together the resources to make the requisite investments. And when we do, we often fail to make infrastructure investments in an economy-enhancing way. This is why the proposal for a national infrastructure bank is so important. If designed and implemented appropriately, it would be a targeted mechanism to deal with critical new investments on a merit basis, while adhering to market forces and leveraging the private capital we know is ready to invest here in the United States. Building the next economy will require deliberate and purposeful action, across all levels of government, in collaboration with the private and nonprofit sectors. Infrastructure is a big piece of that.

### NIB K2 Econ

#### Infrastructure investment key to the economy, multiple warrants

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Public infrastructure is an essential part of the U.S. economy. Every day, Americans use our nation’s transportation infrastructure to commute to work, visit their friends and family and travel freely around the country. Businesses depend on a well functioning infrastructure system to obtain their supplies, manage their inventories, and deliver their goods and services to market. This is true for companies whose businesses rely directly on the infrastructure system, such as UPS and CSX, as well as others whose businesses indirectly rely on the infrastructure system, such as farmers who use publicly funded infrastructure to ship crops to buyers, and dot.com companies that send goods purchased online to customers throughout the world. A modern transportation infrastructure network is necessary for our economy to function, and is a prerequisite for future growth. President Eisenhower’s vision is even more relevant today than it was in 1955, when in his State of the Union Address he said, "A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security." Today, that vision would include making not only our highways, but our nation’s entire transportation system more efficient and effective.

#### Supply and demand makes Governmental infrastructure reform key and timely

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Our analysis indicates that both demand- and supply-side factors support the conclusion that further infrastructure investments would be particularly timely and beneficial for the U.S. economy. First, estimates of economically justifiable investment, expert reports and public opinion indicate that American infrastructure is not keeping pace with the needs of our economy and the desires of the American people. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; the federal government has a constructive role to play by stepping up to address the anticipated shortfall and provide more efficient financing mechanisms, such as Build America Bonds.

#### National infrastructure bank key for transportation reform

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short term and long term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as establish a National Infrastructure Bank, which will leverage private and other non-federal government resources to make wise investments in projects of regional and national significance.

#### Infrastructure investment boosts the economy: raised productivity, and employment, lower prices and increased profitability

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The United States has a rich history of investing in infrastructure and reaping the long-term economic benefits. Influential research by David Aschauer and others has explored the link between public infrastructure investment and economic growth.1,2,3 Many studies have found evidence of large private sector productivity gains from public infrastructure investments, in many cases with higher returns than private capital investment. A recent analysis by the Congressional Budget Office found that additional investment in infrastructure is among the most effective policy options for raising output and employment.4 Since much of the public capital stock is owned by state and local authorities, more recent research has compared the economic benefits of infrastructure investments between regions in the U.S., generally finding smaller but economically significant benefits in comparison to Aschauer’s estimates.5 Investments in infrastructure allow goods and services to be transported more quickly and at lower costs, resulting in both lower prices for consumers and increased profitability for firms.

#### Targeted investment leads to further productivity

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

A study by John Fernald makes progress on establishing causality by comparing the impact of infrastructure investment on industries that a priori should experience different benefits from infrastructure. 7 He finds that the construction of the interstate highway system in the 1960s corresponded with a significant increase in the productivity of vehicle-intensive industries (such as transportation and gas utilities), relative to industries that do not depend on vehicles (such as apparel and textiles and industrial machinery). Fernald’s findings suggest that previous investments in infrastructure led to substantial productivity gains, and suggest the potential for further increases in productivity through additional, well targeted investment.

#### Returns exceed cost, and boost living standards

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Another study by Climent Quintana-Domeque and Marco Gonzalez-Navarro makes progress on estimating the causal effect of infrastructure investment, using an experimental design.8 Specifically, the study randomly assigned some roads to be paved and others to be in a control group in the Mexican city of Acayucan. Their analysis suggests that such infrastructure investment substantially raised housing values on the newly paved roads, which reflects an improvement in living standards, as well as provided benefits for home values on nearby streets. The rise in housing values on affected streets significantly exceeded the cost of paving.

#### Investments needed soon

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The merits of infrastructure investments must also be considered alongside projections of population growth, trading patterns and expected changes in American lifestyles. As the economy and population grow, infrastructure resources will be stretched thinner as existing systems age and additional needs for new systems arise. With the American population expected to grow to over 400 million people by 2050 and interstate commerce expected to grow as well, targeted infrastructure investments can be one strategic tool that policymakers use to prepare for the future.

### NIB Solves Econ

#### The structure for an NIB attracts bipartisan support and economic return

Compton’11 (Matt Compton joined the White House in October of 2011 and currently serves as the Deputy Director of Online Content. Prior to this role, he was the Director of New Media Campaigns for the Democratic National Committee. Earlier, he worked as the Communications Director for the Democratic Legislative Campaign Committee and as an editor for the Progressive Policy Institute. BA Arnold http://www.whitehouse.gov/blog/2011/11/03/five-facts-about-national-infrastructure-bank) 11/03/11

Yesterday, with the Key Bridge, which connects Washington, DC with Arlington, Virginia, as a backdrop, President Obama discussed the ways that the [American Jobs Act](http://www.whitehouse.gov/economy/jobsact) will invest in the nation's highways, airports, roads, and bridges -- and create new jobs for construction workers. Today, the Senate is set to take up one idea that the President touted -- the creation of a national infrastructure bank. Here's how it would work: 1) Congress would appropriate an initial $10 billion in startup money to capitalize the bank.2) The new bank would identify transportation, energy, and water infrastructure projects that lack funding, offer a clear benefit for taxpayers, and are worth at least $100 million or $25 million for rural projects. 3) Loans made by the bank would then be matched by private sector investments or money from local governments -- so that the infrastructure bank provides half or less than half the total funding. 4) Each project would generate its own revenues to help ensure repayment of the loan.5) Decisions would be made by a seven-person board of governors -- of whom, no more than four could be from the same political party -- and a CEO chosen by the President.One bonus fact: The legislation that would create the bank has serious bipartisan backing -- and the support of both the U.S. Chamber of Commerce and the AFL-CIO.

#### NIB loans would spark countless benefits to both the environment and the economy

Compton’11 (Matt Compton joined the White House in October of 2011 and currently serves as the Deputy Director of Online Content. Prior to this role, he was the Director of New Media Campaigns for the Democratic National Committee. Earlier, he worked as the Communications Director for the Democratic Legislative Campaign Committee and as an editor for the Progressive Policy Institute. BA Arnold http://www.whitehouse.gov/blog/2011/11/03/five-facts-about-national-infrastructure-bank) 11/03/11

The legislation would offer loans, loan guarantees, and grants. [Loan] Eligible recipients would include sub-national governmental entities and nongovernmental entities such as corporations, partnerships, and joint ventures. The nongovernmental recipients would be eligible only if there were a sub-federal governmental cosponsor of the eligible project. An eligible project would be “comprised of activities included in a regional, State, or national plan” and “transportation related.” In addition to loans and loan guarantees, the legislation would also establish a competitive

investment grant program for a wide swath of transportation-related projects (see Table B-1). As proposed, this “National Infrastructure Investment Grant (NIIG)” program would (1) leverage federal investment by encouraging nonfederal contributions to the project, including contributions from public-private partnerships; (2) improve the mobility of people, goods, and commodities; (3) incorporate new and innovative technologies, including intelligent transportation systems; (4) improve energy efficiency or reduce greenhouse gas emissions; (5) help maintain or protect the environment, including reducing air and water pollution; (6) reduce congestion; (7) improve the condition of transportation infrastructure, including bringing it into a state of good repair; (8) improve safety, including reducing transportation accidents, injuries, and fatalities; (9) demonstrate that the proposed project cannot be readily and efficiently realized without federal support and participation; and (10) enhance national or regional economic development, growth, and competitiveness. A grant for the federal share of the NIIG project could not exceed 80% of the net project cost. Sub-national governments and government-sponsored corporations would be eligible for this program. Appropriations of $600 million in each of 2012 and 2013 would be made available to carry out the NIIG program. A project seeking a loan or loan guarantee would need to be at least $50 million in total cost, or $10 million if located entirely in a rural area. The legislation defines a “rural area” as all population and territory not within an urbanized area.

#### Without an NIB, America’s infrastructure will collapse, bringing down our economy

Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metropolitan Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

From time to time, collapsed bridges, failed dams, and ruptured water pipes remind us of the need for increased investment in the maintenance of U.S. infrastructure. Overall, we know that infrastructure quality is generally declining, especially in metropolitan areas. And many are concerned that our extant infrastructure is woefully obsolete, geared more toward prior generations than for the challenges of the 21st century.1 This is especially true for surface transportation (roads, rails, transit), where two national commissions, major congressional committees, and numerous interested parties have maintained a steady drumbeat for greater federal engagement—mostly through increased spending. Today, with U.S. unemployment at 10 percent, calls for increased funding, this time in order to create and retain jobs, have only gotten louder.2 However, while most of the attention has been on increasing funding for infrastructure projects, there are also renewed pleas for ways to improve the federal government’s investment process. In this context, two ideas that have come up over the years are the creation of a federal capital budget and a new federal entity for funding and financing infrastructure projects of national or metropolitan significance. In its most basic form, a federal capital budget would separate federal expenditures into outlays for current operations and capital expenses. In this way, the federal government could separately finance and manage capital investment according to its long-term nature. Plus, the public would be able to see exactly how much the federal government is investing in the long-term growth of the national economy. For more than half a century, a federal capital budget has been proposed as a solution to the woes of the federal investment process. While bold and transformative, the idea is opposed by the budgeting community and has difficulty mustering political support from Congress or the administration. A national infrastructure bank (NIB) is a more modest yet still potentially important reform for new federal investment. While it may take different forms, it generally refers to an entity able to select and finance multi-modal, multi-jurisdictional, and multi-sectoral infrastructure projects on a merit basis. This paper examines the major questions surrounding the federal investment process and the extent to which a federal capital budget or a national infrastructure bank would improve it. In the end our analysis shows that the federal capital budget would provide little improvement for the federal decision-making process on infrastructure financing. While an NIB is not a panacea, if appropriately designed and with sufficient political autonomy, it could improve both the efficiency and effectiveness of future federal infrastructure projects of national significance.

#### NIB jump starts economy in a number of ways

Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metropolitan Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

While not as a far-reaching change as a federal capital budget, a national infrastructure bank (NIB) is a targeted mechanism for financing infrastructure. A development bank in essence, an NIB would have to balance the rate-of-return priorities of a bank with the policy goals of a federal agency. A new bill, the National Infrastructure Development Bank Act (NIBDA) was introduced in May 2009 by Representatives DeLauro, Ellison, Israel, and Weiner. In addition, the 2010 budget proposal includes appropriations for a National Infrastructure Bank. These NIB proposals envisage an entity that improves the federal investment process in infrastructure assets of national importance and accelerates the investments in this type of infrastructure.80 The focus is on multi-jurisdictional or multi-modal projects with regional or national impact. Emphasis would be placed on projects that cut across stove-piped federal infrastructure programs. It is unclear whether the bank would be limited to certain sectors, such as transportation, or if it would allow for applications from a variety of infrastructure areas. For these types of infrastructure projects, an NIB could provide federal funding in terms of grants, loans, and loans guarantees. Under the NIDBA and the FY2010 budget proposal, the federal government would provide $25 billion over five years in terms of appropriations.81 In the case of NIBDA, this would be 10 percent of all the subscribed capital.82 Under the House bill, an NIB would be able to leverage the paid in capital by issuing bonds. The proceeds from the bonds would be used to finance major infrastructure projects proposed by public entities (states, municipalities, and agencies), public private partnerships, and firms.

#### Infrastructure bank solves- EU proves

Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metropolitan Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

An NIB would be a federal special purpose entity. Its grants would score as any other federal grants, with no requirement of full funding. Its budget authority would include the subsidy cost of its loans. In the FY 2010 budget proposal, NIB funding is direct federal investment, similar to the funding for the Corps of Engineers.83 An NIB for the U.S. is frequently compared to the European Investment Bank (EIB), as suggested

by NIDBA 2009. The EIB has been functioning successfully for the last 50 years, playing a major role in connecting the European Union across national borders. Starting as a development bank focused on infrastructure, the EIB widened its operations, financing projects on innovation, small and medium businesses, and environment, in line with current European Union economic objectives. The EIB has over 164.8 billion Euros in subscribed capital by all the 27 European Union member countries. Only 5 percent of the amount is actually paid in. The amount of loans and guarantees that it can provide is 2.5 times the subscribed capital. In 2008, the EIB contracted to fund 57.6 billion Euros,

mainly on transportation, energy and global loans.84 The EIB posted a net profit of 1.6 billion Euros for 2008.85

#### Without an FIB, future infrastructure will be ineffective

Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metropolitan Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

At its heart, an NIB is about better selection of infrastructure projects. The bank would lend or grant money on a project basis, after some type of a BCA. In addition, the

projects would be of national or regional significance, transcending state and local boundaries. The bank would consider different types of infrastructure projects, breaking down the modal barriers. This would be a giant step from the current federal funding for infrastructure, most of which is disbursed as federal aid transportation grants to states in a siloed manner. Multi-jurisdictional projects are neglected in the current federal investment process in surface transportation, due to the insufficient institutional coordination among state and local governments that are the main decisionmakers in transportation.102 The NIB would provide a mechanism to catalyze local and state government cooperation and could result in higher rates of return compared to the localized infrastructure projects. An NIB would need to articulate a clear set of metropolitan and national impact criteria for project selection. Impact may be assessed based on estimated metropolitan multipliers of the project. This criterion would allow the bank to focus on the outcomes of the projects and not get entangled in sector specific standards. Clear evaluation criteria would go a long way, forcing the applicants, be it states, metros or other entities, to have a baseline of performance. This change, by itself, would be a major improvement for the federal investment process, given that a major share of the federal infrastructure money goes to the states on a formula basis, without performance criteria.

#### NIB K2 delivery on projects

Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metropolitan Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

An NIB could require that projects be delivered with the delivery mechanism offering best-value to the taxpayer and end user. The design-bid-build public finance model has been the most commonly used project delivery method in the transportation sector in the United States.106 Until very recently, there has been little experimentation with other delivery contracting types. Evidence from other federal states, such as Australia, shows that private delivery saves money on infrastructure projects.107

#### Filling the capital structure of infrastructure projects

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

Although the United States has the deepest capital markets in the world, they are not always providing the full array of investment capital needed —especially for large infrastructure projects with certain credit profiles.108This has been even more obvious during the current recession, with the disruptions in the capital markets. An NIB could help by providing more flexible subordinate debt for big infrastructure projects. Generally bonds get investment-grade ratings, and have ready market access, only if they are senior obligations with secure repayment sources. For more complicated project financings that go beyond senior debt, there is a need for additional capital, such as equity capital or subordinated debt. However, this market gap is relatively small relatively to federal investment.109 An NIB would build upon the current Transportation Infrastructure Finance and Innovation Act (TIFIA) by providing subordinated debt to public or private entities in leveraging private co-investment.110

#### America’s investment in infrastructure is not sufficient to spur robust growth—New Jersey proves

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas.Figueroa

In October, Governor Chris Christie announced his intention to terminate

New Jersey’s participation in the Access to the Region’s Core (ARC) Tunnel

Project, citing cost overruns that threatened to add anywhere from $2-$5 billion

To the tunnel’s almost $9 billion price tag. At the time, Christie stated, “Considering

the unprecedented fiscal and economic climate our State is facing, it is completely unthinkable to borrow more money and leave taxpayers responsible for billions in cost overruns. The ARC project costs far more than New Jersey taxpayers can afford and the only prudent move is to end this project. ”1 Despite the fact that the project is absolutely necessary for future economic growth in the New Jersey-New York region and would have created thousands of jobs, it was held captive to significant cost escalation, barriers to cooperation between local, state, and federal actors, and just plain politics. Sadly, these factors are increasingly endemic in the execution of major infrastructure projects. America’s infrastructure has fallen into a state of disrepair, and will be insufficient to meet future demands and foster competitive growth without significant new investment. However, the public is fed up with massive deficits and cost overruns, and increasingly consider deficit reduction to be a bigger economic priority than infrastructure investment.2 They have lost confidence in government’s ability to choose infrastructure projects wisely, complete them, and bring them in on budget. At the same time, traditional sources of funding are strained to the breaking point and federal support is hindered by an inefficient process for selecting projects. Finding the resources necessary to construct new infrastructure will be also be a significant challenge. A new of way of choosing and funding infrastructure projects— from roads, bridges, airports, rail, and seaports to broadband and power transmission upgrades—is necessary to ensure growth and create jobs in America.

#### Infrastructure is on the fritz, America is in desperate need for means of repair

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas.Figueroa

America’s infrastructure isn’t ready to meet future growth needs. The safety risks and economic costs associated with the deterioration of America’s infrastructure are increasingly apparent across multiple sectors. The American Society of Civil Engineers has awarded the nation’s overall infrastructure a grade of D.3 Since 1990, demand for electricity has increased by about 25% but construction of new transmission has decreased by 30%.4 Over about the last 25 years, the number of miles traveled by cars and trucks approximately doubled but America’s highway lane miles increased by only 4.4%.5 Over 25% of America’s bridges are deficient6 and about 25% of its bus and rail assets are in marginal or poor condition.7 America’s broadband penetration rate ranks only 14th among OECD countries.8 As America’s population and economic activity increases, the stress on its infrastructure will only grow. The number of trucks operating daily on each mile of the Interstate Highway system is expected to jump from 10,500 to 22,700 by 2035,9 while freight volumes will have increased by 70% over 1998 levels.10 It is also expected that transit ridership will double by 2030 and that the number of commercial air passengers will increase by 36% from 2006 to 2015.11 Total electricity use is projected to increase by 1148 billion kWh from 2008 to 2035.12 In order to cope, America’s infrastructure will need a significant upgrade.

#### America’s infrastructure is key to competitiveness and the American economy

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

America’s infrastructure gap poses a serious threat to our prosperity. In 2009, the amount of waste due to congestion equaled 4.8 billion hours (equivalent to 10 weeks worth of relaxation time for the average American) and 3.9 billion gallons of gasoline, costing $115 billion in lost fuel and productivity.13 Highway bottlenecks are estimated to cost freight trucks about $8 billion in economic costs per year,14 and in 2006, total logistics costs for American businesses increased to 10% of GDP. Flight delays cost Americans $9 billion in lost productivity each year,16 and power disruptions caused by an overloaded electrical grid cost between $25 billion and $180 billion annually.17 These losses sap wealth from our economy and drain resources that could otherwise fuel recovery and growth. The infrastructure gap also hinders America’s global competitiveness. Logistics costs for American business are on the rise, but similar costs in countries like Germany, Spain, and France are set to decrease.18 And while America’s infrastructure spending struggles to keep pace,19 several main global competitors are poised to make significant infrastructure enhancements. China leads the world with a projected $9 trillion in infrastructure investments slated for the next ten years, followed by India, Russia, and Brazil.20 In a recent survey, 90% of business executives around the world indicated that the quality and availability of infrastructure plays a key role in determining where they do business.21 If. America is going to remain on strong economic footing compared to its competitors, it must address its infrastructure challenges. There are too many cost overruns and unnecessary projects—but not enough funds.

#### Current system fails, Insert kick ass tag here.

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

The current system for funding projects is subject to inefficiency and bureaucratic complication. Funding for infrastructure improvements is divided unevenly among federal, state, local, and private actors based on sector.24 Even in instances where the federal government provides funding, it has often ceded or delegated project selection and oversight responsibilities to state, local, and other recipients, weakening linkages to federal program goals and efforts to ensure accountability.25 Federal efforts are also hampered by organization and funding allocations based strictly on specific types of transportation, as opposed to a system-wide approach, which create inefficiencies that hinder collaboration and effective investment.26 Complicating matters even further are the emergence of multi-state “megaregions,” which have common needs that require multijurisdictional planning and decision making ability.27 Infrastructure funding has also become significantly politicized. Congressional earmarking in multi-year transportation bills has skyrocketed from 10 projects in the STAA of 1982 to over 6,300 projects in the most recent bill (SAFETEA-LU).28 Even under a working system, the infrastructure improvements necessary to foster growth will require substantial investment. The American Society of Civil Engineers estimates that it would require $2.2 trillion over the next five years to bring our overall infrastructure up to par.29 However, sources of funding for infrastructure improvements are under significant strain and may not be sufficient.30 The Highway Trust Fund has already experienced serious solvency challenges, and inadequate revenues could lead to a $400 billion funding shortfall from 2010 to 2015.31 The finances of state and local governments, which are responsible for almost three-quarters of public infrastructure spending,32 have been severely impaired. At least 46 states have budget shortfalls in the current fiscal year, and it is likely that state financial woes will continue in the near future.33 In a recent survey by the National Association of Counties, 47% of respondents indicated more severe budget shortfalls than anticipated, 82% said that shortfalls will continue into the next year, and 54% reported delaying capital investments to cope.34

### Construction Industry

#### Current economic slowdown is hitting the construction industry the hardest—increased infrastructure investment creates jobs in this key sector

U.S. Department of the Treasury, along with the Council of Economic Advisers, 2012

“A New Economic Analysis of Infrastructure Investment,” March 23, http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx, last accessed 5.21.12

Among those who gain employment as a result of additional infrastructure investment, the average unemployment rate has averaged approximately 13 percent over the past twelve months. This is more than one and one-half times the current national unemployment rate. Within the construction sector, which accounts for the majority of direct employment resulting from infrastructure investment, the unemployment rate has averaged 15.6 percent over the past twelve months.

#### And, energizing the construction industry is needed to fix the economy—upgrading ports, highways and bridges key to economic recovery

Niemann, Economic Analyst with Smith, Moore and Company in St. Louis, 2011

Juli, interview with Adriene Hill of Marketplace, “Construction industry vital to economic recovery,” September 6, http://www.marketplace.org/topics/business/construction-industry-vital-economic-recovery, last accessed 5.22.12

Hill: So are the markets finally coming to terms with where the economy actually is?

Niemann: Well Wall Street's ever hopeful, but the biggest problem they're facing right now is this is not a double dip recession, because we've never emerged from one that really started in 2008. One powerful area made us look much better than we were, and that was manufacturing -- machinery, autos, aircraft. And it all went to the export markets, and our trading partners now are all plunging back into recession, so no one will be able to buy our stuff. That's what we're really looking at now. We're tied to Europe and China's helm, and they both have a unique set of problems dragging them back down. Hill: So some of the jobs proposals we're hearing, there are suggestions out there that basically count on and encourage consumer spending. Are those going work? Niemann: Absolutely not. Bottom line is -- the Federal Reserve has a couple of dark tools they don't really want to use. But the only thing that's going to work at this point in time is basically jobs tied to manufacturing and infrastructure. Thirty-five thousand jobs are created for about every billion dollars spent on transportation -- that's very effective. You've got a multiplier effect of 2 to 1. So in the president's jobs talk, he really has to talk about long-term competitive disadvantage that we're having if we don't upgrade our ports, and highways, and bridges. The construction trade is really the only thing that's going to bring this out. The problem with that: it's longer-term. There's no short-term fix for the mess that we're in.

### Jobs

#### Bank results in job increase

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

The Infrastructure Bank’s initial capital of $60 billion would be deployed so as to bring in billions of additional dollars from outside investors and other partners. The Bank should have the authority to issue bonds with maturities of up to 50 years, among its other financing capabilities. These long bonds would be backed by repayment of the loans the Bank made to state and local governments, and would therefore align the financing of infrastructure investments with the benefits they create. If the bank were to provide subsidies, whether through credit insurance, interest rate discounts, or even grants to accompany its lending, these would be transparent, using credit scoring. To the extent that the bank provided non-subsidized lending, it would be self-financing. Tens of thousands of private sector jobs would be created over time, helping to provide strong economic growth.

### Investment Uniqueness: Interest High

Tanya Snyder, Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio, 10/07/2011 “Does the Elusive Infrastructure Bank Already Exist?” http://dc.streetsblog.org/2011/10/07/does-the-infrastructure-bank-of-our-dreams-already-exist/

And indeed, there’s plenty of private capital out there ready to invest in infrastructure. Ed Smith of Ullico, Inc., a union insurance company, said his company wants to invest pension funds in a national infrastructure bank. It would create jobs for union members and have a long-term, safe and stable payout that works well with pensions. And as a member of the labor movement, he said “People have to get out of the habit of saying we need to create jobs today through infrastructure. We need to create jobs over the next ten years – and infrastructure can do it.” “You talk about infrastructure, you don’t talk about short-term stimulus. You talk about a stimulus that’s being put in place for five, 10 years,” Smith said. “Short-term infrastructure is an oxymoron.” That’s why job creation should focus on repair, said Gene Sperling, director of the White House National Economic Council. He told the PPI gathering yesterday that the president’s jobs bill won’t just focus on big capital projects. “If you’re having to have a quick impact on the economy, there aren’t that many large projects that are ready to go,” Sperling said. “Like at a home – if somebody told you you could build a new room, not everybody is ready to do that. Everybody is ready to fix something in their kitchen or their stairs.” Tanya Snyder became Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio. She lives car-free in a transit-oriented and bike-friendly neighborhood of Washington, DC.

#### Private capital investment interest is high

Matt Strader, Assistant Secretary for Transportation in Virginia, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure MR. PUENTES: Matt, are you still seeing this on this interest from the private -- we hear this all the time, that there’s this palpable interest, private folks are ready to invest, the money is out there, we just need direction, we need guidance. I mean, Virginia has a long history. MR. STRADER: Yeah, there’s still a lot of interest. It seems like almost every week there’s another fund, another infrastructure investment group coming and wanting to talk to us about investing in Virginia. And I think one of the things that we’re really going to try and focus using the money on the bank for -- in the bank for is to help fund this PBTA type projects, because right now Virginia doesn’t have a dedicated source of funding for the public subsidy portion of the PBTA. And, you know, we have a laundry list of projects that we’d like to get moving on. You know, first off, 460, we just received three bids for the 460 project last week. We’d also like to look at adding another tunnel to HRBT -- the Hampton Roads Bay Bridge Tunnel -- a third crossing, 66 hot lanes, winding I-64, just any number of projects that are in the pipeline down the road that we really see using this bank to help, you know, fund up-front subsidy -- or not really subsidies, but as another option for the private sector to get money to help pay for these projects.

### Economy: Ext.

#### There is a direct link between infrastructure and the economy

U.S. Department of the Treasury, (along with the Council of Economic Advisers, 2012 “A New Economic Analysis of Infrastructure Investment,” March 23, 2012, <http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx>, accessed 7.2.12 BDE)

Investments in infrastructure allow goods and services to be transported more quickly and at lower costs, resulting in both lower prices for consumers and increased profitability for firms. Major transportation infrastructure initiatives include the building of the national railroad system in the 19th century and the creation of the Eisenhower Interstate System in the 1950s and 1960s. Observers have concluded that in both of these cases there was a causal link running from infrastructure investments to subsequent private sector productivity gains.6 Alternatively, it is possible that infrastructure investments occur when productivity gains are also likely to follow but for unrelated reasons. Determining causality is difficult. A study by John Fernald makes progress on establishing causality by comparing the impact of infrastructure investment on industries that a priori should experience different benefits from infrastructure spending.7 He finds that the construction of the interstate highway system in the 1950s and 1960s corresponded with a significant increase in the productivity of vehicle-intensive industries (such as transportation and gas utilities), relative to industries that do not depend on vehicles (such as apparel and textiles and industrial machinery). Fernald’s findings suggest that previous investments in infrastructure led to substantial productivity gains, and highlight the potential for further increases in productivity through additional, well-targeted investments.

#### Economy timeframe argument- now is key to hire construction workers

U.S. Department of the Treasury, (along with the Council of Economic Advisers, 2012 “A New Economic Analysis of Infrastructure Investment,” March 23, 2012, <http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx>, accessed 7.2.12 BDE)

The first part of this report demonstrated that additional, carefully **selected infrastructure investment should yield substantial benefits to the U.S. economy.** This section considers the current state of our economy and why it is an opportune time to increase infrastructure investment. The main conclusion is that because of the availability of underutilized resources (especially labor), the opportunity cost of infrastructure investment is currently well below its normal level**. The recession that started in late 2007 had an exceptionally large impact on the labor market, as the United States lost 8.7 million jobs** between December 2007 and December 2009. **Due to the collapse of the real estate market, the contraction of employment in the construction industry was especially acute**. A full 21 percent of those who lost jobs over this time period were in the construction industry. Even as the economy has begun to recover, construction employment remains well below pre-recession levels**. In December 2011, total payroll jobs in the construction industry remained 25 percent below the level of December 2007**, dropping 1.9 million from 7.5 million to 5.6 million employees (seasonally-adjusted), which constitutes one-third of the total jobs lost over this period. In February 2012, **the unemployment rate for construction workers was 17.1 percent, and over the past twelve months, the unemployment rate for construction workers has averaged 15.6 percent**. **Building more roads, bridges, and rail tracks would especially help those workers that were disproportionately affected by the economic crisis – construction and manufacturing workers**. Accelerated infrastructure investment would provide an opportunity for construction workers to productively apply their skills and experience. Moreover, **hiring currently unemployed construction workers would impose lower training costs on firms than would be incurred by hiring workers during normal times because these workers already have much of the requisite skills and experience**. Analysis by the Congressional Budget Office found that additional investment in infrastructure is among the most effective policy options for raising output and employment.25 Given this situation, the President’s proposal to front-load our six-year surface transportation legislation with an additional $50 billion investment makes sound economic sense.

#### Transportation Infrastructure has always been key to economic growth

“Financing Infrastructure in the 21st Century City” Michael A. **Pagano and** David **Perry** Public Works Management Policy **2008** 13: 22 DOI: 10.1177/1087724X08321015 The online version of this article can be found at: http://pwm.sagepub.com/content/13/1/22

Organizing human activity in **urban settlements requires investment in fixed assets, such as transportation and water.** **Networks of roads, navigable waterways and harbors have long determined the location of people and firms. Seaports, waterfalls, and the confluences of rivers were the sites of the first commercial concentrations and settlements of people with road networks radiating throughout the interior. Later, railroads crisscrossed the nation, leading to interior settlements at transshipment points and road intersections. The densities of the interior settlements were particularly great at railroad crossings and at railroad–river intersections. These intersections and transshipment points allowed for the exchange of commodities and the opening of markets.**

**These exchange relationships were built on a plat- form, the physical infrastructure of the community. The fixed assets allowed communities to grow both vertically and horizontally**, creating a “feel” for the city not only by influencing the distribution of people and residential structures but also by influencing the location of retail, office, cultural, tourist, university, health care, and other industries.1 In large part, public works and the resulting flow of services enabled private economic activity. **Infrastructure is the foundation for economic growth, and it is often linked to the cities’ economic growth engines. Without the provision of adequate streets, water supply, and sewage treatment, it would be difficult indeed for productive activities to proceed, at least without tremendous cost to the producer**. **Fixed assets** and public works, then, **influence and constrain in important ways the economic development and growth potential both of the city and of the region, their trajectory, and their prospects** (Pagano & Moore, 1985).

“Financing Infrastructure in the 21st Century City” Michael A. **Pagano and** David **Perry** Public Works Management Policy **2008** 13: 22 DOI: 10.1177/1087724X08321015 The online version of this article can be found at: http://pwm.sagepub.com/content/13/1/22

Property tax–**dependent cities,** on the other hand, **have a need to capture as much of the economic development spin-offs from the city’s infrastructure investment as possible by encouraging location of high-value real estate and structures as close to the center of the city as possible. This allows the city to maximize capture of development revenue. And income tax cities attempt to maximize high-income residential buildings or offices to capture as much income tax revenue as possible.**

#### Infrastructure investment is key to the economy

Michael A**. Pagano** and David **Perry** Public Works Management Policy **2008** “Financing Infrastructure in the 21st Century City” 13: 22 DOI: 10.1177/1087724X08321015 The online version of this article can be found at: <http://pwm.sagepub.com/content/13/1/22>

**It is** widely **recognized that inadequate investment in infrastructure can constrain the economic development potential of a city by,** for example, **not relieving the costs of traffic congestion, thereby increasing the cost of business**, or by not augmenting wastewater-treatment capacity **to allow for industrial, residential, or commercial growth.** **Infrastructure investment that is planned to meet the current and future needs of businesses and individuals is a necessary and vital component of a healthy and competitive economy. Decisions to locate businesses and industry and to build residential housing depend in large part on the quality and adequacy of streets**, water and sewer systems, traffic lighting and sidewalks, **and other government investment activities** (Pagano & Moore, 1985).

### Double Dip: Add-On

#### We’re at the brink of double dip recession – creating a Federal Infrastructure Bank is key to solve

MARHSALL & THOMASSON ‘11 - president and founder of the Progressive Policy Institute (PPI); found the Democratic Leadership Council, serving as its first policy director; AND\*\*\* Scott Thomasson - director of economic and domestic policy for the Progressive Policy Institute and manages PPI's Innovative Economy Project and E3 Initiative (Will, Scott Thomasson, “Sperling on “Deferred Maintenance””, October 7, <http://progressivepolicy.org/sperling-on-%E2%80%9Cdeferred-maintenance%E2%80%9D>)

It’s hard to imagine a more myopic example of the right’s determination to impose premature austerity on our frail economy. From Lincoln to Teddy Roosevelt to Eisenhower, the Republicans were once a party dedicated to internal nation building. Today’s GOP is gripped by a raging anti-government fever which fails to draw elementary distinctions between consumption and investment, viewing all public spending as equally wasteful.

But as the White House’s Gene Sperling said yesterday, Republicans can’t claim credit for fiscal discipline by blocking long overdue repairs of in the nation’s transport, energy and water systems. There’s nothing fiscally responsible about “deferring maintenance” on the U.S. economy.

Sperling, chairman of the president’s National Economic Council, spoke at a PPI forum on Capitol Hill on “Infrastructure and Jobs: A Productive Foundation for Economic Growth.” Other featured speakers included Sen. Mark Warner, Rep. Rosa DeLauro, Dan DiMicco, CEO of Nucor Corporation, Daryl Dulaney, CEO of Siemens Industry and Ed Smith, CEO of Ullico Inc., a consortium of union pension funds.

Fiscal prudence means foregoing consumption of things you’d like but could do without if you can’t afford them **– a cable TV package, in Sperling’s example.** But if a water pipe breaks in your home, deferring maintenance can only lead to greater damage and higher repair costs down the road.

As speaker after speaker emphasized during yesterday’s forum, that’s precisely what’s happening to the U.S. economy. Thanks to a generation of underinvestment in roads, bridges, waterways, power grids, ports and railways, the United States faces a $2 trillion repair bill. Our inadequate, worn-out infrastructure costs us time and money, lowering the productivity of workers and firms, and discouraging capital investment in the U.S. economy**.**

Deficient infrastructure, Dulaney noted, has forced Siemens to build its own rail spurs to get goods to market. That’s something smaller companies can’t afford to do. They will go to countries – like China, India and Brazil – that are investing heavily in building world-class infrastructure.

As Nucor’s DiMicco noted, a large-scale U.S. infrastructure initiative would create lots of jobs while also abetting the revival of manufacturing in America. He urged the Obama administration to think bigger, noting that a $500 billion annual investment in infrastructure (much of the new money would come from private sources rather than government) could generate 15 million jobs.

The enormous opportunities to deploy more private capital were echoed from financial leaders in New York, including Jane Garvey, the North American chairman of Meridiam Infrastructure, a private equity fund specializing in infrastructure investment. Garvey warned that what investors need from government programs is more transparent and consistent decision making, based on clear, merit-based criteria, and noted that an independent national infrastructure bank would be the best way to achieve this. Bryan Grote, former head of the Department of Transportation’s TIFIA financing program, which many describe as a forerunner of the bank approach, added that having a dedicated staff of experts in an independent bank is the key to achieving the more rational, predictable project selection that investors need to see to view any government program as a credible partner.

Tom Osborne, the head of Americas Infrastructure at UBS Investment Bank, agreed that an independent infrastructure bank like the version proposed by Senators Kerry, Hutchison and Warner, would empower private investors to fund more projects. And contrary to arguments that a national bank would centralize more funding decisions in Washington, Osborne explained that states and local governments would also be more empowered by the bank to pursue new projects with flexible financing options, knowing that the bank will evaluate projects based on its economics, not on the politics of the next election cycle.

Adding urgency to the infrastructure push was Fed Chairman Ben Bernanke’s warning this week that the recovery is “close to faltering.” Unlike short-term stimulus spending, money invested in modernizing infrastructure would create lasting jobs by expanding our economy’s productive base.

Warning that America stands on the precipice of a “double dip” recession, Sperling said it would be “inexcusable” for Congress to fail to act on the president’s job plan**.** He cited estimates by independent economic experts that the plan would boost GDP growth in 2012 from 2.4 to 4.2 percent, and generate over three million more jobs.

#### Double-dip risks nuclear war

FORDHAM ‘10(Tina Fordham, “Investors can’t ignore the rise of geopolitical risk”, Financial Times, 7-17-2010, <http://www.ft.com/cms/s/0/dc71f272-7a14-11df-9871-00144feabdc0.html>)

Geopolitical risk is on the rise after years of relative quiet – potentially creating further headwinds to the global recovery just as fears of a double-dip recession are growing, says Tina Fordham, senior political analyst at Citi Private Bank. “Recently, markets have been focused on problems within the eurozone and not much moved by developments in North Korea, new Iran sanctions, tensions between Turkey and Israel or the unrest in strategically significant Kyrgyzstan,” she says. “But taken together, we don’t think investors can afford to ignore the return of geopolitical concerns to the fragile post-financial crisis environment.” Ms Fordham argues the end of post-Cold War US pre-eminence is one of the most important by-products of the financial crisis. “The post-crisis world order is shifting. More players than ever are at the table, and their interests often diverge. Emerging market countries have greater weight in the system, yet many lack experience on the global stage. Addressing the world’s challenges in this more crowded environment will be slower and more complex. This increases the potential for proliferating risks: most notably the prospect of politically and/or economically weakened regimes obtaining nuclear weapons; and military action to keep them from doing so. “Left unresolved, these challenges could disrupt global stability and trade. This would be a very unwelcome time to see the return of geopolitical risk.”

## Adv: Global Competitiveness

### Uniqueness:

#### Other countries are outcompeting for investment funds – a Bank is key

Michael R. Bloomberg et. al, Edward G. Rendell, Arnold Schwarzenegger, Transportation Infrastructure Report 2011 “America’s Future Falling Apart and Falling Behind” bipartisan coalition of elected officials dedicated to bringing about a new era of U.S. investment in infrastructure, that enhances our nation’s prosperity and quality of life, http://www.bafuture.org/report

Leveraging Federal Dollars to Harness Private Capital

In a time of budget cuts and belt-tightening, other countries are relying on innovative financing mechanisms that leverage private dollars to meet their investment needs. These financing mechanisms have also introduced performance standards and accountability requirements into the planning process. Private sector investors are ready and able to invest in infrastructure. Over $180 billion in private equity and pension fund capital focused on infrastructure equity investments is available around the world, waiting for worthy public works projects to get off the ground. Elsewhere, infrastructure projects generate dependable, low-risk revenue for private investors through tolls and ticket fees. But the U.S. has not fostered an environment in which the private sector will step in to help finance the large-scale infrastructure projects we need. The U.S. is now one of the only leading nations without either a national plan for public-private partnerships (PPPs or P3s) for infrastructure projects or a national infrastructure bank to finance large-scale projects and harness private capital. Many states have passed laws allowing local public-private partnerships, but the U.S. does not have a national policy that would facilitate them for large-scale, multi-jurisdictional projects. While we fail to leverage government dollars to attract private investors, billions of dollars of private capital are flowing to infrastructure projects in other countries. Public-private partnerships in other countries cover a range of agreements between government entities and private companies or investors who share in the risk and rewards of public works projects. Although these partnerships are not a panacea, they are imperative to raising necessary funds in these budget-strapped times. We can learn from other countries how to attract private capital to bolster government investments and ensure that private investments further national goals. Building Canada created Canada’s first public-private partnership corporation to expand infrastructure financing alternatives. PPP Canada was launched with a $1.28 billion P3 Canada Fund, a merit-based program that in 2009 granted $102.3 million to fund public-private infrastructure projects around the country.10 Australia streamlined its public-private partnership priorities and goals with its Infrastructure Australia agenda by issuing National P3 Policy Guidelines.11 The UK’s new National Infrastructure Plan includes a concerted government effort to seek out P3 opportunities to finance its ambitious transportation projects.12 Even China has moved away from primarily funding infrastructure projects directly through the national government, instead toward utilizing a mix of financing mechanisms, including significant foreign direct investment. Most of our other global competitors also have access to Infrastructure Banks that finance large-scale transportation projects and leverage private capital. The most established and successful of these is the European Investment Bank (EIB), which since 1957 has served as the infrastructure financing institution for the EU. The EIB provides long-term financing for infrastructure investment projects, and it funds its operations by accessing capital markets. The EIB finances infrastructure projects on a case-by-case basis, reviewing their merit in a financially disciplined manner and financing only those with compelling national benefits. It is because of the EIB that European countries have been able to build high-speed rail and modernize their ports and motorways. In 2009, the EIB lent ¤79.1 billion ($116.7 billion) to infrastructure projects, about ¤15.7 billion ($23 billion) of which went to transport projects, both to EU members and to partner countries in the developing world.13 Development banks around the world take similar approaches to financing infrastructure projects and harnessing the potential of additional private capital. The Brazilian National Development Bank (BNDES), for example, drives the financing opportunities for Brazil’s recent infrastructure development. Between October 2009 and October 2010, BNDES provided $31.8 billion in financing to infrastructure projects. A National Infrastructure Bank in the United States would allow us to tap into the billions of private-sector dollars that could be invested in our transportation needs. By employing a range of finance and funding tools—including, but not limited to, grants, credit assistance, low interest loans, and tax incentives—the bank could leverage federal investments with private capital. And if we establish the bank as an independent entity that can fund only merit-based projects of regional and national significance, the bank could make smarter, more cost-efficient investments in all forms of our infrastructure.

### Econ: Competitiveness OW

#### We control the strongest internal-link into long-term economic recovery—restoring competitiveness outweighs all their alt causes to growth

Atkinson, President of the Information Technology and Innovation Foundation, Ph.D. in City and Regional Planning from UNC-Chapel Hill, 2011

Robert D., Information Technology and Innovation Foundation, “Explaining Anemic U.S. Job Growth: The Role of Faltering U.S. Competitiveness,” December, http://www.itif.org/files/2011-great-recession-anemic-job-recovery.pdf, last accessed 5.25.12

These six diagnoses are simply not sufficient to explain the timing of the crisis, its severity or the unprecedented weaknesses of the recovery. A more compelling diagnosis is that we are failing to achieve robust recovery because the overall U.S. economy has lost international competitiveness. We see this most clearly in manufacturing. In the 1980s, U.S. employment expanded by 19 percent and in the 1990s by 20 percent. During the same periods, manufacturing employment fell 7 percent and 1 percent, respectively. But between 2000 and the peak of employment in January 2008, jobs grew just 5.4 percent, while manufacturing jobs fell 32 percent. Remarkably, few economists or pundits have made this connection between the anemic overall job performance in the last decade and largest percentage drop in manufacturing employment in American history, even greater than that of during the Great Depression. This is all the more troubling since manufacturing jobs have the highest employment multipliers of any sector, meaning that the loss of these manufacturing jobs led to significant job loss in the rest of the economy. Another way to look at this is by examining the changes in the contribution of manufacturing to changes in GDP. From 1980 to 1989 the sum of annual GDP changes was 30 percent of which manufacturing added 5.8 percentage points (about 20 percent of the sum of annual GDP growth). From 1990 to 1999, it was 32 percent, of which manufacturing added 5.2 percentage points (about 17 percent). But in the last decade the annual sum of GDP changes (gains or losses) was just 18 percent, with manufacturing changes subtracting 4.7 percentage points. If manufacturing had contributed its same share to GDP growth as it did in the 1980s and 1990s, overall GDP growth would have been 28 percent in this last decade, rather than 18 percent This loss of manufacturing turned to the U.S. economy into a leaky boat with worn sails so it couldn’t tack the headwinds that increased into a gale force in the last decade. For most of the 2000s, it meant slow growth. For 2008 to 2009, it helped make a recession “The Great Recession.” And now it is meaning painfully slow economic recovery. For example, annual new orders for manufacturers are down 11 percent from 2007 to 2010 in constant dollars while durable goods orders are down 21 percent, while real GDP is down one percent. One reason for the slow return of manufacturing orders is evidenced by the increase in the trade deficit. In 2011, the deficit in non-petroleum products at an annualized basis is $440 billion, 11 percent higher than in 2010 and 40 percent higher than in 2009. As shown in Figure 2, the trade deficit was smallest in 2009 after the height of the recession, but it has grown since then, approaching 2007 levels. Some will argue that, while we may be losing manufacturing, the United States is still strong in innovation and that this will power our growth in the future. But this ignores two key factors. First, much of manufacturing is high tech and powered by innovation—think computers, semiconductors, pharmaceuticals, medical devices, aviation, and instruments. Losing production in these areas means losing the upstream R&D and design jobs as well. Second, it’s not as if the United States leads in innovation anymore. As we found in The Atlantic Century II, the United States ranks 43rd of 44 nations or regions in the rate of progress on 16 innovation-based competitiveness indicators (such as the growth of corporate and government R&D, venture capital, new businesses, productivity, etc.). Other nations are not standing still when it comes to the race for global innovation advantage. This stiff headwind of robust foreign competition has two impacts on recovery. First, just as reductions in corporate investment or consumer spending will exert a negative influence on GDP growth, so too do net increases in the trade deficit. Recall your Macroeconomics 101 and the equation GDP= C+I+G+(X-M). When imports grow faster than exports in the short run, it exerts a contractionary effect on GDP and jobs. Conversely if exports were growing faster than imports, it would exert an expansionary effect on the economy and jobs, precisely why President Obama declared a goal of doubling exports. But there is a second, more subtle, but ultimately more important impact on the economy of the loss of U.S. competitiveness: it erodes the confidence of businesses, workers and consumers. Ultimately, a strong and brisk recovery will depend on a faith that America will once again lead in the global innovation economy. Absent that faith—or in the presence of a sense of economic foreboding and decline—the rational exuberance needed to power investment and spending will be lacking, and recovery will continue to drag along. As Keynes noted, “Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal spirits—a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities.” Today, with America losing the race for global competitive advantage, the quantitative benefits and the quantitative probabilities of success are lower than before. And most Americans sense this. One survey of likely voters in 2012 found that 60 percent believe that the next generation of Americans will be worse off, with only ten percent saying better off. One reason for this is 62 percent said that the United States no longer has the strongest economy in the world, with 39 percent saying that China is the strongest. A Pew Research Survey reports similar findings with almost half (47 percent) of Americans saying that China is the world's leading economic power, while just 31 percent name the United States. Three years ago—prior to the global economic crisis—only 30 percent characterized China as the global economic leader, compared with 41 percent for the United States. A Gallup poll shows a 13-point surge in the past two years in the percentage of Americans who think that China will lead the world economy over the next two decades. Yet, it would be one thing if Americans were fatalistic to their current and impending decline. Little could be done. But of the 60 percent who thought the United States was not the strongest economy, 85 percent believed that it is possible for the United States to have the strongest economy in the world. And this gets to the real nub of it: America will recover in the short run and the long run when American businesses, workers, and consumers have faith that policymakers are taking the needed steps to restore America’s leadership. Therefore, restoring America’s competitive edge should be job number one for policymakers. They need to focus on both on short-term job creation and long-term economic growth. The two goals are inextricably linked.

### Credibility

#### National infrastructure will boost Obama’s leadership and US competitiveness

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

There are also major legislative challenges that still loom large for 2010, including the potential for a second stimulus, the reauthorization of the federal transportation law, and the creation of a national infrastructure bank (which the President himself promoted at the jobs summit in December). The related debate about climate change legislation will also have infrastructure impacts that stem from the Obama administration’s first year.

Post-health care 2010 will prove critical for the Obama administration to demonstrate the kind of impressive leadership exhibited by our global competitors on infrastructure. Past U.S. presidents ceded infrastructure policy to Congress, which naturally led to multiple programs in search of a strategy. We need the opposite approach now given the fiscal constraints we’re operating under and the broader economic and environmental imperatives we face today.

#### An NIB is key to growth and competitiveness

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

CONGRESSWOMAN DeLAURO: Well, first of all, thank you so much, Rob, I’m delighted to be here, and I thank Bruce and Brookings and the Metro Project. And to be on a panel with Michael and Polly and Matt, it really is an honor, and also a very, very exciting moment. And I was very enthusiastic as someone who has looked at creating an infrastructure bank back to 1994, which is when I first introduced the legislation on a National Infrastructure Development Bank. I want to emphasize how much I appreciate the President and the administration coming forward, renewing, expanding transportation infrastructure, particularly calling for an infrastructure bank. This is an important moment, I believe, which is why I think we have such a large audience here, for the concept of infrastructure investment and the ways in which we go about trying to finance it. And you’re right about not very specifics, but, quite frankly, the legislation is very specific as to how we ought to try to move forward. A little bit of a context, two big dynamics pushing us down the road. First, scale of the federal deficit and the inability to finance public investment through conventional means. The second is a growing demand for a national growth strategy. I think one of the concerns of the current economy is that what we need to have is a serious debate and discourse about what is our growth strategy for the future. We’re not talking about stimulus one, two, son of, sister of, et cetera, or a recovery, quite frankly. This is about whether America can grow, whether we can create jobs, whether we can compete with economic power centers around the world. This means for us how do we create middle-class jobs and middle-class income for people to make their way to economic security? A point which I’m going to make, it’s obvious to everyone, everyone is focused on the election right now, but whatever happens in November, we’re going to need to find a way forward on a growth strategy. I believe, I sincerely believe that an infrastructure bank can be the centerpiece of action on the economy next year. We’ve got progressives who are interested, you’ve got Republican mayors, governors, the President is interested. So I think it can be a real center of activity on the future economy come next year. I believe my legislation is the direction that we ought to go in, as you would expect. It’s modeled after the European Investment Bank, it enjoys support from business investment, a labor spectrum across the board, so -- but let me just say this, that any version of the bank we create should include certain fundamental components, and let me just tick those off quickly for you. One, it should be an independent entity. In order to become less reliant on the spending system of earmarks, of formula grants, allocated more by geography and politics than demonstrated value, it’s critical that the bank be established as an independent entity. And I don’t want to step on my friends from the Department of Transportation, but it shouldn’t be housed in the Department of Transportation. To depoliticize infrastructure investment decisions and ensure that funding is objectively provided to projects, both regional, national significance, that have clear economic, environmental, social benefits, the bank should be established as a wholly owned government corporation with an independent board of directors that’s overseeing operations and making investment decisions, that has risk management, audit committees, everything that can oversee the soundness of the institution. ANDERSON COURT REPORTING Second, the bank should have strong financing capability. There are a whole lot of institutional investors today who want to invest. And Matt and I were at a meeting last week where we sat with investors, and Rob was there, as well, but folks are sitting on the sideline or they’re investing overseas. So in order to be able to leverage private capital from pension funds, the bank simply cannot be another credit program similar to those that already exist at the federal government. The bank in my legislation has the ability to issue 30+ year federal bonds. That would be attractive to investors who are looking at stability, that are looking at long term, looking at low-risk returns. I believe it’s critical if we’re going to leverage the private dollars and get those into the U.S. infrastructure development market.

### Infrastructure Key

#### Infrastructure improvements are key to U.S. competitiveness

U.S. Department of the Treasury, (along with the Council of Economic Advisers, 2012 “A New Economic Analysis of Infrastructure Investment,” March 23, 2012, <http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx>, accessed 7.2.12 BDE)

By most measures, **the United States is investing less in infrastructure than other nations.** While there are reasons for this disparity, international comparisons can offer a useful benchmark to assess our investment decisions. **We spend approximately 2 percent of GDP on infrastructure, a 50 percent decline from 1960**.65,66 **China, India and Europe, by contrast, spend close to 9 percent, 8 percent, and 5 percent of GDP on infrastructure**, respectively.67 To be clear, these simple cross-country comparisons do not account for differences in the current public capital stock, differences in demographics and population densities, and different transportation preferences across nations. **However, it is clear that persistent neglect of our infrastructure will impact America’s competitive position vis-à-vis the rest of the world**. Indeed, the U.S. Chamber of Commerce noted in their Policy Declaration on Transportation Infrastructure that, **“Longterm underinvestment in transportation infrastructure is having an increasingly negative effect on the ability of the United States and its industries to compete in the global economy**.”

### NIB K2 Competitiveness

**NIB key to competitiveness**

**Zakaria, 11**-PhD in Political Science @ Harvard (6/13/2011, Fareed, “Zakaria: U.S. needs an infrastructure bank,” <http://globalpublicsquare.blogs.cnn.com/2011/06/13/zakaria-u-s-needs-an-infrastructure-bank/>, JMP)

President Obama has proposed a number of specific policies to tackle the jobs crisis, but they have gone nowhere because Republicans say that their top concern is the deficit and debt. Those of us worried about the debt - and I would strongly include myself - need to remember that if unemployment doesn't go down fast, the deficit is going to get much worse. **If you're serious about deficit reduction, the single most important factor that will shrink it is to have more people working and paying taxes.** I want to focus on one of Obama's proposals because it actually would add very little to the deficit, it has some Republican supporters and it would have an immediate effect on boosting employment and growth. Plus, it's good for the country anyway. We need a national infrastructure bank to repair and rebuild America's crumbling infrastructure. The House Majority Leader, Eric Cantor, has played down this proposal as just more stimulus, but if Republicans set aside ideology, they would actually see that this is an opportunity to push for two of their favorite ideas - privatization and the elimination of earmarks. That's why Republicans like Kay Bailey Hutchison and Chuck Hagel are strongly in favor of such a bank. The United States builds its infrastructure in a remarkably socialist manner. The government funds bills and operates almost all American infrastructure. Now, in many countries in Europe and Asia the private sector plays a much larger role in financing and operating roads, highways, railroads, airports and other public resources. An infrastructure bank would create a mechanism by which you could have private sector participation. Yes, there would be some public money involved, though mostly through issuing bonds. And with interest rates at historic lows, this is the time to use those low interest rates to borrow money and rebuild America's infrastructure. Such projects have huge long-term payoffs and can genuinely be thought of as investments, not expenditures. A national infrastructure bank would also address a legitimate complaint of the Tea Party - earmark spending. One of the reasons federal spending has been inefficient is that Congress wants to spread the money around in ways that might make political sense but are economic nonsense. An infrastructure bank would make those decisions using cost-benefit analysis in a meritocratic system rather than spreading the wealth around and basing these decisions on patronage, politics and whimsy. Let's face it, America's infrastructure is in a shambles. Just a decade ago, we ranked sixth in infrastructure in the world according to the World Economic Forum. Today we rank 23rd and dropping. **We will not be able to compete with the nations of the world if we cannot fix this problem.** Is it too much to ask that Republicans and Democrats find a way to come together on this? That moment of bipartisanship might actually be the biggest payoff of all.

**A national infrastructure bank is necessary to maintain economic competitiveness**

**Puentes 11** (Robert, Senior Fellow at the Brookings institution “Infrastructure Investment and U.S. Competitiveness”http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585)

Most experts agree the United States must address the nation's aging network of roads, bridges, airports, railways, power grids, water systems, and other public works to maintain its global economic competitiveness. In 2010, President Barack Obama proposed a [national infrastructure bank](http://www.whitehouse.gov/sites/default/files/infrastructure_fact_sheet_9-6-10.pdf)  that would leverage public and private capital to fund improvements, and in April 2011 a bipartisan coalition of senators put forward a similar concept (*NYT*). Four experts discuss how the United States can best move forward on infrastructure development. Robert Puentes of the Brookings Institution suggests focusing on increasing exports, low-carbon technology, innovation, and opportunity. Renowned financier Felix Rohatyn endorses the concept of a federally owned but independently operated national infrastructure bank that would provide a "guidance-system" for federal dollars. Infrastructure policy authority Richard Little argues that adequate revenue streams are the "first step in addressing this problem," stressing "revenue-based models" as essential. Deputy Mayor of New York City Stephen Goldsmith says that the "most promising ideas" in this policy area involve public-private partnerships. Infrastructure is central to U.S. prosperity and global competitiveness. It matters because state-of-the-art transportation, telecommunications, and energy networks--the connective tissue of the nation--are critical to moving goods, ideas, and workers quickly and efficiently and providing a safe, secure, and competitive climate for business operations. But for too long, the nation's infrastructure policies have been kept separate and apart from the larger conversation about the U.S. economy. The benefits of infrastructure are frequently framed around short-term goals about job creation. While the focus on employment growth is certainly understandable, it is not the best way to target and deploy infrastructure dollars. And it means so-called "shovel ready projects" are all we can do while long-term investments in the smart grid, high-speed rail, and modern ports are stuck at the starting gate. So in addition to the focus on job growth in the short term, we need to rebalance the American economy for the long term on several key elements: higher exports, to take advantage of rising global demand; low-carbon technology, to lead the clean-energy revolution; innovation, to spur growth through ideas and their deployment; and greater opportunity, to reverse the troubling, decades-long rise in inequality. Infrastructure is fundamental to each of those elements. Yet while we know America's infrastructure needs are substantial, we have not been able to pull together the resources to make the requisite investments. And when we do, we often fail to make infrastructure investments in an economy-enhancing way. This is why the proposal for a national infrastructure bank is so important. If designed and implemented appropriately, it would be a targeted mechanism to deal with critical new investments on a merit basis, while adhering to market forces and leveraging the private capital we know is ready to invest here in the United States.

## Adv: Warming

#### NIB key to transition to clean energy reliance

Caperton, ‘11 (Richard W. Caperton is a Senior Policy Analyst and Bracken Hendricks is a Senior Fellow at American Progress, “A Green Bank Is the Right Tool for Jobs- Recommendations for Setting Up a Clean Energy Finance Entity”, Center for American Progress, September 2, 2011 http://www.americanprogress.org/issues/2011/09/green\_bank\_jobs.html

**Protecting our national security, growing our economy, and avoiding the most catastrophic effects of global climate change require massively restructuring our energy system.** Over the next 10 **years the United States needs to move from a fossil-fuel-based economy to one powered by clean, domestic energy. Navigating this transition will require** hundreds of billions of dollars in **new capital investment** from both public and private sources. We also need to reverse the current jobs crisis in a time of tight federal budgets and financial austerity. **The solution is a Green Bank, which is the right tool to unlock private capital investment to renew America’s energy infrastructure and create jobs.**

#### Investment creates and employs new technologies- key to global leadership

Caperton, ‘11 (Richard W. Caperton is a Senior Policy Analyst and Bracken Hendricks is a Senior Fellow at American Progress, “A Green Bank Is the Right Tool for Jobs- Recommendations for Setting Up a Clean Energy Finance Entity”, Center for American Progress, September 2, 2011 http://www.americanprogress.org/issues/2011/09/green\_bank\_jobs.html

**A** transformed **clean energy economy will rely on** both deploying existing and proven technologies and **the development of new highly innovative, high-growth technologies and business practices that today are still being developed in laboratories and business incubators**. The U.S. government has an important function in **developing better tools for financing and commercializing new energy solutions and bringing them to commercial scale**. Through a tool such as **the Green Bank the government also will support private investor leadership in unlocking this dynamic engine of jobs, growth, and competitiveness. The United States will not remain a global leader in technology innovation in the clean energy sector without a sustained effort to move advanced energy from basic research, to early phase R&D**, through to commercialization, manufacturing at scale, and the deployment of these technologies in functioning energy markets. Meeting this challenge has tremendous implications for America’s economic recovery and the global competitiveness of U.S. industries.

### Solves Warming

#### Maintained infrastructure reduces emissions, solves oil dependence, improves energy efficiency

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Finally, well-maintained transportation infrastructure, which allows individuals to access multiple modes of transportation, will result in significant efficiency benefits for Americans. Well-maintained roads, coupled with access to driving alternatives, can lower traffic congestion and accident rates which not only saves Americans time and money, but can also save lives. These benefits can also reduce dependence on foreign oil, improve energy efficiency, and reduce air pollution. For example, one study in the Los Angeles area found that traffic congestion has a significant effect on CO2 emissions, and that reducing stop-and-go traffic conditions could potentially reduce emissions by up to 12%.22

#### Lots of spending is needed, and now

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The business and labor communities have also expressed a desire for more transportation infrastructure investment. Proposals from the American Public Transport Association (APTA), the American Association of State Highway and Transportation Officials **(**AASHTO), the U.S. Chamber of Commerce and AFL-CIO call for greater infrastructure investment. APTA advocates for nearly $15 billion of investment for federal public transportation programs, and at least $2.5 billion to be put towards high speed and intercity rail systems. AASHTO reported in 2009 that between $132 billion and $166 billion of investment is necessary to rebuild and repair America’s highways.33 The view that more transportation infrastructure is necessary is consistent with other research, including the recently issued bi-partisan report by two former Secretaries of Transportation, Norman Mineta and Samuel Skinner. Their report estimated that an additional investment of $134 to $194 billion per year is needed to maintain our transportation system, and an even larger sum, from $189 to $262 billion, would be needed to improve it.34 The U.S. Chamber of Commerce has stated that “to have a transportation system that supports a 21st century economy, the United States needs a high level of investment targeted at improving performance across all modes and geographies. There can be no more business as usual.”

## Adv: Infrastructure Specific

#### **NIB would meet the needs of The American Society of Civil Engineers investment forecast**

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

The Infrastructure Bank’s initial capital of $60 billion would be deployed so as to bring in billions of additional dollars from outside investors and other partners. The Bank should have the authority to issue bonds with maturities of up to 50 years, among its other financing capabilities. These long bonds would be backed by repayment of the loans the Bank made to state and local governments, and would therefore align the financing of infrastructure investments with the benefits they create. If the bank were to provide subsidies, whether through credit insurance, interest rate discounts, or even grants to accompany its lending, these would be transparent, using credit scoring. To the extent that the bank provided non-subsidized lending, it would be self-financing. Tens of thousands of private sector jobs would be created over time, helping to provide strong economic growth. The American Society of Civil Engineers forecasts a total infrastructure investment need of $1.6 trillion over the next 5 years. The Infrastructure Bank could be an important factor in support of such a program.

#### Road congestion costs the country over 70 billion

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

The American people deserve railways that are as good as Europe’s, ports that work as efficiently as modern Asian port facilities and public schools that are not in ruins. Indeed, as our investment in infrastructure falls behind our needs, The Economist reports that China will invest $200 billion in its railways between 2006 and 2010—the largest investment in railroad capacity made by any country since the 19th century—this in addition to having built 53,000 kilometers of expressways since the 1990’s, and plans over the next twelve years to construct 300,000 kilometers of roads in rural China, as well as 97 new airports. Meanwhile here at home—according to the Brookings Institution—our congested roads, in 2005 alone, cost us $78 billion in lost productivity and higher freight charges.

### Oil

#### **An infrastructure bank is key to greentek**

Joyce Miller, partner with Kaminski Partners LLC, a newly formed merchant bank and advisory, where she is Managing Director for Infrastructure and Energy. “The Sad Story Of The National Infrastructure Bank” December 01, 2011, http://www.sallan.org/Snapshot/2011/12/the\_sad\_story\_of\_the\_national\_infrastructure\_bank\_1.php

The infrastructure bank's ability to provide a long-term source of capital at a lower interest rate than commercial loans, reducing the average cost of capital for the projects and the amount of their periodic debt service payments thereby increases their feasibility. The revenue streams from infrastructure projects, which are used to cover debt service and operating costs, are usually derived from user fees such as tolls, fares and charges for use and these must be kept affordable. Infrastructure projects generally cannot support a high cost of capital because they cannot generate sufficient revenues to cover high debt service payments and still be affordable to users. The bank would be an innovative way to incentivize private investment in new infrastructure projects, especially for new alternative energy and energy efficiency projects. It would blast away the sector silos created by existing legislation and agency priorities, which erect major barriers to creative alternative energy infrastructure projects because they force projects into narrowly defined sectors such as energy, water, transportation and agriculture. In turn, this would facilitate cross-sector projects - for example conversion of municipal solid waste into biodiesel fuel which could reduce reliance on fossil fuel for transportation or generating electricity, or the use of agricultural water reservoirs to generate power for local use by covering them with microfiber covers embedded with photovoltaic cells (PV) which could generate solar power as well as conserve water by reducing evaporation. Covering reservoirs with PV generators would also cut the distance over which power is transmitted, increasing available power, and reduce costs and demand on the grid.

#### **Smart infrastructure is key to reducing energy dependence – the impact is military and economic leadership**

Energy Security Leadership Council 2011 “Transportation Policies for America’s Future Strengthening Energy Security and Promoting Economic Growth” February 2011, General P.X. Kelley, USMC (Ret.) 28th commandant, u.s. marine corps, Frederick W. Smith, chairman, president & ceo, fedex corporation.

Hostile state actors, insurgents, and terrorists have made clear their intention to use oil as a strategic weapon against the United States. Steadily rising global oil prices add to the danger by exacerbating tensions among consuming and producing nations. Even in the absence of fullblown geopolitical crises, oil dependence, with its incumbent exporting of American wealth, exacts a tremendous financial toll on our country. Excessive reliance on oil also constrains the totality of U.S. foreign policy and burdens a U.S. military that stands constantly ready as the protector of last resort for the vital arteries of the global oil economy. The Energy Security Leadership Council believes that America’s energy security can be fundamentally improved through major reductions in oil demand. More stringent fuel efficiency standards and the rapid expansion in the use of alternative fuels are just two critical components of an overall strategy. The third is our surface transportation infrastructure itself. Our transportation network exists almost in a vacuum, with virtually no connection between how it is designed, how it is funded, and how American families and businesses use it every day. The result is an inefficient system in which system needs are out of alignment with investment, cost is out of alignment with usage, and congestion is threatening to undermine the potential gains associated with recent improvements in vehicle technology and fuel diversification. We require a system based more closely on a true supply and demand model, in which assets are allocated based on needs, and costs are aligned with use, helping to restore the mobility upon which our dynamic economy depends.

#### More efficient transportation sector will save 1.9 billion gallons of fuel

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

A more efficient transportation infrastructure system will reduce our dependence on oil, saving families time and money. Traffic congestion on our roads results in 1.9 billion gallons of gas wasted per year, and costs drivers over $100 billion in wasted fuel and lost time. More efficient air traffic control systems would save three billion gallons of jet fuel a year, translating into lower costs for consumers. Finally, new research indicates that Americans who were able to live in “location efficient” housing were able to save $200 per month in lower costs, including paying less at the pump, over the past decade.

### Terrorism

#### Terrorists will target infrastructure

Robert McMahon, Editor, February 24, 2009 Transportation Infrastructure: Moving America, http://www.cfr.org/economic-development/transportation-infrastructure-moving-america/p18611

Introduction

Transportation experts view the call for dramatic federal government action in response to the economic crisis as an opportunity to overhaul the U.S. system of highways, bridges, railways, and mass transit. A series of sobering report cards from the American Society of Civil Engineers documents the inadequacy of this system. President Barack Obama took office pledging to act; his February 2009 stimulus package provides nearly $50 billion for transportation infrastructure. But many experts look beyond the stimulus and call for shifts in longer-term policy that will fundamentally alter the approach to planning and funding infrastructure and bolster U.S. competitiveness, quality of life, and security. In the past, the United States has revamped its transportation infrastructure to build canals, transcontinental railways, and a federal highway system, in each case helping usher in periods of economic growth. A State of Disrepair A January 2009 report by the American Society of Civil Engineers on infrastructure, much of it involving the transportation sector, concluded: "all signs point to an infrastructure that is poorly maintained, unable to meet current and future demands, and in some cases, unsafe." It found that aviation, transit, and roads, already rated abysmal four years ago, had declined even further. Lost time from road congestion, the report estimated, was costing the economy more than $78 billion dollars a year while nearly half of U.S. households still had no access to bus or rail transit.At the same time, national spending on infrastructure is often depicted as a faulty, wasteful process. Annual federal spending on transportation infrastructure in recent years has averaged more than $60 billion, and billions have been spent since 9/11 on aviation security. The Congressional Research Service cites Transportation Department data showing that the number of structurally deficient bridges was cut nearly in half between 1990 and 2007 due to federal spending. But 2006 Federal Highway Administration statistics also showed that more than 70,000 bridges, about 12 percent of the total, were structurally deficient. Among them was the I-35W bridge in Minneapolis that collapsed in August 2007, a mishap that killed thirteen people and spawned new debate about the focus and level of U.S. infrastructure spending. There is a further homeland security dimension, says CFR Senior Fellow Stephen E. Flynn. He refers to the current state of U.S. infrastructure as the "soft underbelly" of the nation's security. "This is a core vulnerability for U.S. society," Flynn told a January 2009 CFR meeting. "It's very costly, after things fall apart, to try to put them back together again. And so, as I would forecast more generally in the twenty-first century, infrastructure is going to be [an] appealing target" to terrorists. Former Homeland Security Secretary Michael Chertoff has also expressed concern about the federal government's failure to make long-term infrastructure investments to overcome degradation of roads, bridges, dams, and other such "common goods."

### Nexgen

#### The bank would help fund nexgen

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

The driving motivation behind the national infrastructure bank is twofold. First, the financing offered by the bank would provide an additional tool for reducing the costs of new projects and attracting private capital to share in the risks and expenses of these investments. The bank would be an optional tool available to states and local governments and for federally-sponsored projects like NextGen Air Traffic Control. Second, the bank’s evaluation and financing of projects would be a transparent and predictable process, staffed by professional finance experts and guided by clearly defined, merit-based criteria. This would ensure that at least some portion of our public investment decisions would focus on projects that will generate economic benefits and enhance competitiveness at a national or regional level.

#### Airport infrastructure investment is critical to US trade leadership and the air cargo industry

DRI ‘2 (Global Insight Company, “The National Economic Impact of Civil Aviation”. July. http://www.aia-aerospace.org/stats/resources/DRI-WEFA\_EconomicImpactStudy.pdf)

The disadvantages associated with the baseline future case examined in this study will detrimentally affect economic activity within the United States; they also will constrain the ability of the United States to compete in global markets. This section identifies the degree of global competition among nations, explores the key ways that this competition can be affected, illustrates how the United States currently competes globally, and suggests how the U.S. global competitive stance could be affected by the disadvantages associated with increasing air traffic delays. Air Transportation and Economic Growth: From Economic Nationalism to a Global Economy Since World War II, a key direction of global commerce has been the increasing integration of national economic activity. Industrial nations came together to form the Organization for Economic Corporation and Development (OECD). The General Agreement on Tariffs and Trade (GATT) was formed and then superseded by the World Trade Organization (WTO) to help facilitate a new era of accelerated global trade. These trends reflect the global integration of economies as business increasingly sought not only to sell its products into wider markets, but also to coordinate production and distribution across national borders. Every region of the world has participated in these trends except for the Middle East, whose export statistics are distorted by the region’s huge exports of petroleum and related products. This steady increase in trade activity has been enhanced by the growth of global air transportation. Clearly, air transportation has facilitated business’ ability to move its products around the world. But it has played a far more important role in bringing business managers together, enabling them to build the links, communications, and personal relationships necessary to achieve such a level of international business activity. Despite continuous advances in telecommunications technologies, the growth in global business over the past 50 years could not have been achieved without the personal contact enabled by the world’s air transportation system. Not only is air transportation important to the global economy; it is also an important enabler of economic growth for individual economies. By developing its air transportation system, a country can better link itself to the global economy and provide an environment for its business that facilitates global activity. Conversely, there are distinct disadvantages for regions or communities that are beyond the reaches of efficient air transportation. In these regions, business remains more isolated and less able to reap the benefits offered by being connected to global economic activity.

Both adequate airport capacity and the efficiency with which the air transportation system works are critical to generating economic benefits. The main body of this report examines the impacts that a constrained system in the United States would have on the U.S. economy later in the decade. But it is also true that these constraints would inhibit the ability of the United States to compete in global markets, damaging its international competitiveness in general andtheinternational competitiveness of U.S. civil aviation specifically. This chapter examines some of the elements of such potential damage. Competitiveness by Industry Air Cargo During the past three years, several analyses have shown that, in macroeconomic terms, U.S. integrated air express companies have created billions of dollars annually in reduced business inventory carrying costs, over $50 billion per year in logistics cost savings, and tens of billions of dollars of final demand and export sales that would not occur in the absence of their services. The air express industry itself, including its ground transportation and logistics services divisions, generates approximately $60 billion a year in revenue and employs approximately 600,000 workers. In addition, a significant portion of the world’s freight is still carried either in the bellies of passenger aircraft or by all-cargo aircraft specializing in traditional “heavy freight.” These segments of the marketplace allow those shippers not necessarily demanding “express” service to enjoy the relative speed of movements by aircraft and to permit the transportation by air of oversized cargo to remote regions of the nation and world. Global economic integration is characteristic of most of the world. Exports of goods and services in 2000 represented almost a quarter of the world’s GDP, up from just 10% in 1970. In turn, U.S. merchandise trade amounts to 22% of the world total. This steady increase in trade activity has been enhanced by the growth of global air transport. Air Transportation and Tourism In 1999, almost 48.5 million international visitors came to the United States, spending a total of $74.9 billion on travel-related expenses, such as lodging, gifts/souvenirs, food and beverages, and entertainment. They spent another $19.8 billion on U.S. air carriers in traveling to and from the United States. The total of air travel and travel related spending, $94.7 billion in 1999, has grown 62% since 1990, when international visitors spent about $58.3 billion in travel and travelrelated expenses to visit the United States. 22 This amount of spending is significant (the International Trade Administration—the source of these figures—estimates that foreign travel in the United States in 1999 supported over 1.1 million U.S. jobs), and exceeds the amount spent by Americans visiting other countries by $13.9 billion. In other words, the United States runs a surplus in its travel trade balance. Anything adversely affecting this surplus, such as constrained infrastructure or regulatory barriers to adapting to market forces, would imply a decrease in the United States’ global competitiveness. Other Industries The increase in production costs added to American business by air transportation delays affects the U.S. global competitiveness of all industries. In this case, the increased air transportation costs implied by congestion delays raises the costs of production and distribution across the U.S. economy, resulting in a decrease in global competitiveness. An increase in air transportation costs impacts U.S. industries in two ways: higher air passenger transportation costs increase business travel and entertainment expenses, and higher air cargo costs affect those industries that utilize this form of transportation in their logistics. Improved air transport infrastructure not only increases U.S. competitiveness in general, but also allows U.S. aviation itself to compete more effectively with foreign entities. Constraints in the U.S. air transport system first affect the economic well being of the aviation industry itself.

#### Scenario 1: Trade Leadership

#### US Trade leadership is critical to multilateral trade – which solves all global problems

Panitchpakdi ‘4 (Supachai Panitchpakdi, secretary-general of the UN Conference on Trade and Development, 2/26/2004, American Leadership and the World Trade Organization, p. http://www.wto.org/english/news\_e/spsp\_e/spsp22\_e.htm

The second point is that strengthening the world trading system is essential to America's wider global objectives. Fighting terrorism, reducing poverty, improving health, integrating China and other countries in the global economy — all of these issues are linked, in one way or another, to world trade. This is not to say that trade is the answer to all America's economic concerns; only that meaningful solutions are inconceivable without it. The world trading system is the linchpin of today's global order — underpinning its security as well as its prosperity. A successful WTO is an example of how multilateralism can work. Conversely, if it weakens or fails, much else could fail with it. This is something which the US — at the epicentre of a more interdependent world — cannot afford to ignore. These priorities must continue to guide US policy — as they have done since the Second World War. America has been the main driving force behind eight rounds of multilateral trade negotiations, including the successful conclusion of the Uruguay Round and the creation of the WTO. The US — together with the EU — was instrumental in launching the latest Doha Round two years ago. Likewise, the recent initiative, spearheaded by Ambassador Zoellick, to re-energize the negotiations and move them towards a successful conclusion is yet another example of how essential the US is to the multilateral process — signalling that the US remains committed to further liberalization, that the Round is moving, and that other countries have a tangible reason to get on board. The reality is this: when the US leads the system can move forward; when it withdraws, the system drifts. The fact that US leadership is essential, does not mean it is easy. As WTO rules have expanded, so too has as the complexity of the issues the WTO deals with — everything from agriculture and accounting, to tariffs and telecommunication. The WTO is also exerting huge gravitational pull on countries to join — and participate actively — in the system. The WTO now has 146 Members — up from just 23 in 1947 — and this could easily rise to 170 or more within a decade. Emerging powers like China, Brazil, and India rightly demand a greater say in an institution in which they have a growing stake. So too do a rising number of voices outside the system as well. More and more people recognize that the WTO matters. More non-state actors — businesses, unions, environmentalists, development NGOs — want the multilateral system to reflect their causes and concerns. A decade ago, few people had even heard of the GATT. Today the WTO is front page news. A more visible WTO has inevitably become a more politicized WTO. The sound and fury surrounding the WTO's recent Ministerial Meeting in Cancun — let alone Seattle — underline how challenging managing the WTO can be. But these challenges can be exaggerated. They exist precisely because so many countries have embraced a common vision. Countries the world over have turned to open trade — and a rules-based system — as the key to their growth and development. They agreed to the Doha Round because they believed their interests lay in freer trade, stronger rules, a more effective WTO. Even in Cancun the great debate was whether the multilateral trading system was moving fast and far enough — not whether it should be rolled back. Indeed, it is critically important that we draw the right conclusions from Cancun — which are only now becoming clearer. The disappointment was that ministers were unable to reach agreement. The achievement was that they exposed the risks of failure, highlighted the need for North-South collaboration, and — after a period of introspection — acknowledged the inescapable logic of negotiation. Cancun showed that, if the challenges have increased, it is because the stakes are higher. The bigger challenge to American leadership comes from inside — not outside — the United States. In America's current debate about trade, jobs and globalization we have heard a lot about the costs of liberalization. We need to hear more about the opportunities. We need to be reminded of the advantages of America's openness and its trade with the world — about the economic growth tied to exports; the inflation-fighting role of imports, the innovative stimulus of global competition. We need to explain that freer trade works precisely because it involves positive change — better products, better job opportunities, better ways of doing things, better standards of living. While it is true that change can be threatening for people and societies, it is equally true that the vulnerable are not helped by resisting change — by putting up barriers and shutting out competition. They are helped by training, education, new and better opportunities that — with the right support policies — can flow from a globalized economy. The fact is that for every job in the US threatened by imports there is a growing number of high-paid, high skill jobs created by exports. Exports supported 7 million workers a decade ago; that number is approaching around 12 million today. And these new jobs — in aerospace, finance, information technology — pay 10 per cent more than the average American wage. We especially need to inject some clarity — and facts — into the current debate over the outsourcing of services jobs. Over the next decade, the US is projected to create an average of more than 2 million new services jobs a year — compared to roughly 200,000 services jobs that will be outsourced. I am well aware that this issue is the source of much anxiety in America today. Many Americans worry about the potential job losses that might arise from foreign competition in services sectors. But it’s worth remembering that concerns about the impact of foreign competition are not new. Many of the reservations people are expressing today are echoes of what we heard in the 1970s and 1980s. But people at that time didn’t fully appreciate the power of American ingenuity. Remarkable advances in technology and productivity laid the foundation for unprecedented job creation in the 1990s and there is no reason to doubt that this country, which has shown time and again such remarkable potential for competing in the global economy, will not soon embark again on such a burst of job-creation. America's openness to service-sector trade — combined with the high skills of its workforce — will lead to more growth, stronger industries, and a shift towards higher value-added, higher-paying employment. Conversely, closing the door to service trade is a strategy for killing jobs, not saving them. Americans have never run from a challenge and have never been defeatist in the face of strong competition. Part of this challenge is to create the conditions for global growth and job creation here and around the world. I believe Americans realize what is at stake. The process of opening to global trade can be disruptive, but they recognize that the US economy cannot grow and prosper any other way. They recognize the importance of finding global solutions to shared global problems. Besides, what is the alternative to the WTO? Some argue that the world's only superpower need not be tied down by the constraints of the multilateral system. They claim that US sovereignty is compromised by international rules, and that multilateral institutions limit rather than expand US influence. Americans should be deeply sceptical about these claims. Almost none of the trade issues facing the US today are any easier to solve unilaterally, bilaterally or regionally. The reality is probably just the opposite. What sense does it make — for example — to negotiate e-commerce rules bilaterally? Who would be interested in disciplining agricultural subsidies in a regional agreement but not globally? How can bilateral deals — even dozens of them — come close to matching the economic impact of agreeing to global free trade among 146 countries? Bilateral and regional deals can sometimes be a complement to the multilateral system, but they can never be a substitute. There is a bigger danger. By treating some countries preferentially, bilateral and regional deals exclude others — fragmenting global trade and distorting the world economy. Instead of liberalizing trade — and widening growth — they carve it up. Worse, they have a domino effect: bilateral deals inevitably beget more bilateral deals, as countries left outside are forced to seek their own preferential arrangements, or risk further marginalization. This is precisely what we see happening today. There are already over two hundred bilateral and regional agreements in existence, and each month we hear of a new or expanded deal. There is a basic contradiction in the assumption that bilateral approaches serve to strengthen the multilateral, rules-based system. Even when intended to spur free trade, they can ultimately risk undermining it. This is in no one's interest, least of all the United States. America led in the creation of the multilateral system after 1945 precisely to avoid a return to hostile blocs — blocs that had done so much to fuel interwar instability and conflict. America's vision, in the words of Cordell Hull, was that “enduring peace and the welfare of nations was indissolubly connected with the friendliness, fairness and freedom of world trade”. Trade would bind nations together, making another war unthinkable. Non-discriminatory rules would prevent a return to preferential deals and closed alliances. A network of multilateral initiatives and organizations — the Marshal Plan, the IMF, the World Bank, and the GATT, now the WTO — would provide the institutional bedrock for the international rule of law, not power. Underpinning all this was the idea that freedom — free trade, free democracies, the free exchange of ideas — was essential to peace and prosperity, a more just world. It is a vision that has emerged pre-eminent a half century later. Trade has expanded twenty-fold since 1950. Millions in Asia, Latin America, and Africa are being lifted out of poverty, and millions more have new hope for the future. All the great powers — the US, Europe, Japan, India, China and soon Russia — are part of a rules-based multilateral trading system, greatly increasing the chances for world prosperity and peace. There is a growing realization that — in our interdependent world — sovereignty is constrained, not by multilateral rules, but by the absence of rules.

#### Nuclear war

**Panzner 8** – faculty at the New York Institute of Finance, 25-year veteran of the global stock, bond, and currency markets who has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank, and JPMorgan Chase (Michael, “Financial Armageddon: Protect Your Future from Economic Collapse,” p. 136-138)

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross-border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt, and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity, be acquired from less-than-friendly nations. Whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to full-scale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part, may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation” between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

### Intercity rail, freight, air traffic

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Looking Forward

I believe a Bank is the right step in the evolution of federal infrastructure programs. We should implement one now, focusing it on a handful of national projects to begin – perhaps rapid intercity rail, upgrading of the Chicago freight rail nexus, and modernization of the air traffic control system. We can then gradually expand the Bank – in part by imposing and gradually lowering the threshold of federal involvement that requires the Bank’s approval until the major projects of the modal programs have all been moved to the Bank’s selection process.

### High Speed Rail

#### First, an infrastructure bank key to securing the public-private partnerships necessary for investment in mass transit projects like high-speed rail

Anand, MSNBC contributor, 2011 Anika, MSNBC, “Bank plan would help build bridges, boost jobs,” July 6, http://www.msnbc.msn.com/id/43606379/ns/business-eye\_on\_the\_economy/t/bank-plan-would-help-build-bridges-boost-jobs/#.T7v68XlYuB0, last accessed 5.22.12

High-speed rail has become something of a lightning rod issue. President Barack Obama has proposed spending $53 billion over six years to build high-speed rail lines in busy corridors across the country, [an idea endorsed](http://fastlane.dot.gov/2011/06/us-mayors-declares-support-for-president-obamas-high-speed-rail-initiative.html) as recently as two weeks ago by the United States Conference of Mayors. House Republicans have criticized the plan, saying private investment, not government spending, should be used to build the rail systems, [Reuters reported.](http://www.reuters.com/article/2011/02/08/us-usa-transport-rail-idUSTRE7173OM20110208) America is one of the last industrialized countries in the world without high-speed rail and will only get it built through public-private partnerships such as those encouraged by a national infrastructure bank, said Andy Kunz, the president of the US High-Speed Rail Association. The group has been pushing for a 17,000-mile national high-speed rail network run on electricity to be completed by 2030. “Nearly every country in the world has come to us and said they have [money to invest](http://www.msnbc.msn.com/id/43606379/ns/business-eye_on_the_economy/t/bank-plan-would-help-build-bridges-boost-jobs/) in our high-speed rail system in the U.S.,” he said. Kunz said a national infrastructure bank would simplify the process of building a rail network because it would simplify the steps and the number of people needed to approve it. "The bank would focus on the project as the number one issue, rather than constituents and politics as the number one focus," he said.

#### Mass transit and high-speed rail stimulate middle class spending by lowering transportation costs

U.S. Department of the Treasury, along with the Council of Economic Advisers, 2012

“A New Economic Analysis of Infrastructure Investment,” March 23, http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx, last accessed 5.21.12

The President’s proposal emphasizes transportation choices, including mass transit and high-speed rail, to deliver the greatest long-term benefits to those who need it most: middle-class families. The average American family spends more than $7,600 a year on transportation, which is more than they spend on food and more than twice what they spend on out-of-pocket health care costs. For 90 percent of Americans, transportation costs absorb one out of every seven dollars of income. This burden is due in large part to the lack of alternatives to expensive and often congested automobile travel. Multi-modal transportation investments are critical to making sure that American families can travel without wasting time and money stuck in traffic.

A more efficient transportation infrastructure system will reduce our dependence on oil, saving families time and money. Traffic congestion on our roads results in 1.9 billion gallons of gas wasted per year, and costs drivers over $100 billion in wasted fuel and lost time. More efficient air traffic control systems would save three billion gallons of jet fuel a year, translating into lower costs for consumers. Finally, new research indicates that Americans who were able to live in “location efficient” housing were able to save $200 per month in lower costs, including paying less at the pump, over the past decade.

#### And, consumer spending is key to short-term recovery and long-term growth

Livingston, Professor of History at Rutgers, 2011

James, New York Times, “It’s Consumer Spending, Stupid,” October 25, http://www.nytimes.com/2011/10/26/opinion/its-consumer-spending-stupid.html, last accessed 5.22.12

AS an economic historian who has been studying American capitalism for 35 years, I’m going to let you in on the best-kept secret of the last century: private investment — that is, using business profits to increase productivity and output — doesn’t actually drive economic growth. Consumer debt and government spending do. Private investment isn’t even necessary to promote growth. This is, to put it mildly, a controversial claim. Economists will tell you that private business investment causes growth because it pays for the new plant or equipment that creates jobs, improves labor productivity and increases workers’ incomes. As a result, you’ll hear politicians insisting that more incentives for private investors — lower taxes on corporate profits — will lead to faster and better-balanced growth. The general public seems to agree. According to a New York Times/CBS News poll in May, a majority of Americans believe that increased corporate taxes “would discourage American companies from creating jobs.” But history shows that this is wrong. Between 1900 and 2000, real Gross Domestic Product per capita (the output of goods and services per person) grew more than 600 percent. Meanwhile, net business investment declined 70 percent as a share of G.D.P. What’s more, in 1900 almost all investment came from the private sector — from companies, not from government — whereas in 2000, most investment was either from government spending (out of tax revenues) or “residential investment,” which means consumer spending on housing, rather than business expenditure on plants, equipment and labor. In other words, over the course of the last century, net business investment atrophied while G.D.P. per capita increased spectacularly. And the source of that growth? Increased consumer spending, coupled with and amplified by government outlays. The architects of the Reagan revolution tried to reverse these trends as a cure for the stagflation of the 1970s, but couldn’t. In fact, private or business investment kept declining in the ’80s and after. Peter G. Peterson, a former commerce secretary, complained that real growth after 1982 — after President Ronald Reagan cut corporate tax rates — coincided with “by far the weakest net investment effort in our postwar history.” President George W. Bush’s tax cuts had similar effects between 2001 and 2007: real growth in the absence of new investment. According to the Organization for Economic Cooperation and Development, retained corporate earnings that remain uninvested are now close to 8 percent of G.D.P., a staggering sum in view of the unemployment crisis we face. So corporate profits do not drive economic growth — they’re just restless sums of surplus capital, ready to flood speculative markets at home and abroad. In the 1920s, they inflated the stock market bubble, and then caused the Great Crash. Since the Reagan revolution, these superfluous profits have fed corporate mergers and takeovers, driven the dot-com craze, financed the “shadow banking” system of hedge funds and securitized investment vehicles, fueled monetary meltdowns in every hemisphere and inflated the housing bubble. Why, then, do so many Americans support cutting taxes on corporate profits while insisting that thrift is the cure for what ails the rest of us, as individuals and a nation? Why have the 99 percent looked to the 1 percent for leadership when it comes to our economic future? A big part of the problem is that we doubt the moral worth of consumer culture. Like the abstemious ant who scolds the feckless grasshopper as winter approaches, we think that saving is the right thing to do. Even as we shop with abandon, we feel that if only we could contain our unruly desires, we’d be committing ourselves to a better future. But we’re wrong. Consumer spending is not only the key to economic recovery in the short term; it’s also necessary for balanced growth in the long term. If our goal is to repair our damaged economy, we should bank on consumer culture — and that entails a redistribution of income away from profits toward wages, enabled by tax policy and enforced by government spending. (The increased trade deficit that might result should not deter us, since a large portion of manufactured imports come from American-owned multinational corporations that operate overseas.) We don’t need the traders and the C.E.O.’s and the analysts — the 1 percent — to collect and manage our savings. Instead, we consumers need to save less and spend more in the name of a better future. We don’t need to silence the ant, but we’d better start listening to the grasshopper.

## Adv: Political Gridlock

#### Congressional appropriations are corrupt and inadequately responds to points of transportation synergy

Robert McMahon, Editor, February 24, 2009 Transportation Infrastructure: Moving America, http://www.cfr.org/economic-development/transportation-infrastructure-moving-america/p18611

Many experts say transportation infrastructure spending over the past several decades has failed to keep pace with the increasing burden absorbed by the country's roadways, bridges, and mass transit networks. The nonpartisan Congressional Budget Office shows that spending for infrastructure relative to gross domestic product (GDP) declined about 20 percent (PDF) from 1959 to 2004. A number of experts also point to flaws in the manner of funding and planning U.S. infrastructure. Part of that involves abuses in the congressional earmarking process, epitomized by Alaska's so-called Bridge to Nowhere, a once-approved plan, later cancelled, for federal funding to build a $200 million bridge to a remote island.

Another serious problem is coordination between different forms of transportation, experts say. Congress aligns transportation funding with specific modes like highways, rail, and mass transit. It sought to improve coordination between these modes through legislation originating with the 1991 Intermodal Surface Transportation Efficiency Act. But the legislation did little to alter the congressional appropriations approach, the Government Accountability Office, a government watchdog body, found in a 2007 report (PDF). "As a result," the report says, "there is little assurance that projects, including intermodal projects--which could most efficiently meet the nation's mobility needs--will be selected and funded." The failure to achieve such coordination, note Brookings Institution experts Bruce Katz and Robert Puentes, leaves the United States as "one of the few industrialized countries that fails to link aviation, highways, freight rail, mass transit, and passenger rail networks."

#### Public private partnerships solves polarizing American politics – advancing a culture of innovation

Michael Likosky et. al 2011 June, senior fellow at NYU’s Institute for Public knowledge, Josh Ishimatsu, senior fellow at the Center on L aw & Public Finance, and Joyce Miller, senior fellow at the Center on Law & Public Finance, The Social Science Research Council (SSRC) leads innovation, builds interdisciplinary and international networks, “Rethinking 21st - Century Government: Public-Private Partnerships And The National Infrastructure Bank” http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf

Support for partnerships goes deep into the benches of both parties. Senator Orrin Hatch (R-UT) has spoken of our country’s “belief in public-private partnerships that cost the government little and bring a high return on that investment.”10 The mayor of New York C ity, M ichael Bloomberg, an independent, former governor E d Rendell (D-PA), and former governor Arnold Schwarzenegger (R-CA) formed the bipartisan Building America’s Future, a coalition of governors and mayors who support infrastructure partnerships. Governor John H ickenlooper (D-CO) advocates publicprivate partnerships that have “statewide support from stakeholders who understand the increased demand on our transportation system and the financial challenges we face” for moving projects forward.11 Even the conservative Americans for Prosperity is in favor of “implementing more public-private partnerships to build and expand roads.”12 Koch Industries supports a range of partnerships, from road projects,13 to biofuels,14 to oil and gas.15 L ikewise, David K och’s philanthropic investments to combat cancer helped establish the David H . K och Institute for Integrative C ancer Research at the M assachusetts Institute of Technology, which brings together “biologists, engineers, and others in the physical sciences” to address challenges. This innovative approach to problem-solving aims to influence federal spending priorities, increasing National Institutes of Health support for convergence-driven approaches in line with emerging federal trends supported by President O bama and his administration more generally. 16 It points to the dynamism of public-private partnerships and how a culture of innovation, financing, and entrepreneurship can provide a safe harbor in a toxic political environment. Thus, in a period of often immobilizing polarization, public-private partnerships offer a pragmatic way forward informed by an economic philosophy that does not fall neatly in line with political divisions or special interests. Government should seize these opportunities to serve as a catalyst for the identification of common goals and productive avenues that can bring all players together as a team and to promote a team spirit that will allow for constructive compromise when interests diverge and provide continuity across political seasons. But to be an effective player-coach for these public-private partnerships, public agencies must know both the rules of the game and how it is played.

#### Plan checks political gridlock boosting business confidence, and refraims the American political dynamic

Michael Likosky et. al 2011 June, senior fellow at NYU’s Institute

for Public knowledge, Josh Ishimatsu, senior fellow at the C enter on L aw

& Public Finance, and Joyce Miller, senior fellow at the C enter on L aw

& Public Finance, The Social Science Research Council (SSRC) leads innovation, builds

interdisciplinary and international networks, “Rethinking 21st - Century Government: Public-Private Partnerships And The National Infrastructure Bank” http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf

The success of public-private partnerships—and we argue, of America’s economic recovery and revitalization— will hinge on the federal government’s ability to leverage sizeable sums of private capital for effective investment in public infrastructure and to meet the key partnership challenges outlined in this report. A National Infrastructure Bank would provide the requisite capacity to finance, contract, and oversee complex, large-scale projects on an individual basis and as part of a broad portfolio. As an independent entity not sitting under a specific federal agency, a National Infrastructure Bank would be able to make decisions based upon the merits of proposals rather than politics. Its independence would allow the bank to survive transitions in political leadership at the federal, state, and local levels, essential for ensuring that partnership projects, which can run for decades, are durable. To remain attuned to the underlying public needs that drive shifts within leadership, the bank’s governance should incorporate the participation of board members recommended by both parties. Such a bank would be along the lines of the bipartisan American Infrastructure Financing Authority described in the BUILD (Building and U pgrading Infrastructure for L ong-Term Development) Act introduced earlier this year by senators John K erry (D-MA), Kay Bailey H utchison (R-TX), L indsey G raham (R-SC), and M ark Warner (D-VA), with the endorsement of the AFL-CIO and the U S C hamber of C ommerce.20 It also would resemble the proposal made by President Barack Obama on the campaign trail in Janesville, Wisconsin on February 13, 2008 which focused on how a national infrastructure bank could finance an infrastructure platform to attract businesses, jobs, and to broaden economic opportunity.21 These proposals are both especially appealing in their focus on leveraging private dollars to finance projects across multiple sectors, as well as an inclusion of distressed and rural areas. Conclusion Our public life is bombarded by stories of a broken Washington and of greed and “me-firstism” in the private sector, especially within our financial institutions. Too often, we punish efforts to work together as a team, casting it as triangulation, lack of principle, or being in the pocket of one special interest or another. We may be forgiven for this impulse, for a skepticism toward the idea that public-private partnerships could genuinely advance the public interest, given not only the depth of the financial crisis and its uneven brunt but also the decades-long neglect of the American economy, in particular our country’s infrastructure. Still, as this report documents, we do cooperate and can certainly find ways of working together more frequently and effectively. The restoration of confidence, trust, and business certainty—a precondition to our recovery and reinvestment—depends upon public agencies instilling a team ethos among today’s combatants, which cannot be accomplished by calling the shots from the sidelines. For our public officials to work together productively across party lines and alongside members of the private sector and the nonprofit world, our federal agencies must re-envision themselves as player-coaches, with a clear stake in the outcome of the game and an active position on the team. The government’s role cannot be simply providing a subsidy to a private firm. In an era of outcry against government spending, federal agencies must identify and cultivate ways of catalyzing critical projects without relying solely on the power of the public purse. In many ways, the challenge we face today resembles the one America faced in the latter half of the 1930s, when the country risked a double-dip depression. Having used public funds to claw our way out of a deep financial crisis, we turned to repairing our public balance sheet. When the economy faltered again, Marriner Eccles, the chairman of the Federal Reserve, worried that our mounting debts and real need for public investment would be hampered by a prevalent sentiment that “unwise spending seems to be spending for the other fellow.”22 To keep the economy moving, Eccles, President Roosevelt, and the secretary of the treasury, H enry M orgenthau Jr., advocated for publicprivate partnerships, quasi-public agencies, and selfliquidating projects. The Tennessee V alley Authority was one such initiative, which Roosevelt described as a “corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.”23 America’s current debt crisis will not disappear overnight. We must find ways to continue to delever our public balance sheet while also making infrastructure investments that will enable and drive economic growth. Public-private partnerships are an opportunity to move our country forward with the least possible outlay of public funds. Whereas politicians across political parties have focused on an ethos of shared sacrifice to support deficit reduction, partnerships tug upon a different public value—the social compact of working together as a team toward a shared victory. Our experience with successful public-private partnerships gives us cause for hope—and a game plan for winning the future.

#### Extreme political division undermines democracy and is a motive for terrorism

Cass, Sunstein, an American legal scholar, particularly in the fields of constitutional law, administrative law, environmental law, and law and behavioral economics, who currently is the Administrator of the White House Office of Information and Regulatory Affairs Republic.com 2.0, 2007, p. xii

In the years since the book was originally written, many people all over the world have become even more concerned about the risks of a situation in which like-minded people speak or listen mostly to one another. That concern has been fueled in part by the rise of terrorism, which becomes possible in part as a result of some of the social dynamics discussed here. But the dangers of echo chambers go well beyond terrorism. Democracy does best with what James Madison called a “yielding and accommodating spirit,” and that spirit is at risk whenever people sort themselves into enclaves in which their own views and commitments are constantly reaffirmed. As we shall see, such sorting should not be identified with freedom, and much less with democratic self-governance.

#### Only democracy produces individual and political freedom – all impacts are inevitable without it

John Norton **Moore**, Brown Professor of Law at the University of Virginia, former Chairman of the Board of the United

States Institute of Peace, Winter **2004**, Virginia Journal of International Law Association, 44 Va. J. Int’l L. 341, p. 354-6

Once we realize that the correlation with government structures holds across a wide range of the most important human goals and that nondemocratic structures and a lack of human freedom go hand in hand with a wide variety of failures, including **war, terrorism, democide, famine, poverty, environmental degradation, corruption, narcotics trafficking**, n50 **infant mortality,** n51 **and refugees**, inquiry is pointed in the direction of a general explanation for this government failure in nondemocratic regimes. n52 The explanation is almost certainly a broad mosaic of differences inherent in governance rooted in democracy and the rule of law versus governance rooted in statist models. We are all familiar with the historical reality that one major strand of thought about government runs from Aristotle through the Roman Republic, Magna Carta, Locke, Montesquieu, Madison, and the French Declaration of the Rights of Man, among other sources, to democracy, the rule of law (instead of rule by law), and empowerment of the individual. Another principal competing strand, with particularly disastrous consequences in the twentieth century, leads from Plato’s “philosopher kings” through Machiavelli, Hobbes, Hegel, and Nietzsche to glorification of statist solutions, totalitarian leaders and war, and a disdain for human freedom and the individual. It was this latter tradition that produced Fascism, Leninism, Maoism, and a host of deadly totalitarian regimes from that of Pol Pot in Cambodia to that of Saddam Hussein in Iraq. These major competing theories about government reflect a myriad of fundamental differences likely to influence comparative levels of government failure. For example, in the democratic model, state leaders are likely to excel in rhetoric and popular appeal, as with a Margaret Thatcher or Tony Blair. In contrast, whatever their skills in rhetoric (and Adolf Hitler, for example, was a powerful speaker), statist leaders are likely to be specialists in **violence and ruthless exercise of power** (Hitler, again, provides a prime example, eventually declaring himself the supreme law giver). In many cases, as with Saddam Hussein, they will have assumed power by killing the opposition, and, as with Hitler and Stalin, they may be specialists in aggregating power and killing off any perceived challenge to their rule. More broadly, in the nondemocratic regimes it is accepted that **the end justifies any means**, there is no meaningful check of the rule of law on government itself, and human freedom is subordinate to the collective (Pol Pot’s Kafkaesque paradise was an exemplar of all these traits). Most broadly, in such regimes the elites may virtually unilaterally make the decisions, and they have the ability to personally obtain the benefit of actions while imposing the cost on others. These differences in government structure, with their associated ideological differences, are accompanied by great differences in culture and expectations as to modes of resolution of conflict, checks, or lack thereof, on regime elites, and levels of human freedom. n53 These critical differences in human freedom in turn encompass both political freedoms, such as freedom of speech and association, and economic freedoms, such as protection of property and contract rights. In short, the differences at the extreme between totalitarian and liberal democratic systems are profound. They certainly include structural and normative differences, as well as different modes of interaction in crisis bargaining, but their scale of difference is far more pervasive than the current debate on the “cause” of the democratic peace may typically suggest. It is no exaggeration to speak of competing cultures of democracy and statism. n54

#### Political extremism risks terrorism and economic collapse

Cass Sunstein an American legal scholar, particularly in the fields of constitutional law, administrative law, environmental law, and law and behavioral economics, who currently is the Administrator of the White House Office of Information and Regulatory Affairs, *Going to Extremes* – 2009, pg. ch 1

What explains the rise of fascism in the 1930s? The emergence of student radicalism in the 1960s? The growth of Islamic terrorism in the 1990s? The Rwandan genocide in 1994? Ethnic conflict in the former Yugoslavia and in Iraq? Acts of torture and humiliation by American soldiers at Abu Ghraib prison? The American financial crisis of 2008? The widespread belief, in some parts of the world, that Israel or the United States was responsible for the attacks of September 11, 2001? And what, if anything, do these questions have to do with one another? Here is a clue. Some years ago, a number of citizens of France were assembled into small groups to exchange views about their president and about the intentions of the United States with respect to foreign aid. 1 Before they started to talk, the participants tended to like their president and to distrust the intentions of the United States. After they talked, some strange things happened. Those who began by liking their president ended up liking their president significantly more. And those who expressed mild distrust toward the United States moved in the direction of far greater distrust. The small groups of French citizens became more extreme. As a result of their discussions, they were more enthusiastic about their leader, and far more skeptical of the United States, than similar people in France who had not been brought together to speak with one another. This tale reveals a general fact of social life: Much of the time, groups of people end up thinking and doing things that group members would never think or do on their own. This is true for groups of teenagers, who are willing to run risks that individuals would avoid. It is certainly true for those prone to violence, including terrorists and those who commit genocide. It is true for investors and corporate executives. It is true for government officials, neighborhood groups, social reformers, political protestors, police officers, student organizations, labor unions, and juries. Some of the best and worst developments in social life are a product of group dynamics, in which members of organizations, both small and large, move one another in new directions. Of course, the best explanations of fascism are not adequate to explain student rebellions, and even if we understand both of these, we will not be able to explain ethnic conflict in Iraq, the Rwandan genocide, abuse and brutality at Abu Ghraib, conspiracy theories involving Israel, or the subprime crisis. For particular events, general explanations can uncover only parts of the picture. But I do aim to show striking similarities among a wide range of social phenomena. The unifying theme is simple: When people find themselves in groups of like-minded types, they are especially likely to move to extremes. And when such groups include authorities who tell group members what to do, or who put them into certain social roles, very bad things can happen. In exploring why this is so, I hope to see what might be done about unjustified extremism—a threat to security, to peace, to economic development, and to sensible decisions in all sorts of domains. My emphasis throughout is on the phenomenon of group polarization. This phenomenon offers large lessons about the behavior of consumers, interest groups, the real estate market, religious organizations, political parties, liberation movements, executive agencies, legislatures, racists, judicial panels, those who make peace, those who make war, and even nations as a whole.

GROUPS AND EXTREMISM When people talk together, what happens? Do group members compromise? Do they move toward the middle of the tendencies of their individual members? The answer is now clear, and it is not what intuition would suggest: Groups go to extremes. More precisely, members of a deliberating group usually end up at a more extreme position in the same general direction as their inclinations before deliberation began.2 This is the phenomenon known as group polarization. Group polarization is the typical pattern with deliberating groups. It is not limited to particular periods, nations, or cultures. On the contrary, group polarization has been found in hundreds of studies involving more than a dozen countries, including the United States, France, Afghanistan, New Zealand, Taiwan, and Germany.3 It provides a clue to extremism of many different kinds. Consider four examples: 1. White people who tend to show significant racial prejudice will show more racial prejudice after speaking with one another. By contrast, white people who tend to show little racial prejudice will show less prejudice after speaking with one another.4 2. Feminism becomes more attractive to women after they talk to one another—at least if the women who are talking begin with an inclination in favor of feminism.5 3. Those who approve of an ongoing war effort, and think that the war is going well, become still more enthusiastic about that effort, and still more optimistic, after they talk together. 4. If investors begin with the belief that it is always best to invest in real estate, their eagerness to invest in real estate will grow as a result of discussions with one another. In these and countless other cases, like-minded people tend to move to a more extreme version of what they thought before they started to talk. Suppose in this light that enclaves of people are inclined to rebellion or even violence and that they are separated from other groups. They might move sharply in the direction of violence as a consequence of their self-segregation. Political extremism is often a product of group polarization,6 and social segregation is a useful tool for producing polarization. In fact, a good way to create an extremist group, or a cult of any kind, is to separate members from the rest of society. The separation can occur physically or psychologically, by creating a sense of suspicion about nonmembers. With such separation, the information and views of those outside the group can be discredited, and hence nothing will disturb the process of polarization as group members continue to talk. Deliberating enclaves of like-minded people are often a breeding ground for extreme movements. Terrorists are made, not born, and terrorist networks often operate in just this way. As a result, they can move otherwise ordinary people to violent acts.7 But the point goes well beyond such domains. Group polarization occurs in our daily lives; it involves our economic decisions, our evaluations of our neighbors, even our decisions about what to eat, what to drink, and where to live. To understand the nature of the basic phenomenon and its power and generality, let me outline three studies in which I have personally been involved.

## Adv: Budget Burdens

#### An NIB is budget neutral and will save the US economy

Felix G. Rohatyn and Everett Ehrlich, October 9, 2008 “A New Bank to Save Our Infrastructure,”

<http://www.nybooks.com/articles/archives/2008/oct/09/a-new-bank-to-save-our-infrastructure/?page=1>

A final question concerns paying for this new infrastructure policy. As we noted above, the first source of financing should come from the funds now dedicated to existing infrastructure programs—about $60 billion annually could be taken from these programs with a balance left over. And there is nothing wrong with continuing to charge users a motor fuels tax, an air ticket surcharge, port fees, and other fees that now are imposed for using infrastructure. But two further points should be made.

First, we can increase our investments in infrastructure and still have fiscal discipline. There is no shortage of options for raising revenue for investment purposes while still making the tax system more efficient and fair—two examples are a consumption or value-added-tax (perhaps partially offset by lower income taxes to maintain progressivity) or a carbon tax or energy tax. And since it would target its subsidies more effectively, the bank would get more investment out of existing budgetary resources while adhering to the “pay as you go” (PAYGO) budget rules used by Congress, which call for each new dollar of spending to be offset by a dollar of reduced spending or increased revenue elsewhere. At the same time, the bank’s financial statements would take us one step closer to having the information that a capital budget would provide—most critically, whether we are investing in infrastructure faster than it is depreciating or becoming obsolescent.

The second point is the matter of fiscal stimulus. Bloomberg, Rendell, and Schwarzenegger have recently urged that increased spending on infrastructure be the center of a new stimulus package, as have House Speaker Nancy Pelosi and former Treasury Secretary Lawrence Summers.4 This is an attractive prospect—an additional $40 billion in infrastructure investment could create as many as a million new jobs. We share this objective,5 but believe the best way to accomplish it is through an immediate revenue-sharing grant to states and cities for these purposes. In the interim, a bank along the lines described here and in the Dodd-Hagel bill could be set up and put into operation within a year.Ultimately, we face a future of mass transit strained beyond capacity, planes sitting on tarmacs, slow traffic and wasteful sprawl, ports that lack the capacity to operate efficiently, and increasing numbers of bridges and dams that are obsolescent and dangerous to the public’s health and safety—in short, the dire prognosis of the American Society of Civil Engineers is coming true. Regardless of the government’s fiscal position, vital investments in transportation, water supply, education, and clean energy are necessary to maintain our future standard of living. Our political system pours money into war and tax breaks while relying on deficit finance. Those in charge then announce that there are no resources left to secure our economic future. The new bank we propose offers one alternative to such a dangerous set of policies.

#### Every delay increases burdens on the budget and risks economic failure

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

There will be some, Mr. Chairman, who will say that we cannot afford to meet our infrastructure needs, that our budget deficits are too large and that our borrowing is too great. The reality, Mr. Chairman, is that we cannot afford not to do this. Every year that we delay will cause additional deficits and additional losses in productivity and employment. One of the most basic accounting concepts is the difference between capital investments on the one hand, and operating expenses on the other. It is true that our operating expenses are excessive and possibly out of control, much of it due to the war in Iraq. On the other hand, our capital investments are woefully inadequate and can be leveraged in a number of ways through the National Infrastructure Bank.

To compete in the global economy, improve our quality of life and raise our standard of living, we must successfully rebuild America’s public infrastructure. It is with a sense of urgency that we call upon the members of this committee, from both sides of the aisle, to begin this process by approving the National Infrastructure Bank Act of 2007. In so doing, you will follow in the footsteps of great American leaders who adopted a fresh perspective on our national wealth and how to increase it.

### Ext:

#### Status quo and Future transportation infrastructure requirements will strain our budgets – the NIB is a key budget neutral sollution

Felix G. Rohatyn and Everett Ehrlich, October 9, 2008 “A New Bank to Save Our Infrastructure,”

<http://www.nybooks.com/articles/archives/2008/oct/09/a-new-bank-to-save-our-infrastructure/?page=1>

These are rare times of ferment in one of the most neglected fields of public policy—the nation’s infrastructure, or what used to be known as public works, including roads, mass transit, bridges, ports and airports, flood control systems, and much else. We have been confronted with spectacular and tragic evidence of the inadequacy of these facilities in the failure of the levees in New Orleans and in the collapse of the I-35 bridge in Minneapolis. More generally, a recent report by the American Society of Civil Engineers concludes that America’s infrastructure overall is close to “failing” and deserves a grade of “D.” It estimates that an investment of $1.6 trillion will be needed to bring it up to working order.

According to the report, nearly 30 percent of the nation’s 590,750 bridges are “structurally deficient or functionally obsolete” and it will take “$9.4 billion a year for 20 years to eliminate all bridge deficiencies.” “The number of unsafe dams has risen by 33 percent to more than 3,500.” Public transit facilities—including buses, subways, and commuter trains—are dangerously under-funded, even as demand for them has “increased faster than any other mode of transportation.” Current funding for safe drinking water amounts to “less than 10 percent of the total national requirement,” while “aging wastewater management systems discharge billions of gallons of untreated sewage into US surface waters each year.” Yet government investment in these vital facilities is generally held to be below the level needed simply to maintain them in their current poor state.

The gap between our economy’s need for functioning infrastructure and what is being invested in it has aroused much concern. Tired of waiting for Washington to recover the vision and energy it once devoted to the problem, Governor Arnold Schwarzenegger convinced California voters in 2006 to approve $20 billion in bonds to finance the repair and construction of roads and bridges in the state as well as public transit systems and other facilities. Together with Governor Ed Rendell of Pennsylvania and New York Mayor Michael Bloomberg, Governor Schwarzenegger has also formed a bipartisan group called Building America’s Future, which aims to find better ways to address the crisis. A second group, the Transportation Transformation Group, led by, among others, former House majority leader Dick Gephardt and General Barry McCaffrey, former US Southern Forces commander and drug czar, has a similar mission and the backing of Goldman Sachs.

Along with the Australian company Macquarie, Goldman Sachs is also among a new group of investors who are taking part in private refinancings of toll roads such as the Chicago Skyway, the Indiana Toll Road, and now perhaps the Pennsylvania Turnpike and the New Jersey Turnpike. Under those arrangements, the state or city sells the road and the right to set and collect tolls on it to a private company—in essence, a new form of government borrowing.

The last element of this mounting interest in the problem of infrastructure is public frustration at the costs to consumers of poorly maintained roads, bridges, transit systems, and airports. The average American motorist incurred $710 in lost time and fuel costs in 2005, well before the price of oil went over $100 per barrel. Air travelers fare no better—there were 1.8 million hours of flight delays in the US in 2007, many of which were caused by demands for runways that exceeded supply. Shippers report increasing frustration with the nation’s ports. According to the American Society of Civil Engineers, it will take over a quarter of a trillion dollars to bring the nation’s public school buildings up to “good” condition. And the demand for all of these services will increase further with population growth and economic activity.

But while private investors and states and cities are devoting more attention to this, the federal government has failed to provide the leadership it alone can supply. Federal spending on infrastructure, corrected for inflation, is actually lower than it was in 2001, despite the growing economy, the well-known disrepair and obsolescence of our assets, and the rising costs of their inadequacy. And this level of spending, as a share of GDP, is much lower than it was two or three decades ago.

Throughout US history, competent public investment decisions have been an essential complement to private investment, from the Louisiana Purchase and the Land Grant Colleges to the Interstate Highway System and the Internet. And the functions of infrastructure are still as essential as they have ever been, if not more so. Indeed, The Economist reports that China will spend $200 billion on its railways between 2006 and 2010—the largest investment in railroad capacity made by any country since the nineteenth century—while the US rail system continues to become more and more degraded at a time of great potential renewal. The Chinese also plan over the next twelve years to construct 300,000 kilometers of roads in rural China, as well as ninety-seven new airports. The Chinese understand that economic power depends on these investments.

In an effort to confront this problem, Congressman John Mica, the ranking Republican member of the House Transportation Committee, recently called for a trillion-and-a-half-dollar infrastructure spending program, under both public and private sponsorship. But where would the money come from? The Iraq war drains our national resources, and the 2001 cuts in personal income, capital gains, and inheritance taxes have slashed federal revenues. Meanwhile, several presidential candidates, including the Republican nominee, Senator John McCain, were unable to resist the temptation to endorse a motor fuels tax “holiday,” which would produce negligible saving for motorists but cut even further needed federal revenues. Thus, when it comes time for investments in our future, the federal cupboard is bare.

This public penury is lamentable, but it conceals a second and perhaps even more fundamental problem with federal policy: not only do we fund infrastructure inadequately, but the policies we have in place are incapable of funding the needed projects or creating the incentives to manage correctly what’s already been built. This is the unseen and ultimately more critical part of the infrastructure crisis—the extent to which our spending programs are misdirecting our investments away from the best opportunities.

2.

Responsibility for the nation’s infrastructure is currently spread across federal, state, and local governments. For example, the federal government is responsible for maintaining wastewater systems, while states and municipalities handle drinking water. The federal government helps states, cities, and towns build and operate mass transit systems; and it builds bridges that are part of the Interstate system, while local governments build local roads and the picturesque covered bridges that appear on tourist postcards. Most of the federal government’s $73 billion budget for infrastructure in 2007 was spent on a handful of “modal” programs dedicated to promoting the construction and major rehabilitation of specific types of infrastructure, or “modes”—the Federal-Aid Highway Program, the Airport Improvement Program, the Transit Formula and Bus Grant Program, and the Army Corps of Engineers’ water resource programs, among others.

While details of these programs vary, their basic workings are similar. States and cities propose projects to each of these “programs.” The federal government then decides which projects to pursue, either funding all or most of the cost of those projects, or sending blocks of money to state capitals (as does the Highway Trust Fund), where state governments dole it out. Except for the Corps of Engineers, however, infrastructure program officials administer grants rather than carry out construction and other work.

Some projects (often navigation or water resource development) benefit from selective congressional patronage—either so-called “earmarks” (special bequests for the pet projects of specific representatives or senators, such as the infamous Alaskan “bridge to nowhere”) or deals cut between Congress and the agencies. These deals are typically used for such water projects as the St. John’s Bayou–New Madrid Floodway Project in southeast Missouri, described by the corps’s own officials as an “economic dud with huge environmental consequences” and “a bad project. Period.”1

In the first part of the twentieth century, the nation was still developing highway and airport systems, and these methods of financing worked. States were eager to get federal funds to integrate their roads and airports into the new national networks. But that job was substantially done by the 1980s, and we now find ourselves, as General Heinz Guderian remarked, fighting the next war with the tools of the last one. Sending federal money to state capitals to fund 90 percent of whatever road construction state legislatures choose does little to further projects of national scope or genuine economic value. Moreover, the availability of funds to build new roads often blunts the incentive to repair and maintain existing roads until their deficiencies become pressing enough to warrant reconstruction. Thus, little has been done to maintain the Interstate Highway System, despite the fact that major sections are falling into disrepair, and repairing them is estimated to provide the taxpayers with the highest economic returns among highway projects today—much higher than the returns from building new roads.

Federal grants for water projects create other disincentives. If the Corps of Engineers doesn’t get around to funding a city’s project, then that city has every reason to wait for the next budget cycle instead of looking for other solutions. The result is lethargy and delay. The federal government will typically pay for levees, but not to preserve wetlands that provide natural flood protection by absorbing torrential rain. Moreover, by shielding local users from the true cost of living on flood plains, federal programs encourage development in areas that cannot sustain it.

Hurricane Katrina demonstrated the potentially devastating consequences of these failures. The state of Louisiana and its municipalities built flood control systems around levees while ignoring the deterioration of fragile wetlands in the Mississippi Delta. Louisiana’s congressional delegation steered federal funds toward navigation projects instead of flood control.

Particularly unfortunate is the failure of government to consider alternatives to new infrastructure construction. As the residents of any major American city understand, there are few places left to build new roads to relieve urban congestion or to expand or build new airports to reduce delay. Sooner or later, the officials in charge must consider managing road and airport use through pricing. They may auction off landing slots during peak rush hour periods2 or reserved lanes for drivers paying congestion tolls, much as we have “high-occupancy” lanes today. Or, as Mayor Bloomberg bravely proposed in New York, they may impose fees for bringing an automobile during business hours into the most congested part of Manhattan, a program that has been enormously successful in London.

In a world of $4-a-gallon gas and $40,000-a-year college, raising tolls will be unpopular with many families, whether poor or well-to-do. But we must either accept congestion and delay—together with ever more deteriorating and dangerous infrastructure—or use tolls to limit public use while providing a new source of revenue for transportation improvements. London now realizes about $400 million annually from the fees it charges to drive into the city; and it has used these revenues to expand dramatically its bus fleet. New York’s revenue would likely be higher, and would support any number of mass transit programs that would benefit lower-income users and commuters generally.

Another consequence of having different government programs dedicated to different types of infrastructure—whether highways, water projects, or wastewater treatment—is the creation of bureaucratic fiefdoms that are inevitably held captive to the “iron triangle” of congresspeople, lobbyists, and thebureaucrats themselves, as has happened in the case of the Highway Trust Fund and the Army Corps of Engineers. As a result, these programs never compete with one another. No responsible body has the mission of impartially deciding whether we’d be better off with more mass transit and better train service and fewer major roads, because these are never compared when a specific proposal is under review. Moreover, the different agencies that analyze projects—if they do so—generally use different (and self-interested) criteria for determining such critical variables as the value of time, the value of new jobs created, the discount rate, the cost of capital, and so on.3 As a result, the public is left without the apples-to-apples comparisons that any rational investor would use to allocate a portfolio of billions of dollars of investment.

So the “modal” infrastructure programs, rather than competing efficiently for resources, all lurch forward without coordination or attention to the merits of the specific projects they choose to fund. And that is in cases when the programs are not directly muscled through by politicians. The term “earmark” became popular during the writing of the 2005 transportation bill, which contained over six thousand of them (with a total cost of $24 billion), compared to five hundred of them in 1991 and ten in 1982.

3.

In view of the waste and inadequacies of existing federal and state policies, how can we begin to address the growing infrastructure crisis? In September 2004, former Senator Warren Rudman and one of the authors of this essay, Felix Rohatyn, agreed to chair a Commission on Public Infrastructure at the Center for Strategic and International Studies (CSIS) in Washington, D.C., to outline a new and different approach to selecting, financing, and managing infrastructure. Last year, the commission produced a consensus report; and a bill to enact its approach, the National Infrastructure Bank Act of 2007, has been submitted by Senators Chris Dodd (D., Connecticut) and Chuck Hagel (R., Nebraska), both of whom served as members of the CSIS commission. A companion bill has been offered in the House of Representatives by Banking Committee Chairman Barney Frank (D., Massachusetts) and Representative Keith Ellison (D., Minnesota); while a similar approach has been proposed in a bill introduced by Representative Rosa DeLauro (D., Connecticut). Barack Obama has spoken of the need for “a National Infrastructure Reinvestment Bank that will invest $60 billion over ten years…. The repairs will be determined not by politics, but by what will maximize our safety and homeland security; what will keep our environment clean and economy strong.”

The central idea of the CSIS commission proposal is to establish a National Infrastructure Bank, an institution that would be similar to the World Bank, a private investment bank, or any other entity that evaluates project proposals and assembles a portfolio of investments to pay for them. Traditionally, public financial institutions such as the one we propose are created to correct problems in capital markets, whether they be the failure of markets to fund projects that support development in the world’s poorest nations or their undue pessimism regarding the long-term solvency of a particular city or state government. This is not the case here. State and local governments generally can borrow for infrastructure purposes in line with their ability to service debt and the strength of their credit ratings. The issue here is not the efficiency of capital markets but rather the efficiency with which federal programs work and spend funds. The purpose of the National Infrastructure Bank would be to use federal resources more effectively and to raise additional funding. We propose this bank because we believe that markets for capital do work and can be harnessed to solve the critical shortfall in funding infrastructure.

The bank would replace the various “modal” programs for highways, airports, mass transit, water projects, and other infrastructure, streamlining them and folding them together into a new entity with a new culture and purpose. Any project seeking federal participation over a set dollar threshold would have to be submitted to this bank. (Smaller projects would be left to states, cities, and towns, perhaps with an accompanying federal grant to be used at the discretion of the state or local government.) Rather than receiving grants through pre-set federal formulas or privileged congressional payments, states, cities, or other levels of government would come to the bank with proposals they wished to pursue. These proposals—for, say, a new or improved highway, a subway, expanded airport, or harbor improvements—would outline the investment that state and local governments would be willing to make, what the users of the project would be expected to pay, and what support was wanted from the federal government.

The bank would have no preconceived, overarching plan for the nation’s infrastructure. Proposals for infrastructure investment would still predominantly come from state and local governments. Our plan would preserve almost entirely the existing balance of power between federal, state, and local government, but would change dramatically the way priorities are set and projects funded. That is because it would proceed project-by-project, and dollar-by-dollar, to find the best use of federal resources.

The bank would have a board of directors that included key Cabinet officers and members appointed by both the executive branch and congressional leadership; its chief executive would be appointed by the president and confirmed by the Senate. The Federal Reserve, the Public Company Accounting Oversight Board, and the Pension Benefit Guarantee Corporation are all good examples of comparable agencies with expert and important missions that have consistently functioned well. The bank would require states, cities, or other sponsoring entities to seek federal assistance only after they have thought through alternatives such as tolls and other user charges, such as the adjustment of prices to peak loads on the roads and airports or the availability of other solutions that do not require new, burdensome structures. These would include wetlands for flood control or changing speed limits and the use of “smart” traffic systems that allow more cars to use the same limited road space more efficiently. The bank would be in a good position to ask whether applicants were aware of alternatives and had considered the most efficient technology.

Imagine, for example, that the bank received a proposal from a state for a new highway segment and found, using its consistent analytic approach, that the plan had legitimate national benefits. It could then provide support in several ways. It could simply write a check to the state building the road and provide a direct subsidy for some portion of the total cost. Alternatively, it could purchase credit guarantees for the state bonds that financed the roads; or it could provide interest rate subsidies to reduce the rate paid on those bonds. It could lend the money directly to the state and be repaid from tolls; or it could provide sinking funds (funds sometimes set aside to guarantee the repayment of the bond), or underwrite the state’s bond offering (guaranteeing that all of the bonds will be purchased at a predetermined price), or take other steps. States and municipalities, of course, could continue to borrow from public markets as they do now; what would change is the federal government’s financing role.

The bank’s ability to sell securities based on its infrastructure projects such as roads and bridges would also resolve a major quandary of infrastructure policy—how to manage the influx of private money into particular projects. State and local governments too often sell highways and other transportation networks to private investors because they have been unable to raise tolls to sufficient levels, and as a result they risk selling these on the cheap or other bad terms. San Diego has approved a plan to let a private company build a private toll road with the promise that no other road would compete with it for the indefinite future. Chicago’s lease of its Skyway road system to a partnership of the Spanish firm Cintra and Macquarie will last for ninety-nine years, far longer than the road itself will! And if local governments use the receipts of such one-off sales for “rainy day” funds or other operating expenditures, they are making their long-term fiscal situations worse, not better.

Although private investors have successfully built new roads in places such as Poland and Spain, they have not done so extensively in the US. But a National Infrastructure Bank could redirect private efforts away from refinancing old facilities—as in the case of Chicago’s Skyway—to building new ones. According to our plan, most of the funds the federal government now spends on existing programs (along with many of those program’s experts and facilities) would be transferred to the bank, which could not only finance the projects but also resell the loans it makes to investors in capital markets, much as other assets are rebundled for investors. The receipts from these sales would allow a new round of lending, giving the bank an impact far in excess of its initial capitalization. Moreover, selling the loans it makes to private investors would require the bank to convince those investors that its projects are tenable and capable of producing tangible benefits—in short, the bank’s project selections would face a market test every day, as a deep and liquid market for its securities was formed. Or, alternatively, the bank could issue its own fifty-year bonds, backed by its loan portfolio, to obtain its own capital.

Even with a conservative ratio of borrowed funds to capital of three to one (meaning each dollar of federal activity attracts three added dollars of private borrowing), this could produce almost a quarter-trillion of investment on a $60 billion annual bond issue. But regardless of the particular financial mechanisms chosen, a freestanding bank would permit raising additional money by borrowing on the basis of the bank’s balance sheet and financial capacity. As a result, the bank could produce substantially more investment and hundreds of thousands of new jobs in the first several years of its operation.

The bank’s securities, whatever they may be, should not benefit from a promise of the government’s full faith and credit (as has been enjoyed and abused by Fannie Mae and Freddie Mac). Only close scrutiny by investors can provide the kinds of discipline needed to ensure the bank’s long-term success. If the bank wishes to support a proposed project—whether by writing a check, insuring a local bond, providing other credit guarantees, or lending its own money—its securities should each be carefully exposed and specifically targeted, allowing participating investors to evaluate the assets they buy. But in our view the dramatic need for additional infrastructure investment clearly justifies tax-free returns for those securities.

## Adv: State Budgets

#### Infrastructure pressures will force State budgets to cut school construction

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Finally, it is important to consider the economic situation facing state and local governments who are significant partners in funding public infrastructure. During recessions, it is common for state and local governments to cut back on capital projects – such as building schools, roads, and parks – in order to meet balanced budget requirements. At the beginning of the most recent recession, tax receipts at the state and local level contracted for four straight quarters; receipts are still below pre-recession levels. Past research has found that expenditures on capital projects are more than four times as sensitive to year-to-year fluctuations in state income as is state spending in general.30 However, the need for improved and expanded infrastructure is just as great during a downturn as it is during a boom. Providing immediate additional federal support for transportation infrastructure investment would be prudent given the ongoing budgetary constraints facing state and local governments, the upcoming reduction in federal infrastructure investment as Recovery Act funds are depleted, and the strong benefits associated with public investment.

#### The bank could assist state budgets speeding up projects with guaranteed funding

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

CONGRESSWOMAN DeLAURO: Can I make a comment about the L.A. project? Because I think that that’s both for your purposes at Department of Transportation in terms of the bank. And Mayor Villaraigosa has really been a pioneer in this effort. And there was a referendum, a half-cent sales tax in order to finance the transit project, but it is a 30-year, I guess, $40 billion project. And when I take a look at that, this is the kind of an effort that the bank could do. It could do it probably in 10 years, which would by -- in and of itself lower the cost of the effort. MS. TROTTENBERG: Lower it significantly. CONGRESSWOMAN DeLAURO: Lower it significantly because we know what happens over the years with the costs of these projects. And then there is a dedicated revenue stream to pay back, so that -- that’s the kind of, I think, impetus and growth and rate of return that I think that we want to try to see in this context. MS. TROTTENBERG: But it is a huge change, though, from the way we do -- I mean, if you look at the TIFIA program, we don’t consider plans. We consider individual projects and the particular economics of those individual -- in fact, we almost don’t even ask about anything else related to the project. So to design an infrastructure bank in the way you’re speaking about, it’s a real change from the way we do business, which is to not focus on every detail of one little project at a time, but in some cases, in a region that’s really come together with a big plan to say we’re ready to invest in the bigger picture, and, you know, for DOT, that’s, you know, that will be a real evolution for us and one that’s very much needed. CONGRESSWOMAN DeLAURO: And the other piece of that is to get the investor skin in the game. I mean, that is -- but the point is -- and you’ve got some of the pieces where you do have, you know, institutional investors, but it is the amount of capital that can -- we can get hold of in order to begin to leverage. When we talk about the infrastructure bank, we’re talking about the potential, and it’s conservative, we’re not talking 30-to-1 leveraging like what’s happened in the past. We’re talking about 2-1/2-to-1 based on the European model. And, you know, if you’ve got $5 billion a year for 5 years from the federal government as an initial capital, you have it under the Treasury -- capital, another $225 billion, you can loan up to $625 billion or thereabouts in terms of trying to, you know, to look at where the problems are and how we can address them. A substantial amount of money, especially when you’ve got the engineers talking about, you know, $2 trillion are where we need to try to go. That’s the scale I think that we have to try to reach. MR. GREENSTONE: I think that vehicle of using -- involving the private sector and what that does is it essentially seeks out the hyper term projects, and I think that’s the power of that idea. MR. PUENTES: So is that how to deal with this problem? Because there’s a tension clearly between the desire from analysts and economists to look -- to put more analytics around projects, we’ve got to get smarter, we’ve got to evaluate it, got to do cost-benefit, between the tension that Matt raised, which is not unique to Virginia, about project acceleration, these things take too long, they’re -- red tape, how do we deal with that kind of tension? I mean involving the private sector maybe one way, because there’s kind of a clearer path, but I mean is there a tension? These things have to co-exist, right? CONGRESSWOMAN DeLAURO: I mean, my point is that the L.A. project for me is one of the best examples. You can move more quickly if you can, you know, you can work with them and you could take it down to 10 years instead of 30 years. MR. PUENTES: Right, that wasn’t about streamlining, that’s about getting the financing CONGRESSWOMAN DeLAURO: That’s right, getting the financing to move, and that’s one of the critical pieces of putting the financing together. And so if that happens at the State Department of Transportation in Connecticut, my god, the project goes from, you know, $8 million to $70 million because it’s, you know, 10 years later, whatever it is, and that’s -- you have to bear the burden.

#### State budget crisis forces cuts in technical K-12 and university education

LEACHMAN ET AL ‘11 – Michael Leachman – Director of State Fiscal Research with the State Fiscal Policy division of the Center; holds a Ph.D. in sociology from Loyola University Chicago; policy analyst for nine years at the Oregon Center for Public Policy; AND\*\*\* Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development; AND\*\*\* Erica Williams - M.A. in International Policy the Monterey Institute of International Studies; Policy Analyst with the State Fiscal Project; (Michael, Nicholas Johnson, Erica Williams, “State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful”, July 28, http://www.cbpp.org/cms/index.cfm?fa=view&id=3550)

Since states spend more of their budgets on education and health care than anything else, lawmakers imposing large spending cuts are hard-pressed to avoid cutting back on these essential public services. Many states also will lay off state employees or cut their pay and benefits. These actions, coming on top of deep cuts that states have already made over the last three years, place a drag on the nation’s economic recovery. Elementary and Secondary Education At least 23 states have made identifiable cuts in support for public schools. In many cases, these cuts undermine school finance systems that are intended to reduce disparities between high-wealth and low-wealth school districts, so the largest impacts may be felt in communities that are least able to compensate for the loss of funds from their own resources. Arizona is cutting $183 million from K-12 education spending in the coming year and continues another $377 million in cuts that were implemented over the previous three years, bringing the total cut relative to pre-recession levels to $560 million, or $530 per pupil. Colorado is cutting state spending on K-12 education by $347 per pupil compared to last school year. Florida is cutting spending on K-12 education by $542 per pupil compared with last year. The state also has cut $13 million from the state’s school readiness program that gives low-income families access to high quality early care for their children. The cut means over 15,000 children currently participating in the program will no longer be served. Florida also reduced by 7 percent the per-student allocation to providers participating in the state’s universal prekindergarten program for 4-year-olds, which will mean that classrooms have more children per teacher. Georgia cut state and lottery funds for pre-kindergarten by 15 percent, which will mean shortening the pre-K school year from 180 to 160 days for 86,000 four-year-olds, increasing class sizes from 20 to 22 students per teacher, and reducing teacher salaries by 10 percent. Iowa reduced state funding for its statewide pre-kindergarten program for four-year-olds by 9 percent from last year. Schools serving these children will now receive fewer dollars per child and may have to make up for lost funds with reduced enrollment or higher property taxes. The state is also cutting back support for a community-based early childhood program that provides resources to parents with children from birth to age 5, including a cut of nearly 30 percent to preschool tuition assistance. Illinois is cutting general state aid for public schools by $152 million, on top of a loss of $415 million in expired federal recovery dollars — a total decrease of 11 percent. The budget takes $17 million from the state fund that supports early childhood education efforts, which may result in an estimated 4,000 fewer children receiving preschool services and 1,000 fewer at-risk infants and toddlers receiving developmental services. The budget also eliminates state funding for advanced placement courses in school districts with large concentrations of low-income students, mentoring programs for teachers and principals, and an initiative providing targeted, research-based instruction to students with learning difficulties. Kansas cut the basic funding formula for K-12 schools by $232 per-pupil, bringing this funding nearly 6 percent below fiscal year 2011 budgeted levels. For the third year in a row, Louisiana will fail to fund K-12 education at the minimum amount required to ensure adequate funding for at-risk and special needs students, as determined by the state’s education finance formula. Per student spending will be $215 below the level set out by the finance formula for FY12. Michigan is cutting K-12 education spending by $470 per student. Mississippi, for the fourth year in a row, will fail to meet the state’s statutory obligation to support K-12 schools, underfunding school districts by 10.5 percent or $236 million. The statutory school funding formula is designed to ensure adequate funding for lower-income and underperforming schools. According to the Mississippi Department of Education, the state’s failure to meet that requirement over the past three years has resulted in 2,060 school employee layoffs (704 teachers, 792 teacher assistants, 163 administrators, counselors, and librarians, and 401 bus drivers, custodians, and clerical personnel).[11] Missouri is freezing funding for K-12 education at last year’s levels. This means that for the second year in a row, the state has failed to meet the statutory funding formula established to ensure equitable distribution of state dollars to school districts. Nebraska altered its K-12 school aid funding formula to freeze state aid to schools in the coming year and allow very small increases thereafter, resulting in a cut of $410 million over two years. New Mexico cut K-12 spending by $42 million (1.7 percent). The governor is requiring school districts to spare “classroom spending” from the cuts, which means greater proportional cuts to other areas of K-12 education like school libraries and guidance counseling. The operating budget of the state education department is being cut by more than 25 percent. New York cut education aid by $1.3 billion, or 6.1 percent. This cut will delay implementation of a court order to provide additional education funding to under-resourced school districts for the third year in a row. Beyond cutting the level of education aid in FY12, the budget limits the rate at which education spending can grow in future years to the rate of growth in state personal income. North Carolina cut nearly half of a billion dollars from K-12 education in each year of the biennium compared to the amount necessary to provide the same level of K-12 education services in 2012 as in 2011. Both the state-funded prekindergarten program for at risk 4-year-olds and the state’s early childhood development network that works to improve the quality of early learning and child outcomes were cut by 20 percent. The budget also reduces by 80 percent funds for textbooks; reduces by 5 percent funds for support positions, like guidance counselors and social workers; reduces by 15 percent funds for non-instructional staff; and cuts by 16 percent salaries and benefits for superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors, among others. Ohio is cutting state K-12 education funding 7.5 percent this year, a cut of $400 per student and equivalent to nearly 14,000 teachers’ salaries. Oklahoma is cutting funding for school districts by 4.5 percent, and makes additional cuts to the Department of Education’s budget. The Department of Education has voted to eliminate adult education programs, math labs in middle school, and stipends for certified teachers, among other things. Pennsylvania cut K-12 education aid by $422 million, or 7.3 percent, bringing funding down nearly to FY2009 levels. The budget also cuts $429 million dollars in additional funding that the state provides to school districts to implement effective educational practices (such as high quality pre-kindergarten programs) and maintain tutoring programs, among other purposes. Overall state funding for school districts was cut by $851 million or 13.5 percent, a cut of $485 per student. South Dakota cut K-12 education by 6.4 percent, next year, an amount equal to $416 per student, and 8.8 percent in 2013. Texas eliminated state funding for pre-K programs that serve around 100,000 mostly at-risk children, or more than 40 percent of the state’s pre-kindergarten students. The budget also reduces state K-12 funding to 9.4 percent below the minimum amount required by the state law. Texas already has below-average K-12 education funding compared to other states, and this cut would depress that low level even further at a time when the state’s school enrollment is growing. This would likely force school districts to lay off large numbers of teachers, increase class sizes, eliminate sports programs and other extracurricular activities, and take other measures that undermine the quality of education. Utah cut K-12 education by 5 percent, or $303, per pupil from the prior year’s levels. Washington is taking over $1 billion from state K-12 education funds designed to reduce class size, extend learning time, and provide professional development for teachers — a cut equal to $1,100 per student. Wisconsin reduced state aid designed to equalize funding across school districts by $740 million over the coming two-year budget cycle, a cut of 8 percent. The budget also reduces K-12 funds for services for at-risk children, school nursing, and alternative education. Higher Education At least 25 states have made large, identifiable cuts in funding for state colleges and universities, with direct impacts on students. Arizona cut funding for public universities by nearly one-quarter, or $200 million. This would add to deep previous cuts: from 2008 through 2011, state support for universities fell by $230 million, resulting in the elimination of more than 2,100 positions (an 11 percent reduction in the workforce). Universities have raised tuition significantly, closed eight extended campuses, and merged, consolidated, or disestablished 182 colleges, schools, programs, and departments. Combined with those previous cuts, the FY12 reduction brings per-student state funding down to 50 percent below pre-recession levels.[12] Arizona also cut community college funding for operating expenses by about $73 million. The cut amounts to 6.2 percent of total community college operating revenues and half of all state support for community colleges. California is increasing fees at community colleges starting this fall by 38 percent; for the average student, this means an annual fee increase of $300. The state also is reducing funding for the University of California (UC) and the California State University (CSU) systems by $1.3 billion ($650 million each). Since FY2008 California has cut funding for the UC system by 27 percent and has cut funding for the CSU system by almost 28 percent. In response to cuts in funding, the CSU will increase annual tuition by 29 percent, or $1,242 for full time undergraduate students (relative to the tuition rate that was in place at the beginning of last school year). UC will increase annual tuition by 18 percent, or over $1,800 for resident undergraduate students. UC tuition has grown by more than 80 percent since the 2007-08 academic year. Colorado cut state university spending by 11.5 percent over the prior year, which is expected to be offset with tuition increases of 9 percent, on average. The budget also cuts a means-tested stipend program for undergraduate students by 21 percent from what was budgeted for the current year. Florida cut state higher education spending and raised state university tuition for undergraduates by 8 percent. State universities are increasing tuition by another 7 percent to offset cuts in funding. This comes on the heels of tuition hikes equaling over 30 percent since the 2009-10 school year. The state has also cut a university merit-based scholarship program by 20 percent. Georgia cut funding for a popular merit-based college scholarship program serving hundreds of thousands of students by about one-fifth, university funding by 10 percent, and funding for technical colleges by 4 percent. Iowa is cutting state funding for public universities by $20 million, or around 4 percent. This brings state support below fiscal year 2007 levels. Louisiana enacted a 10 percent tuition increase for the state university system, or an average increase of around $600 more per year per student, in order to make up for the loss of federal and state dollars. Technical colleges will raise tuition by an average of $700 for full-time students. Massachusetts cut funding for higher education by $64 million, or 6.3 percent. Since FY2009, after adjusting for inflation, the state has cut funding by $185 million, or 16.3 percent. Michigan cut by 15 percent state support for public universities, and will increase the cut to about 20 percent for universities that raise tuition by more than 7 percent. Universities are already announcing tuition increases just under that limit, amounting to $600 - $900 tuition increases for in-state undergraduate students. The state also cut funding for community colleges by 4 percent. Minnesota is cutting state funding for higher education 12 percent below 2011 levels. This includes a $194 million cut to the University of Minnesota system and a $170 million cut to the Minnesota State Colleges and Universities system. Missouri cut state support for higher education by 7 percent. The cuts continue a trend of declining state support for Missouri’s universities and community colleges; over the last decade, state support for universities has fallen by 28 percent per student and support for community colleges has fallen by 12 percent. Nevada reduced state funding for the higher education system by 15 percent, which will result in an increase in undergraduate tuition of 13 percent in FY12 and an increase in graduate school tuition of 5 percent in FY12 and again in FY13. New Hampshire cut support for the university system almost in half in a single year, from $100 million to $52 million. University officials have announced that they will raise tuition 8.7 - 9.7 percent, eliminate around 200 positions, reduce employee benefits, dip into reserves, and take other measures as a result. Community colleges also face a 37 percent cut and will raise tuition 6.5 percent for the coming year, which will cost full time students up to $360 per year. New Mexico reduced by 8 percent state funding for public universities, which will result in a 5.5 percent tuition increase ($304 per student). New York cut state funding for the State University of New York (SUNY) by 7.6 percent, and reduces state funding for the City University of New York (CUNY) by 4.4 percent. To help them absorb the funding cuts, the legislature passed a bill that allows SUNY and CUNY to raise tuition by about 30 percent over the next five years. These tuition increases would affect 220,000 students in the SUNY system and 137,000 in the CUNY system and come on top of increases already imposed since the recession began. At SUNY, for example, substantial reductions in state support resulted in a 14 percent tuition increase in 2009. North Carolina cut nearly half of a billion dollars from higher education in each year of the biennium compared to the amount necessary to provide the same level of higher education services in 2012 as in 2011. The cuts mean that full-time resident community college students could see their tuition increase to $2,128 in FY12 and $2,208 in FY13 from the current $1,808 per year. Funds for community college basic education courses were cut by 12 percent. North Carolina is also forcing the university system to find more than $330 million in savings in each year of the biennium. The state also is reducing by 59 percent (or $26 million each year) the state subsidy to university hospitals to offset the costs of uncompensated care, which the hospital system estimates at $300 million this year. Oklahoma is cutting state funding for higher education by nearly 6.7 percent. Partially as a result, tuition and fees were increased by an average of 5.9 percent, or about $225 per student. The budget also cuts a career and technical education training program by about 6.5 percent. Ohio cut higher education funding 10 percent for FY12, amounting to $590 per student. Students at public universities face a 7 percent tuition increase as well as an undetermined (and uncapped) amount of fee increases. Pennsylvania cut funding for the state’s system of higher education by $91 million, or 18 percent. The budget also cuts funding for the state’s four “state related” universities (Penn State, the University of Pittsburgh, Temple, and Lincoln University) by roughly 20 percent. As a result, the University of Pittsburgh will increase in-state tuition by 8.5 percent and Temple University will increase in-state tuition by almost ten percent. Other state universities will see tuition increases of 7.5 percent. South Dakota cut higher education (and most other agencies) by 10 percent. The Board of Regents voted to raise tuition by 6.9 percent, or $490 per student, on average. The tuition increase covers only part of the loss of state funding, and each university has to determine how it will make up for the remaining loss of funds. Tennessee cut funds for the University of Tennessee system by 25 percent compared to 2011. Tuition within the system will rise 6 to 10 percent. Texas reduced general revenue spending on higher education by 9 percent over two years. This includes a cut of 5 percent to college and university formula spending, a cut of 10 percent in formula spending for health institutions, such as nursing schools, and a cut of 25 percent to funds for university research centers, graduate programs, and other non-operations spending. Enrollment growth is not funded for any higher education institution. The budget also cuts by 10 percent financial aid awards under the Texas grant program, which combines state and institutional money to cover tuition and fees for public school students with financial need and good academic records. The cut will likely result in smaller awards. Utah is cutting its higher education budget by about 1 percent below last year’s level, bringing the total decline in state spending to 2 percent since 2009. These funding cuts come despite rapidly rising enrollment. For example, enrollment in Utah’s system of higher education in the spring 2011 semester was 4 percent above enrollment the previous year. The failure of state funding to keep up with enrollment growth will result in an average tuition increase of 7.5 percent. Washington is cutting state funding for colleges and universities by more than $500 million and raising tuition in the upcoming school year by anywhere from 11 percent to 16 percent compared with last year. Wisconsin is cutting $250 million from the state university system, with nearly $100 million of that cut coming from funds for UW-Madison. The budget freezes financial aid at current levels despite expected tuition increases of 5.5 percent system-wide and a recently approved tuition increase of 8.3 percent for UW-Madison, creating an even larger funding gap that students and their families will have to fill. The budget also cuts state support for technical colleges by about $70 million over the biennium, or 25 percent, and places a two-year freeze on local property tax levies that allow communities to raise funds for technical colleges.

#### That destroys American primacy

NAS ‘7 (Committee on Prospering in the Global Economy of the 21st Century: An Agenda for American Science and Technology Committee on Science, Engineering, and Public Policy, “RISING ABOVE THE GATHERING STORM Energizing and Employing America for a Brighter Economic Future”, National Academy of Sciences, National Academy of Engineering, Institute of Medicine, July, http://www.nap.edu/catalog/11463.html)

China and India indeed have low wage structures, but the United States has many other advantages. These include a better science and technology infrastructure, stronger venture-capital markets, an ability to attract talent from around the world, and a culture of inventiveness. Comparative advantage shifts from place to place over time and always has; the earth cannot really be flattened. The US response to competition must include proper retraining of those who are disadvantaged and adaptive institutional and policy responses that make the best use of opportunities that arise. India and China will become consumers of those countries’ products as well as ours. That same rising middle class will have a stake in the “frictionless” flow of international commerce—and hence in stability, peace, and the rule of law. Such a desirable state, writes Friedman, will not be achieved without problems, and whether global flatness is good for a particular country depends on whether that country is prepared to compete on the global playing field, which is as rough and tumble as it is level. Friedman asks rhetorically whether his own country is proving its readiness by “investing in our future and preparing our children the way we need to for the race ahead.” Friedman’s answer, not surprisingly, is no. This report addresses the possibility that our lack of preparation will reduce the ability of the United States to compete in such a world. Many underlying issues are technical; some are not. Some are “political”—not in the sense of partisan politics, but in the sense of “bringing the rest of the body politic along.” Scientists and engineers often avoid such discussions, but the stakes are too high to keep silent any longer. Friedman’s term quiet crisis, which others have called a “creeping crisis,” is reminiscent of the folk tale about boiling a frog. If a frog is dropped into boiling water, it will immediately jump out and survive. But a frog placed in cool water that is heated slowly until it boils won’t respond until it is too late.Our crisis is not the result of a one-dimensional change; it is more than a simple increase in water temperature. And we have no single awakening event, such as Sputnik. The United States is instead facing problems that are developing slowly but surely, each like a tile in a mosaic. None by itself seems sufficient to provoke action. But the collection of problems reveals a disturbing picture—a recurring pattern of abundant short-term thinking and insufficient long-term investment. Our collective reaction thus far seems to presuppose that the citizens of the United States and their children are entitled to a better quality of life than others, and that all Americans need do is circle the wagons to defend that entitlement. Such a presupposition does not reflect reality and neither recognizes the dangers nor seizes the opportunities of current circumstances. Furthermore, it won’t work. In 2001, the Hart–Rudman Commission on national security, which foresaw large-scale terrorism in America and proposed the establishment of a cabinet-level Homeland Security organization before the terrorist attacks of 9/11, put the matter this way:4 The inadequacies of our system of research and education pose a greater threat to U.S. national security over the next quarter century than any potential conventional war that we might imagine. President George W. Bush has said “Science and technology have never been more essential to the defense of the nation and the health of our economy.”5 US Commission on National Security. Road Map for National Security: Imperative for Change. Washington, DC: US Commission on National Security, 2001. A letter from the leadership of the National Science Foundation to the President’s Council of Advisors on Science and Technology put the case even more bluntly:6 Civilization is on the brink of a new industrial order. The big winners in the increasingly fierce global scramble for supremacy will not be those who simply make commodities faster and cheaper than the competition. They will be those who develop talent, techniques and tools so advanced that there is no competition.

#### Great power wars

ZHANG AND SHI 11 - \*Yuhan, a researcher at the Carnegie Endowment for International Peace, Washington, D.C. \*\*\* AND\*\*\* Lin, Columbia University. She also serves as an independent consultant for the Eurasia Group and a consultant for the World Bank in Washington, D.C. “America’s decline: A harbinger of conflict and rivalry” <http://www.eastasiaforum.org/2011/01/22/americas-decline-a-harbinger-of-conflict-and-rivalry/>)

Over the past two decades, no other state has had the ability to seriously challenge the US military. Under these circumstances, motivated by both opportunity and fear, many actors have bandwagoned with US hegemony and accepted a subordinate role. Canada, most of Western Europe, India, Japan, South Korea, Australia, Singapore and the Philippines have all joined the US, creating a status quo that has tended to mute great power conflicts.

However, as the hegemony that drew these powers together withers, so will the pulling power behind the US alliance. The result will be an international order where power is more diffuse, American interests and influence can be more readily challenged, and conflicts or wars may be harder to avoid.

As history attests, power decline and redistribution result in military confrontation. For example, in the late 19th century America’s emergence as a regional power saw it launch its first overseas war of conquest towards Spain. By the turn of the 20th century, accompanying the increase in US power and waning of British power, the American Navy had begun to challenge the notion that Britain ‘rules the waves.’ Such a notion would eventually see the US attain the status of sole guardians of the Western Hemisphere’s security to become the order-creating Leviathan shaping the international system with democracy and rule of law.

Defining this US-centred system are three key characteristics: enforcement of property rights, constraints on the actions of powerful individuals and groups and some degree of equal opportunities for broad segments of society. As a result of such political stability, free markets, liberal trade and flexible financial mechanisms have appeared. And, with this, many countries have sought opportunities to enter this system, proliferating stable and cooperative relations.

However, what will happen to these advances as America’s influence declines? Given that America’s authority, although sullied at times, has benefited people across much of Latin America, Central and Eastern Europe, the Balkans, as well as parts of Africa and, quite extensively, Asia, the answer to this question could affect global society in a profoundly detrimental way.

Public imagination and academia have anticipated that a post-hegemonic world would return to the problems of the 1930s: regional blocs, trade conflicts and strategic rivalry. Furthermore, multilateral institutions such as the IMF, the World Bank or the WTO might give way to regional organisations.

For example, Europe and East Asia would each step forward to fill the vacuum left by Washington’s withering leadership to pursue their own visions of regional political and economic orders. Free markets would become more politicised — and, well, less free — and major powers would compete for supremacy.

Additionally, such power plays have historically possessed a zero-sum element. In the late 1960s and 1970s, US economic power declined relative to the rise of the Japanese and Western European economies, with the US dollar also becoming less attractive. And, as American power eroded, so did international regimes (such as the Bretton Woods System in 1973).

A world without American hegemony is one where great power wars re-emerge, the liberal international system is supplanted by an authoritarian one, and trade protectionism devolves into restrictive, anti-globalisation barriers. This, at least, is one possibility we can forecast in a future that will inevitably be devoid of unrivalled US primacy.

#### Scenario 2: Bioterrorism

#### State budget cuts destroys bioterror responsiveness

AHLERS ’11- senior producer, transportation and regulation, for CNN (Mike M., “Bioterror security at risk”, December 20, http://security.blogs.cnn.com/2011/12/20/bioterror-security-at-risk/)

Recent and proposed budget cuts at all levels of government are threatening to reverse the significant post-9/11 improvements in the nation's ability to respond to natural diseases and bioterror attacks, according to a report released Tuesday. "We're seeing a decade's worth of progress eroding in front of our eyes," said Jeff Levi, executive director of the Trust for America's Health, which published the report with the Robert Wood Johnson Foundation. Budget cuts already have forced state and local health departments to cut thousands of health officials, the report says. Cuts are jeopardizing the jobs of federal investigators who help states hunt down diseases, threatening the capabilities at all 10 "Level 1" state labs that conduct tests for nerve agents or chemical agents such as mustard gas, and may hurt the ability of many cities to rapidly distribute vaccines during emergencies, it says. The "upward trajectory" of preparedness, fueled by more than $7 billion in federal grants to cities and states in the past 10 years, is leveling off, and the gains of the last decade are "at risk," the report says. The 2011 report departs slightly in tone from the nine previous reports prepared by the two health advocacy groups. Earlier reports, while focusing on gaps in the nation's preparedness for pandemics and bioterror attacks, showed a "steady progression of improvement," said Levi. "Our concern this year is that because of the economic crisis... we may not be as prepared today as we were a couple of years ago," he said. Once lost, medical capabilities take time and money to rebuild, the report says. "It would be like trying to hire and train firefighters in the middle of a fire," Levi said. "You don't do that for fire protection, and we shouldn't be doing that for public health protection." There are few expressions of assurance or optimism in the 2011 report. The report says: – In the past year, 40 states and the District of Columbia have cut funds to public health. – Since 2008, state health agencies have lost 14,910 people through layoffs or attrition; local health departments have lost 34,400. – Federal PHEP grants - Public Health Emergency Preparedness grants - were cut 27 percent between fiscal 2005 and 2011, when adjusted for inflation. – Some 51 cities are at risk for elimination of Cities Readiness Initiative funds, which support the rapid distribution of vaccinations and medications during emergencies. "Two steps forward, three steps back," said Dr. F. Douglas Scutchfield of the University of Kentucky College of Public Health, in an essay accompanying the study. "As certain as the sun will rise in the east, we will experience another event that will demonstrate our inability to cope, as the resources for public health are scarce, and it will prompt the cycle of build-up, neglect, event, build-up, etc." Federal aid to state and local governments for health preparedness peeked in 2002 at about $1.7 billion, and fell to $1.3 billion in fiscal 2012, Levi said. But the impact of cuts were masked when Congress allocated more than $8 billion in emergency funds to fight the H1N1 flu in 2009, Levi said. "Now that money is gone. And so we're seeing the real impact of these cuts," he said. The TFAH report comes just two months after another report concluded that the United States is largely unprepared for a large-scale bioterror attack or deadly disease outbreak.

#### Minimizing the death toll is crucial – large casualties ensure nuclear retaliation

CONLEY ‘3 (Lt Col Harry W. is chief of the Systems Analysis Branch, Directorate of Requirements, Headquarters Air Combat Command (ACC), Langley AFB, Virginia. Air & Space Power Journal – Spring, http://www.airpower.maxwell.af.mil/airchronicles/apj/apj03/spr03/conley.html)

The number of American casualties suffered due to a WMD attack may well be the most important variable in determining the nature of the US reprisal. A key question here is how many Americans would have to be killed to prompt a massive response by the United States. The bombing of marines in Lebanon, the Oklahoma City bombing, and the downing of Pan Am Flight 103 each resulted in a casualty count of roughly the same magnitude (150–300 deaths). Although these events caused anger and a desire for retaliation among the American public, they prompted no serious call for massive or nuclear retaliation. The body count from a single biological attack could easily be one or two orders of magnitude higher than the casualties caused by these events. Using the rule of proportionality as a guide, one could justifiably debate whether the United States should use massive force in responding to an event that resulted in only a few thousand deaths. However, what if the casualty count was around 300,000? Such an unthinkable result from a single CBW incident is not beyond the realm of possibility: “According to the U.S. Congress Office of Technology Assessment, 100 kg of anthrax spores delivered by an efficient aerosol generator on a large urban target would be between two and six times as lethal as a one megaton thermo-nuclear bomb.”46 Would the deaths of 300,000 Americans be enough to trigger a nuclear response? In this case, proportionality does not rule out the use of nuclear weapons. Besides simply the total number of casualties, the types of casualties- predominantly military versus civilian- will also affect the nature and scope of the US reprisal action. Military combat entails known risks, and the emotions resulting from a significant number of military casualties are not likely to be as forceful as they would be if the attack were against civilians. World War II provides perhaps the best examples for the kind of event or circumstance that would have to take place to trigger a nuclear response. A CBW event that produced a shock and death toll roughly equivalent to those arising from the attack on Pearl Harbor might be sufficient to prompt a nuclear retaliation. President Harry Truman’s decision to drop atomic bombs on Hiroshima and Nagasaki- based upon a calculation that up to one million casualties might be incurred in an invasion of the Japanese homeland47- is an example of the kind of thought process that would have to occur prior to a nuclear response to a CBW event. Victor Utgoff suggests that “if nuclear retaliation is seen at the time to offer the best prospects for suppressing further CB attacks and speeding the defeat of the aggressor, and if the original attacks had caused severe damage that had outraged American or allied publics, nuclear retaliation would be more than just a possibility, whatever promises had been made.**”**48

#### Nuclear war

**IRC ‘1** (11-20-1, “How should the U.S. prepare for possible attacks using biological and chemical weapons?” IRC, <http://www.fpif.org/faq/0111bioterror.html>)

Nuclear deterrence is a leading U.S. strategy to counter threats of biological and chemical warfare. The U.S. has adopted a nuclear weapons use doctrine based on the principles of deterrence capacity and the pre-emptive destruction of chemical or biological weapons and facilities of an enemy nation or non-state actor. This policy was most recently updated in Presidential Decision Directive 60 (PDD60), which was signed by President Clinton in late 1997. This document confirmed a policy that was in place as early as 1994. Detailed scenarios for nuclear operations by forces in the European theater (from where, for example, an assault on Libya would be launched) were enshrined in a "Silver Book" in 1994. Planning for this eventuality had begun as early as 1990, when the Pentagon began searching for new missions to justify the retention of nuclear forces following the end of the cold war. The policy now in place allows for nuclear weapons to be used in response to a chemical or biological weapons attack; against facilities for chemical and biological weapons (CBW) production or storage; or against an enemy thought to be preparing a CBW attack. This is part of a policy called counterproliferation, a military response to the spread of weapons of mass destruction (WMD). There is strong pressure from the Department of Energy weapons labs, from some officials in the administration, and a small number of military personnel for the development of new, smaller nuclear weapons that could be used for such counterproliferation missions. If the U.S. suffers a large number of casualties in a biological attack, the probability of nuclear retaliation would be high.If the administration would declare, for example, that the recent anthrax attacks were criminal or terrorist actions and could then trace them back to the bin Laden network, this would permit U.S. forces to attack Afghanistan with nuclear weapons, if a target requiring nuclear weapons to destroy it could be found. The same would be true with Iraq. If the U.S. suffers a large number of casualties in a biological attack, the probability of nuclear retaliation would be high. The problems with this strategy are manifold: First, if the country hosting the WMD terrorists is a non-nuclear weapon state, then the U.S. has promised not to use nuclear weapons against it unless it attacks the U.S. in alliance with a nuclear weapon state. In the case of Africa, South America, and other nuclear weapon free zones (NWFZ), those promises are legally enshrined in protocols to NWFZ treaties--the U.S. action would therefore be illegal. Second, the human and environmental cost of such action across generations would far exceed any damage done to the U.S., and there would be no way to ensure that fallout would be contained within the country attacked. Third, the development of new nuclear weapons would likely require a return to nuclear testing, killing any chance that the Comprehensive Nuclear Test Ban Treaty (CTBT) could come into force, and probably spurring new weapons developments in China, India, and Pakistan. Finally, there is no support for this U.S. policy, even among U.S. allies. NATO has adopted a watered-down version of the U.S. nuclear doctrine, but has been unable to agree on any guidance for military planners to operationalize the policy. Using nuclear weapons would make the U.S. a pariah state.

#### Federal infrastructure bank is key – coordination is crucial for business confidence and state budget

COEA ‘12 - Council of Economic Advisers, Department of Treasury (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, March 23, http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf)

President Obama’s FY 2013 Budget proposes a bold plan to renew and expand America’s infrastructure. This plan includes a $50 billion up-front investment connected to a six-year $476 billion reauthorization of the surface transportation program and the creation of a National Infrastructure Bank. The President’s plan would significantly increase investment in surface transportation by approximately 80 percent when compared to previous federal investment. The plan seeks not only to fill a long overdue funding gap, but also to reform how Federal dollars are spent so that they are directed to the most effective programs. This report contributes to the ongoing policy dialogue by summarizing the evidence on the economic effects of investments in transportation infrastructure.

Public infrastructure is an essential part of the U.S. economy. This has been recognized since the founding of our nation. Albert Gallatin, who served as President Jefferson’s Treasury Secretary, wrote: “The early and efficient aid of the *Federal* Government [emphasis in article] is recommended by still more important considerations. The inconveniences, complaints, and perhaps dangers, which may result from a vast extent of territory, can no otherwise be radically removed or prevented than by opening speedy and easy communications through all its parts. Good roads and canals will shorten distances, facilitate commercial and personal intercourse, and unite, by a still more intimate community of interests, the most remote quarters of the United States. No other single operation, within the power of Government, can more effectually tend to strengthen and perpetuate that Union which secures external independence, domestic peace, and internal liberty.” 1

Gallatin spoke in terms of infrastructure shortening distances and easing communications, even when the only means to do so were roads and canals. Every day, Americans use our nation’s transportation infrastructure to commute to work, visit their friends and family, and travel freely around the country. Businesses depend on a well-functioning infrastructure system to obtain their supplies, manage their inventories, and deliver their goods and services to market. This is true for companies whose businesses rely directly on the infrastructure system, such as shippers like UPS and BNSF, as well as others whose businesses indirectly rely on the infrastructure system, such as farmers who use publicly funded infrastructure to ship crops to buyers, and internet companies that send goods purchased online to customers across the world. A modern transportation infrastructure network is necessary for our economy to function, and is a prerequisite for future growth. President Eisenhower’s vision is even more relevant today than it was in 1955, when he said in his State of the Union Address, "A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security." Today, that vision would include making not only our highways, but our nation’s entire infrastructure system more efficient and effective.

Our analysis indicates that further infrastructure investments would be highly beneficial for the U.S. economy in both the short and long term. First, estimates of economically justifiable investment indicate that American transportation infrastructure is not keeping pace with the needs of our economy. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; the Federal government has a constructive role to play by stepping up to address the anticipated shortfall and providing more efficient financing mechanisms, such as Build America Bonds. The third key finding is that investing in infrastructure benefits the middle class most of all. Finally, there is considerable support for greater infrastructure investment among American consumers and businesses.

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short-term and long-term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also a more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as to establish a National Infrastructure Bank, which would leverage private and other non-Federal government resources to make wise investments in projects of regional and national significance.

In this report, we begin by reviewing factors that should influence investment in infrastructure. We review the economic literature regarding returns to infrastructure investment. Next, we consider the specific condition of our economy and labor market, including the availability of workers with the requisite skills, which suggest that now is a particularly favorable time to initiate these investments. Then we analyze the benefits derived by American families and companies from well-functioning infrastructure systems and the costs associated with poor infrastructure systems. Finally, we review public and business sentiment regarding infrastructure investment.

#### Strong federal signal is critical to boost states’ confidence and solve the budget crisis

JOHNSON ET AL ‘10 - Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development. AND\*\*\* Iris J. Lav- created the State Fiscal Analysis Initiative, a network of nonprofit organizations that work on state budget issues. The SFAI network began with 11 state organizations in 1993 and now operates in 31 states with groups in seven other states under development. In 1999, she received the Steven D. Gold award for contributions to state and local fiscal policy. Holds an MBA from George Washington University and an AB from the University of Chicago. AND\*\*\* Elizabeth McNichol- M.A. in Political Science University of Chicago. Senior Fellow specializing in state fiscal issues including methods of examining state budget processes and long-term structural reform of state budget and tax systems, served as Assistant Research Director of the Service Employees International Union in Washington, D.C. was a staff member of the Joint Finance Committee for the State of Wisconsin Legislature specializing in property taxes and state aid to local governments (Nicholas, Iris J. Lav,Elizabeth McNichol, “ Additional Federal Fiscal Relief Needed to Help States Address Recession’s Impact “, March 1, http://www.cbpp.org/cms/index.cfm?fa=view&id=2988)

There are a number of reasons for these lags in state fiscal recovery.

In the last two recessions, the unemployment rate continued climbing for 15 to 19 months after the recession ended and then remained high for a considerable period of time after that. That hampers the ability of state revenues to recover strongly; high unemployment reduces both income tax and consumption tax revenues. In the current economic downturn, unemployment is projected to continue rising in calendar year 2010 and to remain relatively high through 2012 or 2013. Mark Zandi forecasts that the unemployment rate will peak at 10.5 percent in the late spring of 2010 and not fall back to a rate consistent with full employment until 2013. Goldman-Sachs forecasts the unemployment rate to continue to rise throughout calendar year 2010, reaching 10.5 percent in the fourth quarter.[11]

High unemployment also affects state expenditures, as Medicaid rolls remain swollen with residents who have lost their jobs, income, and health insurance.

As states strive to balance their budgets while doing the least harm to their economies and their residents, they initially draw down rainy day funds and other reserves, sell assets, and postpone payments. The use of these strategies, however, creates holes in future-year budgets that have to be filled. When unemployment remains high in the years immediately after a recession ends, state revenue growth generally is not strong enough to fill these gaps.

The tax increases that states enact during recessions often are temporary and expire before fiscal conditions have fully recovered.

Timing of Action

Because of state budget calendars, it would not be effective for the Administration and Congress to wait until the fall of 2010 to consider additional aid to the states for state fiscal year 2011.

In most states, the governor’s proposed budget for fiscal year 2011[12] is being developed this fall. At the end of calendar 2009 or the beginning of calendar 2010, governors will submit their budgets to their legislatures, to be considered between January and June 2010. Final budgets for fiscal year 2011 will be adopted at some point during that period. Some states, particularly those with short legislative sessions, require the adoption of budgets by March or April.

States budget for their fiscal years as a whole, not for six-month periods. The spending cuts and tax increases that states will institute in order to balance their 2011 budgets will be determined based on the state’s budget projections for all of fiscal year 2011. Those projections will include a significant drop-off in ARRA funds for the final half of the state fiscal year (i.e., after December 2010).

Accordingly, many of the actions that states will take to balance their 2011 budgets will be implemented next summer (or in some cases even earlier if budget gaps have reopened for the current fiscal year). To gain maximum revenue, states that plan to adopt tax increases to help address their looming fiscal year 2011 shortfalls may want to put them in place as quickly as possible. The same applies to spending reductions; for example, many cuts in education spending are likely to take effect next summer, at the start of the 2010-2011 school year.

The bottom line is that unless states know that additional aid is coming— even if they do not actually receive the dollars until calendar year 2011 — they will institute large new budget cuts and/or tax increases by next summer to close the shortfalls in their fiscal 2011 budgets.

Conclusion

State fiscal assistance under ARRA will end or largely be exhausted by the end of calendar year 2010. Unfortunately, big state deficits are expected to continue through state fiscal year 2012 — that is, for another 18 months or so after 2010 ends. If states do not receive additional federal assistance beyond the scheduled expiration of such aid, they will be forced to institute further deep budget cuts and/or substantial tax increases. Such actions would place a drag on the U.S. economy, impeding the recovery and costing many jobs. Such measures also could cause serious hardship for many families and individuals that have lost their jobs and are relying on Medicaid and other key state services to make it through this unusually painful economic downturn.

## Solvency

### Highways/Transits

#### National Bank solves – better highways and transits solve.

**U.S. Department of Transportation**, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” **2008,** http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm

Highways and public transit in the U.S. form the foundation for one of the most extensive and complicated transportation networks in the world. ***The Essential Functions of Highway and Transit Infrastructure*** There are several ways that **highways and transit** interact to **provide service for the**[**American**](http://www.fhwa.dot.gov/policy/2008cpr/es.htm)**people. First, highways and transit provide the American people with a high**[**degree**](http://www.fhwa.dot.gov/policy/2008cpr/es.htm)**of personal mobility.** Many of the Nation's social, governmental, and legal principles were built around the concept of freedom of movement. **Second,** the Nation's surface transportation system plays an essential role in moving freight. **Most goods are moved by truck over the Nation's highways. By reducing traffic volume, transit can reduce congestion and free up highway capacity for freight movement. Third,** transportation plays an essential role in the economic viability of communities. **Highway and transit corridors support commerce and**[**employment**](http://www.fhwa.dot.gov/policy/2008cpr/es.htm)**and allow cities to target investment in areas that best promote livable and sustainable urban development.** Property values are higher in areas with the best access to transportation. **Fourth,** highways and transit systems play an important role in protecting the American public. **The Nation's highway system is essential for much of the Nation's military mobilization. Highways must also be able to quickly accommodate police, fire, and rescue**[**vehicles**](http://www.fhwa.dot.gov/policy/2008cpr/es.htm)**. Both highways and transit can help evacuate cities when there are emergencies. *The Complementary Role of Highways and Transit* Highways and transit** are complementary, **serv**ing **distinct but overlapping markets in the Nation's transportation system.** **An efficient transit system gives people** living in dense, urban environments **increased mobility.** A**n effective highway system does the same** for people in suburban or rural areas. Highway **investments can benefit those transit modes that share roadways with private automobiles**, such as buses, vanpools, and demand response vehicles. **Having good highway**[**access**](http://www.fhwa.dot.gov/policy/2008cpr/es.htm)**to transit stations in outlying areas**, meanwhile, **increases accessibility to transit.** Transit improvements can enhance the operational performance of highways by attracting private vehicle drivers off the road during peak periods of congestion. Public and private assets also complement one another. Although the Nation's highways are typically publicly owned, many people use the system through privately owned automobiles. Transit is generally provided by public agencies, either directly or through private contractors.

#### Proper funding can save users billions annually

**U.S. Department of Transportation**, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” **2008,** [**http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm**](http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm)

**Of the $78.7 billion of total capital outlay in 2006, $48.2 billion was used for types of capital improvements modeled in HERS, including pavement resurfacing and reconstruction, and system expansion investments**. Chapter 7 presents parallel analyses of alternative investment levels based on alternative financing mechanisms including funding from fixed rate user charges, and funding from variable rate user charges (direct pricing systems on congested highways). **Assuming variable rate user financing, adjusted average user costs are projected to decrease if spending were sustained at 2006 levels; if constant dollar spending were to decrease by 0.86 percent per year, this metric would still be sustained at 2006 levels through 2026.** An increase of 4.55 percent per year in constant spending would yield a reduction in adjusted user costs of 5.1 percent; spending above this level would not be cost-beneficial. **By 2026, each one percent reduction in user costs would translate into user savings of approximately $40 billion annually**. Regardless of the level of investment being analyzed, average user costs associated with fixed rate user financing would always be higher than if a variable rate user charge had been applied. Maintaining adjusted average user costs would require a 3.07 percent annual increase in spending assuming fixed rate user financing. In 2006, $10.1 billion was spent by all levels of government on types of capital improvements modeled in NBIAS, including bridge repair, rehabilitation, and replacement actions. If combined public and private spending for the types of capital improvements modeled in NBIAS were sustained at 2006 levels in constant dollars, the economic bridge investment backlog is projected to rise from an initial level of $98.9 billion to a level of $112.6 billion, stated in 2006 dollars. This metric could be maintained at the 2006 base year level assuming annual spending growth of 0.83 percent per year in constant dollar terms; eliminating the backlog would require a 5.15 percent annual increase in constant dollar expenditures.

### Solvency: Budget

#### An infrastructure bank would jumpstart efficient investment and prioritize projects

U.S. Department of the Treasury, (along with the Council of Economic Advisers, 2012 “A New Economic Analysis of Infrastructure Investment,” March 23, 2012, <http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx>, accessed 7.2.12 BDE)

An analysis of the economic impact of transportation investment indicates that **now is an optimal time to increase the nation’s investment in transportation infrastructure. Investing in transportation infrastructure would generate jobs to employ workers who were displaced because of the housing bubble.** We estimate that the average unemployment rate among those who would gain employment in the jobs created by additional infrastructure investment has averaged approximately 13 percent over the past twelve months. There is also accumulating evidence that construction costs are currently low because of underutilized resources, so it would be especially cost-effective to seize this opportunity to build the quality infrastructure projects that are ready to be built. Historically**, we also know that state and local governments are more prone to cut back on infrastructure spending during tough economic times, despite the growing need and demand for these projects**. **Americans overwhelmingly support increasing our infrastructure investment**, as evidenced by consistent support for local investments on ballot initiatives. This is hardly surprising given that our report documents that the American public is less satisfied with our transportation infrastructure than residents of most other OECD nations. **Merely increasing the amount that we invest, however, must not be our only goal. Selecting projects that have the highest payoff is critically important, as is providing opportunities for the private sector to invest in public infrastructure**. Given the significant need for greater investment, the federal government cannot, and should not, be expected to be the sole source of additional investment funds**. More effectively leveraging federal investment by pairing it with state, local, and private investment is necessary to meet the challenges we face in expanding our transportation network**. Thus, establishing a National Infrastructure Bank, along with other significant reforms in our infrastructure financing system, should remain a top priority.

#### A national infrastructure bank would avoid inefficiencies and spill over as a model to other infrastructure investment

Andersen, (Norman, President and CEO of CG/LA Infrastructure, March 25, 2011 “The Case for the Kerry-Hutchinson Infrastructure Bank,” <http://progressivepolicy.org/the-case-for-the-kerry-hutchison-infrastructure-bank>, BDE)

First, the role of the infrastructure bank is catalytic rather than managerial. Rather than creating a large bureaucracy, **the bank would assemble a corps of focused professionals: engineers, financiers, economists** and what I term strategic leaders **— people who get things done, driven by a vision to make this country more competitive**. Their job will be to set projects in motion, then to make sure that those projects meet or exceed guidelines. Monitor, not manage; act strategically, not operationally. Move fast, don’t get bogged down, get the job done. **The result will be an elite, rapid, infinitely smaller and infinitely more qualified leadership team than what we have today, an instructive model for other infrastructure related agencies at every level of government**.

### Speeds up projects

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

Once established, a national infrastructure bank might help accelerate worthwhile infrastructure

projects, particularly large projects that can be slowed by funding and financing problems due to the degree of risk. These large projects might also be too large for financing from a state infrastructure bank or from a state revolving loan fund.44 Moreover, even with a combination of grants, municipal bonds, and private equity, mega-projects often need another source of funding to complete a financial package. Financing is also sometimes needed to bridge the gap between when funding is needed for construction and when the project generates revenues.

### Solvency: Large Projects

**NIB solves—overcomes status quo funding failures and enables large-scale projects**

**McConaghy & Kessler, 11** --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

America’s economic future will hinge on how fast and well we move people, goods, power, and ideas. Today, our infrastructure is far from meeting the challenge. Upgrading our existing infrastructure and building new conduits to generate commerce will put people to work quickly in long-term jobs and will create robust growth. Funding for new infrastructure will be a crucial investment with substantial future benefits, but the current way that Congress doles out infrastructure financing is too political and wasteful. A National Infrastructure Bank will provide a new way to harness public and private capital to bridge the infrastructure gap, create jobs, and ensure a successful and secure future. THE PROBLEM America’s investment in infrastructure is not sufficient to spur robust growth. In October, Governor Chris Christie announced his intention to terminate New Jersey’s participation in the Access to the Region’s Core (ARC) Tunnel project, citing cost overruns that threatened to add anywhere from $2-$5 billion to the tunnel’s almost $9 billion price tag. At the time, Christie stated, “Considering the unprecedented fiscal and economic climate our State is facing, it is completely unthinkable to borrow more money and leave taxpayers responsible for billions in cost overruns. The ARC project costs far more than New Jersey taxpayers can afford and the only prudent move is to end this project.”1 Despite the fact that the project is absolutely necessary for future economic growth in the New Jersey-New York region and would have created thousands of jobs, it was **held captive to significant cost escalation, barriers to cooperation between local, state, and federal actors, and just plain politics.** Sadly, these factors are increasingly endemic in the execution of major infrastructure projects. America’s infrastructure has fallen into a state of disrepair, and will be insufficient to meet future demands and foster competitive growth without significant new investment. However, the public is fed up with massive deficits and cost overruns, and increasingly consider deficit reduction to be a bigger economic priority than infrastructure investment.2 They have lost confidence in government’s ability to choose infrastructure projects wisely, complete them, and bring them in on budget. At the same time, **traditional sources of funding are strained to the breaking point** and federal support is hindered by an inefficient process for selecting projects. Finding the resources necessary to construct new infrastructure will be also be a significant challenge. A new of way of choosing and funding infrastructure projects— from roads, bridges, airports, rail, and seaports to broadband and power transmission upgrades—is necessary to ensure growth and create jobs in America. America’s infrastructure isn’t ready to meet future growth needs. The safety risks and economic costs associated with the deterioration of America’s infrastructure are increasingly apparent across multiple sectors. The American Society of Civil Engineers has awarded the nation’s overall infrastructure a grade of D.3 Since 1990, demand for electricity has increased by about 25% but construction of new transmission has decreased by 30%.4 Over about the last 25 years, the number of miles traveled by cars and trucks approximately doubled but America’s highway lane miles increased by only 4.4%.5 Over 25% of America’s bridges are de!cient6 and about 25% of its bus and rail assets are in marginal or poor condition.7 America’s broadband penetration rate ranks only 14th among OECD countries.8 As America’s population and economic activity increases, the stress on its infrastructure will only grow. The number of trucks operating daily on each mile of the Interstate Highway system is expected to jump from 10,500 to 22,700 by 2035,9 while freight volumes will have increased by 70% over 1998 levels.10 It is also expected that transit ridership will double by 2030 and that the number of commercial air passengers will increase by 36% from 2006 to 2015.11 Total electricity use is projected to increase by 1148 billion kWh from 2008 to 2035.12 In order to cope, America’s infrastructure will need a significant upgrade. America’s infrastructure deficit hurts its competitiveness and is a drain on the economy. America’s infrastructure gap poses a serious threat to our prosperity. In 2009, the amount of waste due to congestion equaled 4.8 billion hours (equivalent to 10 weeks worth of relaxation time for the average American) and 3.9 billion gallons of gasoline, costing $115 billion in lost fuel and productivity.13 Highway bottlenecks are estimated to cost freight trucks about $8 billion in economic costs per year,14 and in 2006, total logistics costs for American businesses increased to 10% of GDP.15 Flight delays cost Americans $9 billion in lost productivity each year,16 and power disruptions caused by an overloaded electrical grid cost between $25 billion and $180 billion annually.17 These losses sap wealth from our economy and drain resources that could otherwise fuel recovery and growth. The infrastructure gap also hinders America’s global competitiveness. Logistics costs for American business are on the rise, but similar costs in countries like Germany, Spain, and France are set to decrease.18 And while America’s infrastructure spending struggles to keep pace,19 several main global competitors are poised to make significant infrastructure enhancements. China leads the world with a projected $9 trillion in infrastructure investments slated for the next ten years, followed by India, Russia, and Brazil.20 In a recent survey, 90% of business executives around the world indicated that the quality and availability of infrastructure plays a key role in determining where they do business.21 If America is going to remain on strong economic footing compared to its competitors, it must address its infrastructure challenges. There are too many cost overruns and unnecessary projects—but not enough funds. Cost overruns on infrastructure projects are increasingly prevalent and exact real costs. One survey of projects around the world found that costs were underestimated for almost 90% of projects, and that cost escalation on transportation projects in North America was almost 25%.22 Boston’s Central Artery/Tunnel Project (a.k.a. the “Big Dig”) came in 275% over budget, adding $11 billion to the cost of the project. The construction of the Denver International Airport cost 200% more than anticipated. The San Francisco-Oakland Bay Bridge retrofit project witnessed overruns of $2.5 billion—more than 100% of the original project cost— before construction even got underway.23 And of course, there are the “bridge to nowhere” earmarks that solve a political need, but not an economic one. The current system for funding projects is subject to inefficiency and bureaucratic complication. Funding for infrastructure improvements is divided unevenly among federal, state, local, and private actors based on sector.24 Even in instances where the federal government provides funding, it has often ceded or delegated project selection and oversight responsibilities to state, local, and other recipients, **weakening linkages to federal program goals and efforts to ensure accountability**.25 Federal efforts are also hampered by organization and funding allocations based strictly on specific types of transportation, as opposed to a system-wide approach, which create inefficiencies that hinder collaboration and effective investment.26 Complicating matters even further are the emergence of **multi-state “megaregions,” which have common needs that require multijurisdictional planning and decision making ability**.27 Infrastructure funding has also become significantly politicized. Congressional earmarking in multi-year transportation bills has skyrocketed from 10 projects in the STAA of 1982 to over 6,300 projects in the most recent bill (SAFETEA-LU).28 Even under a working system, the infrastructure improvements necessary to foster growth will require substantial investment. The American Society of Civil Engineers estimates that it would require $2.2 trillion over the next five years to bring our overall infrastructure up to par.29 However, sources of funding for infrastructure improvements are under significant strain and may not be sufficient.30 The Highway Trust Fund has already experienced serious solvency challenges, and inadequate revenues could lead to a $400 billion funding shortfall from 2010 to 2015.31 The finances of state and local governments, which are responsible for almost three-quarters of public infrastructure spending,32 have been severely impaired. At least 46 states have budget shortfalls in the current fiscal year, and it is likely that state financial woes will continue in the near future.33 In a recent survey by the National Association of Counties, 47% of respondents indicated more severe budget shortfalls than anticipated, 82% said that shortfalls will continue into the next year, and 54% reported delaying capital investments to cope.34 THE SOLUTION A National Infrastructure Bank In order to provide innovative, merit-based financing to meet America’s emerging infrastructure needs, Third Way supports the creation of a National Infrastructure Bank (NIB). The NIB would be a stand-alone entity capitalized with federal funds, and would be able to use those funds through loans, guarantees, and other financial tools to leverage private financing for projects. As such, the NIB would be poised to seize the opportunity presented by historically low borrowing costs in order to generate the greatest benefit for the lowest taxpayer cost. Projects would be selected by the bank’s independent, bipartisan leadership based on merit and demonstrated need. Evaluation criteria may include economic benefit, job creation, energy independence, congestion relief, regional benefit, and other public good considerations. Potential sectors for investment could include the full range or any combination of rail, road, transit, ports, dams, air travel, clean water, power grid, broadband, and others. The NIB will reform the system to cut waste, and emphasize merit and need. As a bank, the NIB would inject accountability into the infrastructure investment process. Since the bank would offer loans and loan guarantees using a combination of public and private capital, it would have the opportunity to move away from the traditional design-bid-build model and toward project delivery mechanisms that would deliver better value to taxpayers and investors.35 By operating on principles more closely tied to return on investment and financial discipline, the NIB would help to prevent the types cost escalation and project delays that have foiled the ARC Tunnel. America’s infrastructure policy has been significantly hampered by the lack of a national strategy rooted in clear, overarching objectives used to evaluate the merit of specific projects. The politicization and lack of coordination of the process has weakened public faith in the ability of government to effectively meet infrastructure challenges. In polling, 94% of respondents expressed concern about America’s infrastructure and over 80% supported increased federal and state investment. However, 61% indicated that improved accountability should be the top policy goal and only 22% felt that the federal government was effective in addressing infrastructure challenges.36 As a stand-alone entity, the NIB would address these concerns by selecting projects for funding across sectors based on broadly demonstrated need and ability to meet defined policy goals, such as economic benefit, energy independence, improved health and safety, efficiency, and return on investment. The NIB will create jobs and support competitiveness. By providing a new and innovative mechanism for project financing, the NIB could help provide funding for projects stalled by monetary constraints. This is particularly true for large scale projects that may be too complicated or costly for traditional means of financing. In the short-term, providing resources for infrastructure investment would have clear, positive impacts for recovery and growth. It has been estimated that every $1 billion in highway investment supports 30,000 jobs,37 and that every dollar invested in infrastructure increases GDP by $1.59.38 It has also been projected that an investment of $10 billion into both broadband and smart grid infrastructure would create 737,000 jobs.39 In the longer-term, infrastructure investments supported by the NIB will allow the U.S. to meet future demand, reduce the waste currently built into the system, and **keep pace with competition from global rivals.** The NIB will harness private capital to help government pay for new projects. The NIB would magnify the impact of federal funds by leveraging them through partnerships with private entities and other actors, providing taxpayers with more infrastructure bang for their public buck. Estimates have placed the amount of private capital readily available for infrastructure development at $400 billion,40 and as of 2007, sovereign wealth funds—another potential source of capital—were estimated to control over $3 trillion in assets with the potential to control $12 trillion by 2012.41 While these and other institutional funds have experienced declines as a result of the economic downturn, they will continue to be important sources of large, long-term investment resources. By offering loan guarantees to induce larger private investments or issuing debt instruments and securities, **the NIB could tap these vast pools of private capital to generate investments much larger than its initial capitalization**. In doing so, it could also lower the cost of borrowing for municipalities by lowering interest on municipal bonds for state and local governments by 50 to 100 basis points.42 The NIB would also be poised to help taxpayers take full advantage of historically low borrowing costs. In 2010, the yield on 10-year U.S. Treasuries reached a historic low of 3.22%, as compared to a rate of 6.03% in 2000 and a peak rate of 13.92% in 1981. Prior to the Great Recession, this rate had not dipped below 4% since 1962.43 By allowing government and private actors to access financing at historically low rates, the NIB would help to **capitalize on a once-in-a-lifetime window to make enduring infrastructure investments.**

**A national bank will produce better and more effective transportation projects**

**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)

Keeping recipients accountable. An NIB would have more control over the selection and execution of projects than the current broad transportation grants. It would be able to enforce its selection criteria, make sure that the projects are more in line with its objectives, and have oversight of the outcomes of the projects. The new infrastructure entity should require repayment of principal and interest from applicants. This would bring more fiscal discipline and commitment from the recipients to the outcomes of the project. The extensive use of loans by an NIB contributes to the distinction between a bank and another federal agency. The interest rates charged to the state and local recipients of NIB loans might be set to slowly repay the initial injections of federal capital, while still maintaining a sufficient capital base.

### Solvency: Laundry List

#### NIB would improve efficiency—Laundry list of benefits

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

In order to provide innovative, merit-based financing to meet America’s emerging

infrastructure needs, Third Way supports the creation of a National Infrastructure

Bank (NIB). The NIB would be a stand-alone entity capitalized with federal

funds, and would be able to use those funds through loans, guarantees, and other

financial tools to leverage private financing for projects. As such, the NIB would be

poised to seize the opportunity presented by historically low borrowing costs in

order to generate the greatest benefit for the lowest taxpayer cost. Projects would be selected by the bank’s independent, bipartisan leadership based on merit and demonstrated need. Evaluation criteria may include economic benefit, job creation, energy independence, congestion relief, regional benefit, and other public good considerations. Potential sectors for investment could include the full range or any combination of rail, road, transit, ports, dams, air travel, clean water, power grid, broadband, and others. The NIB will reform the system to cut waste, and emphasize merit and need. As a bank, the NIB would inject accountability into the infrastructure investment process. Since the bank would offer loans and loan guarantees using a

combination of public and private capital, it would have the opportunity to move away from the traditional design-bid-build model and toward project delivery mechanisms that would deliver better value to taxpayers and investors.35 By operating on principles more closely tied to return on investment and financial discipline, the NIB would help to prevent the types cost escalation and project delays that have foiled the ARC Tunnel. America’s infrastructure policy has been significantly hampered by the lack of a national strategy rooted in clear, overarching objectives used to evaluate the merit of specific projects. The politicization and lack of coordination of the process has weakened public faith in the ability of government to effectively meet infrastructure challenges. In polling, 94% of respondents expressed concern about America’s infrastructure and over 80% supported increased federal and state investment. However, 61% indicated that improved accountability should be the top policy goal and only 22% felt that the federal government was effective in addressing infrastructure challenges.36 As a stand-alone entity, the NIB would address these concerns by selecting projects for funding across sectors based on broadly demonstrated need and ability to meet defined policy goals, such as economic benefit, energy independence, improved health and safety, efficiency, and return on investment.

#### The NIB will create jobs and support competitiveness.

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

By providing a new and innovative mechanism for project financing, the NIB could help provide funding for projects stalled by monetary constraints. This is particularly true for large scale projects that may be too complicated or costly for traditional means of financing. In the short-term, providing resources for infrastructure investment would have clear, positive impacts for recovery and growth. It has been estimated that every $1 billion in highway investment supports 30,000 jobs,37 and that every dollar invested in infrastructure increases GDP by $1.59.38 It has also been projected that an investment of $10 billion into both broadband and smart grid infrastructure would create 737,000 jobs.39 In the longer-term, infrastructure investments supported by the NIB will allow the U.S. to meet future demand, reduce the waste currently built into the system, and keep pace with competition from global rivals. The NIB will harness private capital to help government pay for new projects. The NIB would magnify the impact of federal funds by leveraging them through partnerships with private entities and other actors, providing taxpayers with more infrastructure bang for their public buck. Estimates have placed the amount of private capital readily available for infrastructure development at $400 billion,40 and as of 2007, sovereign wealth funds—another potential source of capital—were estimated to control over $3 trillion in assets with the potential to control $12 trillion by 2012.41 While these and other institutional funds have experienced declines as a result of the economic downturn, they will continue to be important sources of large, long-term investment resources. By offering loan guarantees to induce larger private investments or issuing debt instruments and securities, the NIB could tap these [into] vast pools of private capital to generate investments much larger than its initial capitalization. In doing so, it could also lower the cost of borrowing for municipalities by lowering interest on municipal bonds for state and local governments by 50 to 100 basis points.42 The NIB would also be poised to help taxpayers take full advantage of historically low borrowing costs. In 2010, the yield on 10-year U.S. Treasuries reached a historic low of 3.22%, as compared to a rate of 6.03% in 2000 and a peak rate of 13.92% in 1981. Prior to the Great Recession, this rate had not dipped below 4% since 1962.43 By allowing government and private actors to access financing at historically low rates, the NIB would help to capitalize on a once-in-a-lifetime window to make enduring infrastructure investments.

### Solvency: Private Funding

Government key, allows private sector funding

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

One way to address the need for more infrastructure investment is to attract more private capital for direct investment in transportation infrastructure. There is currently very little direct private investment in our nation’s highway and transit systems. The lack of private investment in infrastructure is in large part due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in specific infrastructure projects. In addition, the private benefit for investors is less than the benefit for society as a whole, because of positive externalities from infrastructure. A National Infrastructure Bank could address these problems by directly funding selected projects through a variety of means. The establishment of a National Infrastructure Bank would create the conditions for greater private sector co-investment in infrastructure projects.

#### Increases investment, improves efficiency, fixes disadvantages to the current system

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

President Obama has proposed a National Infrastructure Bank to help finance infrastructure projects. A well designed infrastructure bank could: increase overall investment in infrastructure by attracting private capital to co-invest in specific infrastructure projects; improve the efficiency of our infrastructure investment by having a merit-based selection process for projects; and fill the gaps in our infrastructure funding system, which currently disadvantage investments in multi-modal and multi-jurisdictional infrastructure projects.

#### National infrastructure bank selects the best programs to fund

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

To address the lack of merit-based funding, a National Infrastructure Bank would develop a framework to analytically examine potential infrastructure projects using cost-benefit analysis, and would evaluate the distributional impact of both the costs and benefits of each project. Of course, not all costs and benefits from infrastructure projects can be quantified, but an effort should be made to quantify those that can be quantified and to take account of any additional benefits and costs to society. A rigorous analytic process would result in support for projects that yield the greatest returns to society, and would avoid investing taxpayer dollars in projects where total costs exceed total societal benefits. A National Infrastructure Bank would select projects along a sliding scale of support that most effectively utilizes the bank’s limited resources, targeting the most effective and efficient investments.

#### Spending now would be prudent, government key

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

During recessions it is common for state and local governments to cut back on capital projects – such as building schools, roads and parks – in order meet balanced budget requirements. Past research has found that expenditures on capital projects are more than four times as sensitive to year-to-year fluctuations in state income than is state spending in general.51 However, the need for improved and expanded infrastructure is just as great during a downturn as it is during a boom. Tax receipts at the state and local level contracted for four straight quarters at the beginning of this recession and are still below pre-recession levels. The Recovery Act provided crucial support for infrastructure during the recession, but further strategic investments from the federal government are needed to make up for the shortfall in state and local funds. Providing immediate additional federal support for transportation infrastructure investment would be prudent given the likely response from state and local governments to the current economic environment, the upcoming reduction in federal infrastructure investment as projects using Recovery Act funds are completed and the strong benefits associated with public investment.

#### Massive amounts of jobs are created and soon

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf-mrb>)

No, infrastructure is a great way of creating jobs. It is one of the best ways of creating jobs. TIFIA is a valuable tool to attract non-Federal investment, but it is not intended to be a substitute for Federal apportionments. We do need Federal apportionments, and the States are doing more than their share to fill the gap left over. What TIFIA does is recognize the fact that current levels of Federal apportionments, combined with State and local resources, still leave us a huge gap, as the national Commission really focused on. And so, how do you incentivize States, localities, and private entities to come in and help fill that gap? What TIFIA does, as I mentioned, is create significant leverage and incentives for the States and localities to do exactly that. Estimates of how many jobs are created for every billion dollars invested in infrastructure vary. But AASHTO numbers say it is about 28,000 or 29,000 jobs per billion dollars of expenditure. If you just take the $30 billion in TIFIA backlog, and right-size TIFIA to make it equivalent to demand, you multiply 28,000 times 30 billion—you get almost a million jobs. What is so important about the TIFIA program sitting here today is that the $30 billion backlog represents projects that are almost all ready to go. I don’t use the word ‘‘shovel-ready,’’ but this backlog of projects of regional and national significance are almost all environmentally cleared; the State, local, and private monies that will be needed to repay the TIFIA loans are almost all assembled; and the procurements are all either in process, soon to be in process, or final negotiations in process.

### Solves Investment

#### Naysayers have their information wrong

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf-mrb>)

The bipartisan infrastructure bank represents a new approach to the idea of creating a bank. Its funding and operations are kept to a fiscally responsible scale, while preserving the best principles of political independence and merit-based decisionmaking to make the bank worth doing in the first place. And the bipartisan proposal is also limited to loans and loan guarantees, and would not issue grants, as full committee Chairman Mica said in his statement today. That is just not accurate for the version in the jobs bill. The bipartisan infrastructure bank will not be a sprawling Federal bureaucracy that entangles States and regulations in red tape. It will be an optional financing tool that is available to empower States and local governments to invest in transportation, energy, and water projects, and it will be staffed by financial professionals, not bureaucrats. The bipartisan infrastructure bank will also not be a policy-driven subsidy program designed to pick winners or dictate planning decisions to States. It will invest in pouring concrete, not propping up companies. It will do so independent of political pressure and influence, evaluating projects based on their economic merits, using the same bottom-up approach as DOT’s successful TIFIA program, which we have heard so much about today. The bipartisan infrastructure bank will not be another Freddie and Fannie type entity that runs the risk of a taxpayer-funded bailout. It would be a Government-owned corporation, similar to the U.S. Export-Import Bank. It would draw on a familiar Treasurybased lending mechanism, and it would not borrow its own money to leverage its lending. This structure ensures that the bank bears no resemblance whatsoever to shareholder-owned GSEs like Fannie and Freddie.

#### TIFIA has its limits, a bank would better handle large projects

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf-mrb>)

Mr. THOMASSON. The national infrastructure bank. So that is critical—I know that is not within the jurisdiction of the committee, but it is a critical point. Mr. NADLER. Of course. Mr. THOMASSON. And we have serious needs in the country for those kind of projects. Also, as you said earlier, there are certain projects that go beyond the scale of TIFIA that would require more independent analysis and professionalism within the national infrastructure bank. I think you get a different approach under that than you do under—— Mr. NADLER. When you say beyond the scale of TIFIA, what limits TIFIA? Mr. THOMASSON. Well, TIFIA’s loan authority, and its allocations from this committee under the Highway Trust Fund. But—— Mr. NADLER. So you are saying that some projects are simply too big for TIFIA? Mr. THOMASSON. There are. And I think if you have a more adequately staffed and professionally run national infrastructure bank with project finance experience on those big types of projects, we as a country will be better able to handle them. We are not very good at those large projects, currently. You also see the national infrastructure bank as a platform for credit expertise and—for the Federal Government—could also play this consulting role for other loan programs in the Government— DOE, RRIF, which——

#### A national infrastructure bank sends a signal, invites investment

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf-mrb>)

Actually, we heard directly last week. My group, the Progressive Policy Institute, held a forum here on the Hill with top CEOs from the U.S.: the CEO of Nucor, the biggest steelmaker in the country; and the CEO of Siemens Industry, a multinational that invests heavily in the U.S. We heard from CEO after CEO that we need this kind of strong signal to the international business community that the U.S. is a place worth investing in. The Siemens CEO told this short story about starting a new manufacturing plant in Charlotte, North Carolina, to build gas turbines. And to do that, part of their costs were building their own rail line up to the Port of Norfolk, because they are exporting these turbines. And he said, ‘‘You know, Siemens is a 160-year-old company. We look at the long term. We are happy to include those costs in our decisions of bringing our own infrastructure to the U.S. But how many companies are going to do that?’’ How many global investors, when they look at the U.S. and they see that they have to bring their own infrastructure, are going to do that? And we heard the infrastructure bank would send a clear signal that the U.S. is improving its decisionmaking ability to invest in infrastructure and attract private capital from abroad and multinational corporations to invest here at home.

### Solves Economy

#### Infrastructure investment key to the economy, multiple warrants

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Public infrastructure is an essential part of the U.S. economy. Every day, Americans use our nation’s transportation infrastructure to commute to work, visit their friends and family and travel freely around the country. Businesses depend on a well functioning infrastructure system to obtain their supplies, manage their inventories, and deliver their goods and services to market. This is true for companies whose businesses rely directly on the infrastructure system, such as UPS and CSX, as well as others whose businesses indirectly rely on the infrastructure system, such as farmers who use publicly funded infrastructure to ship crops to buyers, and dot.com companies that send goods purchased online to customers throughout the world. A modern transportation infrastructure network is necessary for our economy to function, and is a prerequisite for future growth. President Eisenhower’s vision is even more relevant today than it was in 1955, when in his State of the Union Address he said, "A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security." Today, that vision would include making not only our highways, but our nation’s entire transportation system more efficient and effective.

#### Supply and demand makes Governmental infrastructure reform key and timely

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Our analysis indicates that both demand- and supply-side factors support the conclusion that further infrastructure investments would be particularly timely and beneficial for the U.S. economy. First, estimates of economically justifiable investment, expert reports and public opinion indicate that American infrastructure is not keeping pace with the needs of our economy and the desires of the American people. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; the federal government has a constructive role to play by stepping up to address the anticipated shortfall and provide more efficient financing mechanisms, such as Build America Bonds.

#### National infrastructure bank key for transportation reform

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short term and long term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as establish a National Infrastructure Bank, which will leverage private and other non-federal government resources to make wise investments in projects of regional and national significance.

#### Infrastructure investment boosts the economy: raised productivity, and employment, lower prices and increased profitability

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The United States has a rich history of investing in infrastructure and reaping the long-term economic benefits. Influential research by David Aschauer and others has explored the link between public infrastructure investment and economic growth.1,2,3 Many studies have found evidence of large private sector productivity gains from public infrastructure investments, in many cases with higher returns than private capital investment. A recent analysis by the Congressional Budget Office found that additional investment in infrastructure is among the most effective policy options for raising output and employment.4 Since much of the public capital stock is owned by state and local authorities, more recent research has compared the economic benefits of infrastructure investments between regions in the U.S., generally finding smaller but economically significant benefits in comparison to Aschauer’s estimates.5 Investments in infrastructure allow goods and services to be transported more quickly and at lower costs, resulting in both lower prices for consumers and increased profitability for firms.

#### Targeted investment leads to further productivity

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

A study by John Fernald makes progress on establishing causality by comparing the impact of infrastructure investment on industries that a priori should experience different benefits from infrastructure. 7 He finds that the construction of the interstate highway system in the 1960s corresponded with a significant increase in the productivity of vehicle-intensive industries (such as transportation and gas utilities), relative to industries that do not depend on vehicles (such as apparel and textiles and industrial machinery). Fernald’s findings suggest that previous investments in infrastructure led to substantial productivity gains, and suggest the potential for further increases in productivity through additional, well targeted investment.

#### Returns exceed cost, and boost living standards

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Another study by Climent Quintana-Domeque and Marco Gonzalez-Navarro makes progress on estimating the causal effect of infrastructure investment, using an experimental design.8 Specifically, the study randomly assigned some roads to be paved and others to be in a control group in the Mexican city of Acayucan. Their analysis suggests that such infrastructure investment substantially raised housing values on the newly paved roads, which reflects an improvement in living standards, as well as provided benefits for home values on nearby streets. The rise in housing values on affected streets significantly exceeded the cost of paving.

#### Investments needed soon

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

The merits of infrastructure investments must also be considered alongside projections of population growth, trading patterns and expected changes in American lifestyles. As the economy and population grow, infrastructure resources will be stretched thinner as existing systems age and additional needs for new systems arise. With the American population expected to grow to over 400 million people by 2050 and interstate commerce expected to grow as well, targeted infrastructure investments can be one strategic tool that policymakers use to prepare for the future.

### Solvency

Government key, allows private sector funding

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

One way to address the need for more infrastructure investment is to attract more private capital for direct investment in transportation infrastructure. There is currently very little direct private investment in our nation’s highway and transit systems. The lack of private investment in infrastructure is in large part due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in specific infrastructure projects. In addition, the private benefit for investors is less than the benefit for society as a whole, because of positive externalities from infrastructure. A National Infrastructure Bank could address these problems by directly funding selected projects through a variety of means. The establishment of a National Infrastructure Bank would create the conditions for greater private sector co-investment in infrastructure projects.

#### Increases investment, improves efficiency, fixes disadvantages to the current system

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

President Obama has proposed a National Infrastructure Bank to help finance infrastructure projects. A well designed infrastructure bank could: increase overall investment in infrastructure by attracting private capital to co-invest in specific infrastructure projects; improve the efficiency of our infrastructure investment by having a merit-based selection process for projects; and fill the gaps in our infrastructure funding system, which currently disadvantage investments in multi-modal and multi-jurisdictional infrastructure projects.

#### National infrastructure bank selects the best programs to fund

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

To address the lack of merit-based funding, a National Infrastructure Bank would develop a framework to analytically examine potential infrastructure projects using cost-benefit analysis, and would evaluate the distributional impact of both the costs and benefits of each project. Of course, not all costs and benefits from infrastructure projects can be quantified, but an effort should be made to quantify those that can be quantified and to take account of any additional benefits and costs to society. A rigorous analytic process would result in support for projects that yield the greatest returns to society, and would avoid investing taxpayer dollars in projects where total costs exceed total societal benefits. A National Infrastructure Bank would select projects along a sliding scale of support that most effectively utilizes the bank’s limited resources, targeting the most effective and efficient investments.

#### Spending now would be prudent, government key

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

During recessions it is common for state and local governments to cut back on capital projects – such as building schools, roads and parks – in order meet balanced budget requirements. Past research has found that expenditures on capital projects are more than four times as sensitive to year-to-year fluctuations in state income than is state spending in general.51 However, the need for improved and expanded infrastructure is just as great during a downturn as it is during a boom. Tax receipts at the state and local level contracted for four straight quarters at the beginning of this recession and are still below pre-recession levels. The Recovery Act provided crucial support for infrastructure during the recession, but further strategic investments from the federal government are needed to make up for the shortfall in state and local funds. Providing immediate additional federal support for transportation infrastructure investment would be prudent given the likely response from state and local governments to the current economic environment, the upcoming reduction in federal infrastructure investment as projects using Recovery Act funds are completed and the strong benefits associated with public investment.

### Rational Decision Making/Budgets

#### NIB resolves politicization with rational calculus that results in completed worthwhile projects

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Consistency may be the hobgoblin of little minds, but it is the foundation of rational investment calculation. In infrastructure, this means, at a minimum, consistency in the assumptions made for future economic growth and its constituents: inflation, the cost of capital and the discount rate, and the value of human life and the time lost to delay. The public financing of infrastructure also requires a consistent approach to such policy measures as environmental degradation, the fiscal carrying capacity of states and localities, the level (if any) of second-round employment and output multiplier effects, and the treatment of such diverse variables as the distribution of income and ancillary homeland security benefits.

Federal agencies are now obliged by the Office of Management and Budget (OMB) to use consistent values in their project analysis and capital allocation decisions, but their obligation to do so is ultimately not binding. These are opt-outs and, ultimately, the invisible but decisive weighting given to projects with political sponsorship. The driving idea behind the National Infrastructure Bank is that we can do much better than that. It would be utopian to believe that the Bank’s presence would wipe the blight of political interference from the process. But it is possible to hope that projects above some threshold of federal involvement be publicly and visibly evaluated and ranked by the Bank, so that their relative merits can be known. And it is not impossible to imagine that rational funding decisions be the rule rather than the exception.

The closer we get to such a rule, the better off we are, and the more rapidly so. Replacing a project anointed by a non-rational mechanism that has, let us charitably assume, zero economic return with a positive rate of return above some threshold (related to the cost of capital) produces a mathematically infinite improvement in project benefits.

Rational project selection maximizes the effectiveness of spending. It also delivers better budgeting decisions and economic information. For one, it leads us to spend the next dollar on infrastructure on the project with the highest available return. It also allows us to understand far more accurately the level of net investment in infrastructure by improving the value we assign to both the creation and depreciation of public wealth. And it allows us to more easily monitor our progress against the backlog of viable infrastructure projects. This may be unduly idealistic or utopian as well, but no policy should be put in place without some idea of its ongoing success and when its job may one day be done.

### Revenue-Based Good

#### Revenue-based models of infrastructure investment insures long term development and upkeep

Richard Little, Director, Keston Institute for Public Finance and Infrastructure Policy, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

The massive network of seaports, waterways, railroads, and highways we built in the nineteenth and twentieth centuries were designed to unlock the nation's natural resources, agriculture, and manufacturing strength and bring these products to market. Today, despite a dynamically changing economy, these sectors along with trade and transportation still account for more than a quarter of U.S. GDP or $3.5 trillion, but many transport linkages have become bottlenecks due to long-delayed repair and replacement. The entire U.S. economy, as well as consumers, would benefit from a more efficient and resilient supply chain. Unfortunately, for far too long, Americans have been lulled by their political leadership into a false sense of entitlement. Faced with the prospect of raising taxes or charging fees to cover the cost of maintaining these systems, they have chosen to do neither. As a result, our highways and bridges decline at alarming rates. Most of the other systems vital to our interests suffer the same fate. Fixing this is well within our control, the challenge will be to muster the will to do so. Without a move to revenue-based models, necessary renewal of critical infrastructure will be long delayed, if provided at all. The first step in addressing this problem will be to ensure that adequate revenue streams are in place. Whether this revenue comes from the fuel tax, tolls, or other mechanisms is less important than having the funds to work with. Without a move to revenue-based models, necessary renewal of critical infrastructure will be long delayed, if provided at all. We can show that we value these systems by agreeing to pay for their upkeep or own both the responsibility for economic decline and its consequences.

### Public Private Good

#### NIB resolves hesitancy of private capital to invest in national infrastructure

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Second and perhaps more important in the long term, the current arrangements for infrastructure finance fail to marry the private appetite to provide infrastructure financing with the availability of potentially profitable infrastructure projects. Investors will readily confess that the risks associated with building new infrastructure assets are too large and complex for them to bear. That is because no mechanism exists to calculate and separate public (social) and private (appropriable) benefits and that distinguishes among the risks accordingly. For example, cost overruns due to public sector project management are not fair game for a private investor, but failure to achieve traffic targets might be.

A Bank, beyond rationalizing project selection, offers the prospect of finding terms on which private money can enter the active provision of capital for new projects. Advocates for a Bank often speak of gearing or leverage ratios when discussing the advantages of such an institution. But this leverage will be built from the ground up, on a project-by-project basis — if the government puts up ‘x,’ then private investors will be invited to put up ‘y.’ This is more likely than investors buying bonds or preferred stock from a Bank simply because it announces it is open for business.

And if investors do flock to offer money in such a fashion, then it is likely because they have come to believe that the Bank has the same kind of implicit guarantees that other government enterprises have famously abused. One good measure of any infrastructure proposal’s success, therefore, is its ability to bring private risk capital to these investments on a case-by-case basis.

#### Public private partnerships increase American global economic competitiveness, efficiency, and longevity of infrastructure

Stephen Goldsmith, New York City Deputy Mayor for Operations, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

Investment in America's physical infrastructure is directly tied to economic development. Businesses and the workforces they attract consider infrastructure when deciding where to locate. Too often, however, pressed by day-to-day concerns, state and local governments fail to adequately plan and invest in infrastructure. Tight budgets make it easy for officials to rationalize the deferral of investment until a time when surpluses return.

Unfortunately, this pattern has been repeated for decades, and the accumulation of deferred maintenance and deferred investment in future infrastructure has led to an unsatisfactory status quo. To ensure America's future competitiveness in the global marketplace, we must rethink our approach to the construction and financing of infrastructure. And in this policy area, many of the most promising ideas for unlocking public value involve public-private partnerships.

Public-private partnerships can produce access to capital that will accelerate the building of critical infrastructure in sectors ranging from transportation to wastewater treatment.

The key question in a debate about infrastructure should be: "How can we produce the most public value for the money?" Answering this question should lead us to pursue both operational and financing innovations. The private sector has an important role to play in both. Public officials can produce more value for the dollar by better structuring the design, construction, operation, and financing of infrastructure projects that produce more lifecycle benefits and fewer handoffs among various private parties. A private partner can often achieve savings for government by identifying operational efficiencies and assuming risk formerly held by the public sector. Unlike the traditional model for bridge construction in which one firm designs, one firm builds, one company finances, and the public maintains, an arrangement which gives the private firm an ongoing responsibility for maintenance or durability will encourage design optimization and likely increase the length of the asset's lifecycle.

Public-private partnerships can produce access to capital that will accelerate the building of critical infrastructure in sectors ranging from transportation to wastewater treatment. However, maximizing their potential to solve America's infrastructure challenges also requires governments to create a regulatory climate conducive to them. Government agencies should be given maximum flexibility to enter into partnerships with the private sector; and private companies should not have to navigate unreasonable tax laws that limit their ability to partner with government entities to produce better public value.

At a time when every dollar counts, extracting maximum public value out of infrastructure investment is crucial. The private sector can be a strong partner to government. By prioritizing long-term value creation over short-term politics, America can bridge the infrastructure divide and ensure our continued prosperity.

### Political Insularity/Jurisdiction

#### An NIB is best, it crosses jurisdictions and is political insular

William A. Galston, , September 7, 2010 9:59am, “Infrastructure Bank Proposal Would Spur Economic Growth” <http://www.brookings.edu/up-front/posts/2010/09/07-infrastructure-bank-galston>

On Monday, President Obama advanced several steps to boost economic growth and job creation, including a national infrastructure bank. In doing so, he resuscitated a proposal, initially offered during his campaign, that enjoys substantial support among legislators in both the House and Senate as well as from workers, firms, and organizations involved in transportation, communication, and construction.

This move reflects, I suspect, the president’s recognition that traditional demand-side stimulus runs up against limits in downturns sparked by financial crises. If individuals and households are burdened with excessive debt, they are more likely to use additional resources from tax cuts and transfer payments to pay down that debt than to make purchases they otherwise would have foregone. And if businesses do not foresee rising consumer demand, they will be reluctant to hire additional workers. In these circumstances, stimulating new investment in infrastructure represents a promising alternative strategy.

Much will depend on the architecture of this proposed institution. There is widespread agreement that it should focus on large regional initiatives that cut across jurisdictional lines and that its decisions should be made by a board of governors insulated from traditional political pressures. To reach the scale at which it could make a real economic difference, it must be able to leverage a modest amount of publicly provided capital to attract much larger amounts of private capital, which would demand a reasonable rate of return. To provide it, most projects the bank funds would have to generate revenue streams from user fees and other sources. The bank could supplement these fees with subsidies that reflect the gap between the private goods projects generate and the public goods whose value cannot be recaptured from individual beneficiaries.

The president’s proposal faces an uncertain fate. With the mid-term election campaign in full swing and political polarization at its highest level in more than a century, cooperation across party lines will be hard to achieve—even though the initial senate bill was introduced with bipartisan support just a few years ago. In the longer term, a bank structured to reduce politically motivated earmarks and to expose proposed infrastructure projects to a market test might attract a broader base of support than is now in evidence.

But whatever its immediate prospects, President Obama’s proposal offers a welcome new direction in an increasingly shrill and decreasingly productive economic debate. It shifts the focus toward the kinds of public action that can help build a more efficient and competitive economy in the long run. And it recognizes a key reality: the consumer-led model of economic growth on which we have depended for decades has hit a wall. It’s time for investment to lead the way, with new partnerships between the public and private sectors. Done right, the infrastructure bank would represent not only a new institution, but also a new paradigm.

#### Massive Transportation bills strap Congress’s ability to adapt to necessary infrastructure needs

Emilia Istrate, Senior Research Analyst, and Robert Puentes 2009, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Metropolitan Policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” Brookings December 2009

Complicating matters further, within the infrastructure category, more than three-quarters of the federal investment in infrastructure consists of transportation grants to state and local governments ($50.4 billion). These grants have “contract authority,” which is a budget authority that allows the U.S. Department of Transportation to obligate funds from the Highway Trust Fund and Airport and Airway Trust Fund in advance of appropriations. Although this federal spending on highways, mass transit and airports is considered discretionary, Congress has little power to change it because its “budget authority,” established in multi-year legislation, is considered mandatory. Congress controls this spending through obligation limitations.

### Self-Sustaining Good

#### Mandating bank solvency would assure quality project completion

Robert Poole, February 3, 2009, A National Infrastructure Bank? Proposed bank can fill a niche, but current proposal needs to be refocused, director of transportation at Reason Foundation. http://reason.org/news/show/a-national-infrastructure-bank

Rather than simply dismissing the NIB proposal as the wrong direction for expanded and smarter infrastructure investment, I consulted a number of experts in infrastructure finance and asked their assessment. All basically agreed with my critique of the existing proposal-but all of them also argued that since the legislation already exists and has some political momentum, the best approach for critics might be to propose better content for the measure.

The gist of these people's overlapping comments was that there is a role for the federal government to do more to encourage sound investment in large infrastructure projects-at least those like highways, bridges, water and wastewater systems in which a user-fee revenue stream is feasible. There is already nearly $200 billion sitting in infrastructure investment funds, looking for good projects. But there are very few large-scale projects ready to go. What's need is a lot of detailed (and costly) pre-development work to establish basic feasibility, get environmental clearance, and do preliminary design.

Funding those pre-development efforts for user-backed projects of national or regional significance could be done on a soft-loan basis by such an entity-soft in the sense that the loan would be paid back (on a subordinated basis) if the project ultimately gets financed and built, but could be forgiven if the project proved non-viable and did not get financed. The need to make this "bank" self-sustaining would serve as a restraint on funding pre-development work on highly speculative projects.

Another expert, Dana Levenson of RBS, gave the analogy of one of the more successful government-sponsored enterprises, PEFCO (Private Export Funding Corporation). PEFCO started out with a mix of government and private sector capital; it assists with the financing of exports, both as a direct lender and as a secondary market buyer of export loans originated by lenders, and is currently leveraging its capital at a 50:1 ratio. Levenson suggests that on an initial (public plus private) capital of $20 billion, a National Infrastructure Bank modeled after PEFCO could leverage up to $1 trillion in infrastructure. (Even with 25:1 leverage, it could jump-start $500 billion in projects.) But all of that would have to be infrastructure with a user-fee revenue stream to pay back the loans.

In short, I'm persuaded that there is a niche that an NIB could fill, to help this country take advantage of the huge pool of investment funds seeking to invest in U.S. infrastructure. Whoever ends up as our next president should seek to refocus current national infrastructure bank proposals into this sustainable form.

### Incremental – Intercity rail, freight, air traffic

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Looking Forward

I believe a Bank is the right step in the evolution of federal infrastructure programs. We should implement one now, focusing it on a handful of national projects to begin – perhaps rapid intercity rail, upgrading of the Chicago freight rail nexus, and modernization of the air traffic control system. We can then gradually expand the Bank – in part by imposing and gradually lowering the threshold of federal involvement that requires the Bank’s approval until the major projects of the modal programs have all been moved to the Bank’s selection process.

### Europe Proves

### NIBs work, European proves

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

Mr. Chairman, our commission also applauds Senator Hagel and you for proposing an Infrastructure Bank whose financial governance, project selection and delivery would be focused on funding those projects with the highest economic returns. Right now, road, water, airport and other funding candidates are evaluated using widely disparate assumptions for capital costs, discount rates and other characteristics, if they are evaluated at all. And many projects are funded using fixed cost shares that don’t reflect different local conditions. Moreover, the Bank has the prospect of being unencumbered by earmarks that benefit localities but neglect national and regional priorities. The Bank would, therefore, be modeled after modern investment banks, or, in fact, the European Investment Bank, whose financing of public projects has created a superb and efficient European infrastructure, including a high-speed rail network that is a model of efficiency.

### Delegation NM

#### The bank is delegation

Congressman Keith Ellison 2009, D-Minn United States House of Representatives, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

CONGRESSMAN ELLISON: Well, de-politicizing something that is an instrument of government completely is obviously impossible -- even in the selections that are made there will be political considerations. But I think that, you know, if we put a range of “completely politicized,” to “not politicized at all,” we can certainly move the knob from one end of the spectrum to the other. We can lessen the effects of just base political considerations when it comes down to making these decisions. And, of course, Congress delegates all the time, doesn’t it, you know? And so that wouldn’t be new or even precedent-setting. But I think that it would allow for these projects

### Rail, Highway, Buses

#### The bank would include roads, bridges, new rail lines, and bus systems

Matt Strader, Assistant Secretary for Transportation in Virginia, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

In looking at how to use that money, we looked at potentially putting it to fund some of our maintenance issues, putting it towards specific projects, but then we kind of hit on -- and the state infrastructure bank idea. And we are basically going to I think model the state infrastructure bank after the TIFIA Direct Loan Program, providing direct loans at lower than market interest rates to local governments, board of supervisors, private sector partners, and transportation infrastructure projects, et cetera, with the maturity of 20 to 30 years. Eligible projects would include pretty much anything from new roads to bridges to new rail lines, acquiring new buses for transit systems, pretty much the broad spectrum of transportation.

### AT: Over Leverage (Fannie/Freddie)

Myth #9: The national infrastructure bank is the next huge federal bailout waiting to happen, just like Fannie Mae and Freddie Mac. Reality: Troubled government-sponsored enterprises (“GSEs”) like Fannie Mae and Freddie Mac are not valid comparisons for current proposals for a national infrastructure bank. All of the bank proposals would be government corporations that are fully owned by the federal government. Fannie and Freddie are government-chartered but owned by private shareholders, which means they act in their shareholders' interest to maximize profits. That structural incentive to chase higher shareholder returns led to the leveraging and risky portfolios that resulted in insolvency and federal takeovers of these GSEs.

As a government-owned and controlled entity, a properly structured national infrastructure bank would not suffer from this conflict of interest between the public interest and private shareholder returns. It would also avoid the “moral hazard” problem created by allowing private shareholders to pursue risk-free profits by making risky loans with implicitly backing of the full faith and credit of the U.S. Treasury. This distinction is particularly applicable to the AIFA proposals in the BUILD Act and American Jobs Act, which would be explicitly backed by the Treasury, but would also be subject to the same FCRA rules governing its loans as existing credit programs with track records of responsible risk management, such as TIFIA and the Export-Import Bank. A very important difference between the AIFA approach and the GSEs is that AIFA would not borrow a dime of money under its own name, but would rely instead on debt issued by the Treasury Department, the process for which is strictly controlled under FCRA. This restriction stands in stark contrast to the GSEs, which are able to issue their own debt securities and did so with great abandon to leverage their financing: as of June, 2008, Fannie Mae’s debt was 18 times the size of its equity capital, and Freddie Mac’s debt stood at over 60 times its equity.

#### The bank would come nowhere near Fannie/Freddie leverage ratios

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. PUENTES: So this doesn’t squash private investment. I think that this is the theme I’ve seen since the announcements, folks that have reacted saying, well, is this some kind of big -- is this a Fannie Mae/Freddie Mac? Is this something that’s going to take over and squash some of --?

CONGRESSWOMAN DeLAURO: That would be suicide, you know, to do that. It’s absolutely totally different. You’ve got revenue streams here, you’ve got -- this is not a for-profit effort. It’s an independent entity. It is, in fact, dealing with credible investors, and with, you know, defined costs, and just totally different than what a Fannie Mae was all about. We couldn’t today, you know, nor should we suggest that we should move in that direction. The model you’ve got to use here is, as I said on the international level, you’ve got European bank, you’ve got the Asian Development Bank, Brazil has one, Germany has one, in the U.S., we have, you know, several that are there, but it’s a -- it really is a much, much different concept and one that has built in guarantees. We’re not talking about leveraging at 30-to-1, as I said earlier. It’s conservative, it’s transparent, and there is accountability.

#### An infrastructure bank would leverage 2 to 1 rather than the example of house loans failure of 30-1

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

CONGRESSWOMAN DeLAURO: And the other piece of that is to get the investor skin in the game. I mean, that is -- but the point is -- and you’ve got some of the pieces where you do have, you know, institutional investors, but it is the amount of capital that can -- we can get hold of in order to begin to leverage. When we talk about the infrastructure bank, we’re talking about the potential, and it’s conservative, we’re not talking 30-to-1 leveraging like what’s happened in the past. We’re talking about 2-1/2-to-1 based on the European model. And, you know, if you’ve got $5 billion a year for 5 years from the federal government as an initial capital, you have it under the Treasury -- capital, another $225 billion, you can loan up to $625 billion or thereabouts in terms of trying to, you know, to look at where the problems are and how we can address them. A substantial amount of money, especially when you’ve got the engineers talking about, you know, $2 trillion are where we need to try to go. That’s the scale I think that we have to try to reach. MR. GREENSTONE: I think that vehicle of using -- involving the private sector and what that does is it essentially seeks out the hyper term projects, and I think that’s the power of that idea.

### AT: “Picking Winners” (Solyndra)

#### The bank’s risk calculations would future Solyndra syndromes

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Myth #10: The national infrastructure bank is another example of the federal government

trying to “pick winners” that will result in taxpayers picking up the tab for failed companies

like Solyndra.

Reality: The national infrastructure bank would invest in pouring concrete, not propping up companies. The idea that choosing between different infrastructure project applications is the same practice of “picking winners” that some use to describe the Section 1705 loan guarantee program at the Department of Energy is a completely wrong analogy. A properly structured infrastructure bank would be limited to financing lower-risk infrastructure projects than those of the DOE program, which included non-infrastructure business ventures such as manufacturers. And unlike the DOE approach of pursuing projects for federal policy goals, the bank would rely on the same bottom-up approach of state and local project sponsorship used by TIFIA. The scope and mission of the1705 program was not limited to financing energy infrastructure projects. A good example of this is Solyndra itself, which is a manufacturer of solar panels, not a power producer or a project directly investing in the energy grid. The 1705 program was intended from the beginning to be more aggressive in its risk profile and financing decisions than any infrastructure bank would ever be. The 1705 loan guarantee program subsidized borrowing costs through direct appropriations and let the federal government underwrite a large share of a project’s total costs, shifting the risks from private investors to the federal government. The bipartisan AIFA proposal has neither of these features. However, the questions raised about how the Solyndra application was managed do demonstrate the need for more transparency in approving projects and for a professional, unbiased staff that is not subject to political pressures and inter-agency management problems. An independent infrastructure bank is designed to be built around an institutional culture of transparency and objective, merit-based decision making with clear criteria and creditworthiness requirements.

### CBA Good

#### AT- CBA slows you down

Polly Trottenberg 2010, the Assistant Secretary for Transportation Policy at the U.S. Department of Transportation, The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

I think on the -- does doing benefit-cost analysis slow you down a lot? I hope not. I mean, I think it’s incumbent upon us to try and help come up with a standardized way to do it, and we feel pretty strongly that we want to help states and transit agencies do it without having to hire incredibly expensive consultants. You know, it’s better if it’s a simpler process that they can do and own themselves, because part of the point of it is so that they get a flavor as they’re investing not only federal dollars, but their own state dollars, and what are the best things to spend our money on? And, you know, there’s been a trend, this is particularly something that’s happened in the new start side of transit agencies hiring outside consultants for a lot of money to do the complicated things we were making them do, and I think no one thinks that that’s the best solution.

#### Status quo infrastructure investment fails to use CBA

Robert Puentes 2009, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Metropolitan Policy Program at Brookings, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

Yes, the good thing about doing this work on infrastructure is that this isn’t just something that we’ve cooked up, you know, here at Brookings. We’ve been working with this informal network of scholars and practitioners all across the country. And the reports we released today, led by Emilia Istrate of our shop, kind of highlights -- I think there’s three big issues that folks, I think, coalesce around. We may disagree with the answers, but the problems, I think, are generally agreed about.

One is that the federal government does have a flawed kind of selection process. We don’t really use things that many folks in the room have called for -- benefit-cost analyses that have a mix of quantitative and qualitative kind of pieces to them. We just don’t do that when it comes to how we plan out our infrastructure. We heard this from both the speakers here earlier today.

There are legal requirements. There is an Executive Order from 1994 that requires that this be done, not just for things that the federal government owns, but also for infrastructure in which the federal government invests, so, like transportation. So things they don’t actually own, but do invest. But this is -- the implementation is not so great. It kind of varies across the country. So the flawed selection process is certainly, I think, a big one.

And there is this bias against maintenance. And, again, the Congressman talked about this earlier. We see mundane reminders of this, and we see kind of tragic reminders of this. But the way the system is set up, we don’t really prioritize the maintenance of what we have on the ground. We have incentives, we have formulas that are designed to build more -- the more stuff you have, the more money you get. But we don’t do a good job at fixing the stuff we already have and taking care of the things that are on the ground.

So those are really about implementation, that the federal government sets up the rules, and the implementation is where we have some problems.

But the problem, I think, on the federal level is this issue of long-term planning. And I think a lot of folks are starting to kind of galvanize around that particular problem--that we don’t, because we don’t have this far-reaching vision for infrastructure, and we’re kind of lurching from appropriations to appropriations, even when we do have multi-year authorizations -- they’ve got some problems which we can get into at some point -- but that there’s an inability for the federal government to think long term has really hampered us, from a competitive standpoint, nationally. We don’t make these investments that really do matter to the national government. So what we talk about in the report, we try to hit on some things that have been talked about. There’s a lot of discussion -- for 50 years, I guess, now 60 years -- about this issue of a national capital budget. We think that that’s the right idea. It makes sense. In real simplistic terms, it’s separating capital from the other parts of the budget.

But it probably doesn’t get to those things that we’ve talked about that are problems. It really doesn’t get you better maintenance, better project selection. And it’s

really a very, very small part of the overall federal budget. Just about 2 percent of federal spending goes for infrastructure.

So, again, maybe the right idea, but it’s a real heavy lift, and probably not the right thing to get to what we want.

But this issue of a national infrastructure bank does kind of get that. It is kind of like the national- capital-budget-light, in some ways. It doesn’t solve all of our problems, but it does get to this issue of targeting federal resources to projects that really do matter to the national government. We don’t have this mechanism now. We have the states, the metros and locals in charge, but no ability to make investments in these things that really matter to the national government.

But the key thing about the infrastructure bank is that it is about reform. It’s not using the same old systems. It is about making decisions based on merit, as the Congressman talked about, and making sure that those investments are based on some kind of facts, rather than on the political horse-trading that other folks have mentioned here today.

So it’s not a panacea -- that probably should have been the title of the report -- or not a silver bullet, but it is going to get you somewhere, and someplace that’s really missing right now, that’s these targeted, nationally important investments we don’t have.

### Localities “Skin in Game”

#### An NIB reduces infrastructure management pressure on localities, while also increasing their input in the process

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

But the kind of Bank we have described could change the way we think about this trade-off. In fact, it would most likely require such a change by forcing state and local governments to plan more rationally and put more of their own “skin in the game” when proposing new projects. This would give local governments strong incentives to think creatively to maximize efficiencies and returns on their own resources.

The modal infrastructure programs were designed to create a national set of facilities such as roads, airports, water treatment facilities, and so on. In their early stages, virtually any segment of the Interstate Highway System or new airport had a very good chance of having a positive economic return. But now that these systems are mature, there can be no doubt that other related activities can produce returns competitive with new construction. Writing almost two decades ago, Ned Gramlich found that the maintaining the Interstate to its current condition had an annual rate of return of 35 percent, while the return to new segment construction was minimal.2 That finding is likely to be even more true today. We also face a challenge of managing existing assets in order to optimize their use. Pricing, technology, land use, and other non-structural solutions all have an increasingly important role to play here, but these are either not funded by construction-oriented programs or they require that costs be imposed on local users. On-theground infrastructure managers know this better than outside analysts or critics, but the system does not reward these solutions.

I believe that these local managers would welcome federal involvement that forces them to exhaust, or at least exhaustively review, these non-structural alternatives. This would free them up to implement solutions in which they had confidence and avoid pressures to devise new ways to spend free federal dollars.

But the good news is that having local users put some “skin in the game” is a good starting point for getting localities to broaden their search for solutions. Moreover, the Bank itself can move this process along. It can require that proposals be accompanied by a discussion of non-structural solutions, and by using its abovementioned assumptions regarding state and local fiscal carrying capacity, social benefits, and the distribution of income, to determine whether the costs borne by local users are adequate.

### Bonds H.R. 407

#### **Funding mechanism distinct**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

The budgetary implications of H.R. 402 are somewhat different from those of the other pending infrastructure bank proposals. This bill proposes to capitalize an infrastructure bank with appropriations of $25 billion and to provide another $225 billion in “callable capital,” which would be made available from the Treasury only if it is needed by the bank to meet its obligations. Under this proposal, the bank would be permitted to issue bonds up to 250% of the bank’s total capital (capital plus callable capital). This means the bank could support up to $625 billion of bonds, which would be backed by the full faith and credit of the U.S. Treasury. In addition to the $25 billion, the callable funding of $225 billion would likely be scored as an appropriation.

### Executive Appointed Board

#### **The board would be appointed by the president**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

How might an infrastructure bank be governed? The three bills would locate the proposed infrastructure banks within the federal government and establish executive branch direction over them through presidential appointments (Table 1). Each bill would have the President appoint the board of the infrastructure bank, and S. 652 would have the chief executive officer be presidentially appointed rather than chosen by the board.59

### AIFA

#### Obama’s AIFA functions as an independent bank that requires limited seed money

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Much of the criticism of the infrastructure bank focuses on features that are not shared by all the proposals now before Congress. For example, the objection that is most frequently misapplied is that the infrastructure bank is not a true “bank,” because it makes grants in addition to issuing loans. The argument is that making grants is essentially giving money away for free, something a “real bank” would never do. This criticism has been lobbed against the president’s jobs bill proposal many times since he announced it, but it simply does not apply to that proposal, which is limited to loans and loan guarantees.

The president’s current proposal in the American Jobs Act is not the same as his own earlier “IBank” included in his most recent budget proposal submitted to Congress earlier this year, nor is it the same as previous bills offered by Congresswoman DeLauro, Senator Dodd, and others, which are the versions many opponents choose as the targets of their criticism. The president’s jobs bill proposal adopts the model that resulted from a thoughtful bipartisan effort in the Senate, embodied in the BUILD Act in introduced by John Kerry, Kay Bailey Hutchison, Mark Warner, and Lindsay Graham. The BUILD Act represents an entirely new approach to the idea of creating an infrastructure bank, one that goes a long way to reconcile the huge levels of needed investment with the very real spending constraints facing Congress. This proposal launches the bank on a fiscally responsible scale, while preserving the best principles of political independence and merit-based decision making that make the bank worth doing in the first place. They do this by structuring their bank as an independent, government-owned financing authority using model used by the U.S. Export-Import Bank, the TIFIA program, and other well-run existing federal credit programs, none of which bear any resemblance to shareholder-owned GSEs like Fannie Mae and Freddie Mac. Both the BUILD Act and the American Jobs Act would create a new entity called the American Infrastructure Financing Authority (“AIFA”). The AIFA proposal has been the subject of much confusion and misinformation, with opponents painting a misleading picture of what this type of bank would look like and how it would finance infrastructure projects. The difference between the investment tools offered in the bipartisan AIFA proposal and earlier approaches starts with understanding the distinction between funding and financing. Grants and funding programs “give money away for free” by spending federal money directly to pay for projects, or passing that money along to states and local governments to pay for them. Financing programs like AIFA and TIFIA require repayment of loans and reimbursement from borrowers for the default risks assumed by the federal government, making the Treasury whole for its financing of the project. AIFA loans and loan guarantees would be issued using the same credit mechanisms as TIFIA and RRIF established under the Federal Credit Reform Act (“FCRA”). This approach makes AIFA a particularly appropriate successor to the TIFIA program for transportation projects. Because of this structural compatibility with FCRA-based credit programs, combined with the independence and expertise of its staff and board of directors, an AIFA-type entity could provide a unique opportunity to enhance existing programs by offering those programs the option of utilizing its staff and resources to assist in the evaluation of loan applications. Offices like RRIF or the DOE loan guarantee programs could retain their discretion to make final decisions on applications, while improving the review and structuring of those projects by calling on the bank as a financial advisor. AIFA would be funded with a one-time discretionary appropriation of $10 billion. While the initial start-up funding could be paid for using funding from the surface transportation bill or other legislation reported from this Committee, there has thus far been no proposal to do so. A key feature of AIFA is that it is designed to be self-sustaining. The bipartisan Senate proposal is carefully structured to ensure it adheres to the requirement to operate without ongoing appropriations from Congress.

### A2: TIFIA/Export-Import

#### TIFIA organizationally is overburdened – only an external bank could alleviate the pressure

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Myth #7: We don’t need a separate infrastructure bank, because we can simply expand

existing programs like TIFIA or the Export-Import Bank. Reality: Both TIFIA and the Export-Import (“Ex-Im”) Bank are well-run programs that are effective in achieving the specific missions they are charged with. There are structural similarities between AIFA and both TIFIA and Ex-Im that make the idea of transforming either program to act like an infrastructure bank very interesting on paper and perhaps worth exploring more. However, the organization and governance of the infrastructure bank would be materially different from TIFIA, and its mission and expertise would not necessarily be compatible with the Ex-Im Bank. TIFIA is already oversubscribed with only a handful of staff to process loan applications. Some people familiar with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany recent proposals to “super-size” its budget authority. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics allege of the DOE loan guarantee program.

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expansion and better management of federal credit programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before. With respect to the idea that we can create an infrastructure bank within the Ex-Im Bank, we should be cautious about assuming we can re-task a well established bureaucracy with an entirely new mission that requires different financing expertise and a different institutional culture. It is probably better to avoid big changes to a program that is currently functioning well, and instead to look to it as a model to be drawn upon and replicated instead of forcing a merger of two very different programs under the one roof.

## Smart Grid

### Plan Text

**Plan Text: The United States federal government should substantially increase its investment in transportation infrastructure in the United States by establishing a national infrastructure bank.**

**The NIB should divert substantial resources toward an overhaul of the nation’s electricity transmission infrastructure including but not limited to electric generators, high voltage transmission networks and consumer-related systems**

### Definition: Smart Grid

#### Definition: Smart Grid

Electric Power Research Institution, ‘11

Paul L. Joskow, Journal of Economic Perspectives—Volume 26, Number 1—Winter 2012—Pages 29–48Creating a Smarter U.S. Electricity Grid [**http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29**](http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29)**)**

A recent Electric Power Research Institute (2011a, p. 1-1) report uses the following definition of the smart grid: **The term “Smart Grid” refers to the modernization of the electricity delivery system so that it monitors, protects, and automatically optimizes the operation of its interconnected elements—from the central and distributed generator through the high-voltage transmission network and the distribution system, to industrial users and building automation systems, to energy storage installations, and to end-use consumers,** and their thermostats, electric vehicles, appliances, and other household devices.

### Inherency

#### Further investment is needed if we wish to develop a national “smart grid” energy transmission infrastructure

Joskow, ‘12

Paul L. Joskow, Journal of Economic Perspectives—Volume 26, Number 1—Winter 2012—Pages 29–48 Creating a Smarter U.S. Electricity Grid [**http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29**](http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29)**)**

**The existing electricity distribution system is very old in many areas, and investments to replace key components will have to accelerate just to maintain the reliability of the system. These replacement programs should be consistent with longer-term strategies for modernizing the distribution system.** However, there is a lot of uncertainty about the size of costs and benefits and these costs and benefits vary across distribution feeders as well as customers and regions. The rate and direction of future technological change on both sides of the meter is also uncertain. The transition to smart grid technology is going to take years, and there are sure to be notable bumps along the way. Accordingly, it seems to me that a sensible deployment strategy is to combine a long-run plan for rolling out smart-grid investments with well-designed pilots and experiments. **Using randomized trials of smart grid technology and pricing, with a robust set of treatments and the “rest of the distribution grid” as the control, would allow much more confidence in estimates of demand response, meter and grid costs, reliability and power quality benefits and other key outcomes.** For example, Faruqui’s (2011b) report on the peak-period price responses for 109 pilot programs displays responses between 5 to 50 percent of peak demand. An order-of-magnitude difference in measured price responses is just not good enough to do convincing cost–benefit analyses, especially with the other issues noted above. In turn, the information that emerges from these studies could be used to make mid-course corrections in the deployment strategy. **Given the large investments contemplated** in smart meters and complementary investments, **along with the diverse uncertainties that we now face,** rushing to deploy a particular set of technologies as quickly as possible is in my view a mistake. Despite these reservations, **the country is on a path to creating smarter transmission and distribution grids. Exactly how far and how fast we go remains quite uncertain, especially as the federal subsidies enacted in 2009 for promoting the smart grid come to an end.**

#### Our energy infrastructure is facing serious challenges in the future- an overhaul of the current system is needed

Amin and Wollenberg, ‘05

(S. Massoud, professor of electrical and computer engineering, directs the Center for the Development of Technological Leadership (CDTL), and holds the H.W. Sweatt Chair in Technological Leadership at the University of Minnesota, Minneapolis. And Bruce, professor of electrical and computer engineering and the director of graduate studies at the University of Minnesota, also serves as director for the electrical engineering program of the University of Minnesota Center for Electric Energy <http://ieeexplore.ieee.org/stamp/stamp.jsp?tp=&arnumber=1507024>)

**In the coming decades, electricity’s share of total energy is expected to continue growing, and more intelligent processes will be introduced into this network. For example, controllers based on power electronics combined with wide-area sensing and management systems have the potential to improve the situational awareness, precision, reliability, and robustness of power systems. It is envisioned that the electric power grid will move from an electromechanically controlled system to an electronically controlled network** in the next two decades. **However, the electric power infrastructure, faced with deregulation (and interdependencies with other critical infrastructures) and an increased demand for high-quality and reliable electricity, is becoming more and more stressed. Several specific pertinent “grand challenges” to our power systems, economics, and control community persist, including:** ✔ **the lack of transmission capability (transmission load is projected to grow in the next ten years by 22–25%; the grid, however, is expected to grow less than 4%)** ✔ **grid operation in a competitive market environment** (open access created new and heavy, long-distance power transfers for which the grid was not designed) ✔ **the redefinition of power system planning and operation in the competitive era** ✔ **the determination of the optimum type, mix, and placement of sensing, communication, and control hardware** ✔ **the coordination of centralized and decentralized control.**

### Power Transmission

#### The current grid is generally dependent upon a poor transmission control mechanism- a smart grid control system enhances the design and operation of current power regulation

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

In a classical power grid, a fixed price is charged to energy users. However, the cost of energy is highest during the daily peak load operation. **The classical power system operation has no control over the loads except in an emergency situation when a portion of the loads can be dropped as needed to balance the power grid generation with its loads. Therefore, most elements of grid are used for a short time during the peak power demand and they remain idle during the daily operation. For an efficient smart power grid system design and operation, substantial infrastructure investment in the form of a communication system, cyber network, sensors, and smart meters must be installed to curtail the system peak loads when the cost of electric energy is highest.** The smart power grid introduces a sensing, monitoring, and control system that provides end users with the cost of energy at any moment through real-time pricing.In addition, the advanced control systems of smart metering provide the energy users with the ability to respond to real-time pricing.

#### A smart grid would revolutionize the way Americans are able to utilize energy

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

Furthermore, **the smart power grid supplies the platform for the use of renewable and green energy sources and adequate emergency power for major metropolitan load centers. It safeguards against a complete blackout of the interconnected power grids due to man-made events or environmental calamity. It also allows for the break-up of the interconnected power grid into smaller, regional clusters.** In addition, **the smart power grid enables every energy user to become an energy producer by giving the user the choice of PV or wind energy, fuel cells, and combined heat and power (CHP) energy sources and to participate in the energy market by buying or selling energy through the smart meter connection.**

#### Public policy has shifted focus on our energy transmission to the development of a “smart grid”

Joskow, ‘12

Paul L. Joskow, Journal of Economic Perspectives—Volume 26, Number 1—Winter 2012—Pages 29–48 Creating a Smarter U.S. Electricity Grid [**http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29**](http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29)**)**

While efforts to refine ne the wholesale and retail competitive market reforms continue, **public policy interest has now shifted to modernizing and expanding transmission and distribution networks.** In particular, this paper **focus**es **on efforts to build** what policymakers call **the “smart grid” by 1) stimulating investment to improve the remote monitoring and automatic and remote control of facilities on high-voltage transmission networks; 2) stimulating investment to improve the remote monitoring, two-way communications, and automatic and remote control of local distribution networks; and 3) installing “smart” metering and associated communications capabilities on customer premises so that customers can receive real-time price information and/or take advantage of opportunities to contract with their retail supplier to manage the consumer’s demands remotely in response to wholesale prices and network congestion.** While the smart grid is the focus of this paper, **there are other important areas for modernizing and expanding transmission networks, including stimulating investment in new transmission capacity, especially “long distance” transmission facilities that span multiple states, and better integrating electricity demand into wholesale power markets.**

### Transmission Efficiency

#### A smart grid would provide significant improvements in transmission monitoring and data acquisition to make smarter decisions about energy distribution

Joskow, ‘12

Paul L. Joskow, Journal of Economic Perspectives—Volume 26, Number 1—Winter 2012—Pages 29–48 Creating a Smarter U.S. Electricity Grid [**http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29**](http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29)**)**

**The smart grid technologies being deployed on local distribution systems include enhanced remote monitoring and data acquisition** of feeder loads, voltage, and disturbances; automatic switches and breakers; **enhanced communications with “smart” distribution substations, transformers, and protective devices**; **and supporting communications infrastructure and information processing systems. Smart grid investments in local distribution networks offer a variety of potential gains: to reduce operation and maintenance costs** (goodbye meter readers, manual disconnects, and responses to nonexistent network outages); **to improve reliability and responses to outages; to improve power quality** (for example, to **eliminate very short disruptions in voltage or frequency**); to **integrate distributed renewable energy sources**, especially solar photovoltaic systems **installed at customer locations that produce power intermittently and can lead to rapid and wide variations in the** (net) **demand placed on the distribution network**; to accommodate demands for recharging of the electric vehicle of the future; to deploy “smart meters” that can measure customers’ real-time consumption and allow for dynamic pricing that reflects wholesale prices; **and to expand the range of products that competing retail suppliers of electricity can offer to customers in those states that have adopted retail competition models.**

#### The “Smart Grid” would utilize an advanced system of electric generation capable of handling a bidirectional flow of energy efficiently managed by an information subsystem that provides significant improvements to the current transmission infrastructure

Fang et al, ‘11

(Xi Fang, Ph.D student in the School of Computing, Informatics, and Decision Systems Engineering at Arizona State University.*, IEEE*, Satyajayant Misra, Ph. D. degree in computer science from Arizona State University, Guoliang Xue, Professor of Computer Science and Engineering at Arizona State University. and Dejun Yang, PhD student in the School of Computing, Informatics, and Decision Systems Engineering (CIDSE) at Arizona State University. <http://ieeexplore.ieee.org/stamp/stamp.jsp?tp=&arnumber=6099519>)

1) *Smart infrastructure system*: **The smart infrastructure system is the energy, information, and communication infrastructure underlying the SG. It supports two-way flow of electricity and information.** Note that it is straightforward to understand the concept of “two-way flow of information.” **“Two-way flow of electricity” implies that the electric energy delivery is not unidirectional anymore.** For example, **in the traditional power grid, the electricity is generated by the generation plant, then moved by the transmission grid, the distribution grid, and finally delivered to users. In an SG, electricity can also be put back into the grid by users.** For example, users may be able to generate electricity using solar panels at homes and put it back into the grid, or electric vehicles may provide power to help balance loads by “peak shaving” (sending power back to the grid when demand is high). This **backward flow is important. For example, it can be extremely helpful in a microgrid** (described in Section IV-D) that **has been ‘islanded’ due to power failures. The microgrid can function,** albeit at a reduced level, **with the help of the energy fed back by the customers. In this survey, we further divide this smart infrastructure into three subsystems: the smart energy subsystem, the smart information subsystem, and the smart communication subsystem. The smart energy subsystem is responsible for advanced electricity generation, delivery, and consumption. • The smart information subsystem is responsible for advanced information metering, monitoring, and management in the context of the SG. • The smart communication subsystem is responsible for communication connectivity and information transmission among systems, devices, and applications in the context of the SG.**

### Renewable Energy

#### Energy technology is key to overall development, but is becoming increasingly unsustainable for power transmission- new solutions are needed

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

**Energy technology plays a central role in societal economic and social development. Fossil fuel-based technologies have advanced our quality of life, but** at the same time, these advancements **have come at a very high price. Fossil fuel sources of energy are the primary cause of environmental pollution and degradation;** they have irreversibly destroyed aspects of our environment. Global warming [4, 75, 76] is a result of our fossil fuel consumption. Our relentless search for and need to control the valuable fossil fuel resources such as oil and natural gas have promoted political strife. **We are now dependent on energy sources that are unsustainable as our energy needs grow and we deplete our limited resources.** As oil supplies dwindle, it will become increasingly urgent to find energy alternatives that are sustainable as well as safe for the environment and humanity.

#### The development of a smart transmission grid is necessary to take advantage of a restructured electricity marketplace and the effective use of renewable energy sources

Joskow, ‘12

Paul L. Joskow, Journal of Economic Perspectives—Volume 26, Number 1—Winter 2012—Pages 29–48 Creating a Smarter U.S. Electricity Grid [**http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29**](http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29)**)**

**Current “smart grid” initiatives are driven by a number of potential benefits.** The EPRI (2011a, p. 1-1) report correctly notes: “**The present electric power delivery infrastructure was not designed to meet the needs of a restructured electricity marketplace,… or the increased use of renewable power production.”** The reference to a “restructured marketplace” emphasizes that **a smarter grid can facilitate wholesale and retail competition in the supply of power, as well as the need to accelerate replacement of an aging transmission and distribution infrastructure and to conserve on meter reading and other network operating costs. The reference to renewable power points out that a smart grid may be needed if** solar, wind, geothermal, and other **renewable energy technologies are to make a sizable contribution to national electricity needs as well as engage with demand side issues like** charging electric vehicle batteries or **encouraging consumers to use electricity more efficiently.**

#### Effective planning processes are needed to integrate new alternative energy sources into the grid for optimal power transmission

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

**To ensure security and reliability, power plant facilities and resources must first be planned then managed effectively. A large power grid is comprised of many elements including generating units, transmission lines, transformers, and circuit breakers. As new** green **energy sources are adopted into the power grid and a smart power grid is put in place, additional equipment** such as DC/DC converters and DC/ AC converters **must be integrated and scheduled for power grid operation.** In addition, **market structure and real-time pricing of energy need to be evaluated. For stable operation of power grid, we will need to schedule power generation to supply the system loads for every second of the system’s operation.** The energy resources of a large power system consist of hydro and nuclear energy, fossil fuel, renewable energy sources such as wind and solar energy, as well as green energy sources such as fuel cells, combined heat and power (CHP; also known as cogeneration), and microturbines. **These resources must be managed and synchronized to satisfy the load demand of the power grid.** The load demand of a power grid is cyclic in nature and has a daily peak demand over a week, a weekly peak demand over a month, and a monthly peak demand over a year. Energy resources must be optimized to satisfy the peak demand of each load cycle, such that the total cost of production and distribution of electric energy is minimized.

### Economic Value

#### Smart grid technology enhances the economic value of renewable sources of energy

Joskow, ‘12

Paul L. Joskow, Journal of Economic Perspectives—Volume 26, Number 1—Winter 2012—Pages 29–48 Creating a Smarter U.S. Electricity Grid [**http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29**](http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.1.29)**)**

These **smart grid investments at the high voltage transmission level are likely to have even higher returns as “intermittent” generating capacity like high voltage grid-connected wind and solar generating capacity grows** (local photovoltaic facilities on the roofs of homes create related challenges for distribution networks—see below). **High voltage grid-based wind and solar installations supply electricity intermittently. This means** that their **output is driven by** wind speed, wind direction, cloud cover, haze, and other **weather characteristics rather than by supply and demand conditions and wholesale market prices. As a result, their output typically cannot be controlled or economically dispatched by system operators based on economic criteria in the same way as traditional electricity generation technologies** (Joskow 2011a, b). Since wind and sun intensity vary widely and quickly, output of intermittent generating units can vary widely from day to day, hour to hour, minute to minute, and location to location. **To balance supply and demand continuously when there is signifigant intermittent generation on the high voltage network requires that system operators have the capability to respond very quickly to rapid changes in power flows at different locations on the network by holding more dispatchable generation in operating reserve status and having the capability to monitor and adjust the configuration of power flows on the transmission network to balance supply and demand continuously while minimizing costs.**4

#### A smart grid energy transmission system integrated with microgrid technologies will significantly improve how efficiently Americans consume energy and increase the potential for American growth and development

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

**The industry is experiencing a gradual transformation that will have a long-term effect on the development of the infrastructure for generating, transmitting, and distributing power. This fundamental change will incorporate renewable generation and green energy sources in a new distributed generation program based on increased levels of distributed monitoring, automation, and control as well as new sensors. The power grid control will rely on data and information collected on each microgrid for decentralized control. In return, the microgrids and interconnected power grid will be able to operate as a more reliable, efficient, and secure energy supplier. The technology of the power grid and microgrids has a number of key elements. Adaptive and autonomous decentralized controls respond to changing conditions. Predictive algorithms capture the power grid state (phasor measurements) for a wide area and are able to identify potential outages. The system also provides market structure for real-time pricing and interaction between customers, grid networks, and power markets. Furthermore, the smart grid provides a platform to maximize reliability, availability, efficiency, economic performance, and higher security from attack and naturally occurring power disruptions.**

### Microgrid Technology

#### We need to shift focus to the development of a “smart grid” system for transportation of energy

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

Amin [43] coined the term “smart grid” in 2005. Shahidehpour integrated many definitions of smart grids in his forward section of Keyhani’s [1] book on smart power grids as **“The smart grid has further offered alternatives to participants looking to enhance the reliability, sustainability, and capability for customer choices in energy systems.** The smart grid has made it possible to set up microgrids that could be operated as stand-alone islands in critical operating conditions. Such small installations can enhance the reliability of regional electric power systems when the larger grid is faced with major contingencies. **There are several practical examples of microgrid installations which have demonstrated that the use of smart switches in distributed power grids could reduce the number and the duration of outages.** In addition, **the smart grid allows microgrids to optimize the use of volatile and intermittent renewable energy resources and enhance the sustainability of regional power systems.** The applications of solar photovoltaic, which mostly follows the daily load profile for power generation, on-site or local wind energy, along with storage devices for microgrid installations could provide an inexpensive and sustainable means of supplying microgrid loads. The principles of a widespread utilization of energy storage can also be found in the emerging market of plug-in electric vehicles, which would utilize wind energy at off-peak hours.

#### Microgrid technologies would provide substantial energy transmission improvements to the current power grid

Keyhani ‘11

(A. Keyhani and M. Marwali (Eds.), Ali, Green Energy laboratory The Ohio State University, Smart Power Grids 2011, POWSYS) <http://www.springerlink.com/content/u745134815140533/fulltext.pdf>

Such **microgrid applications could also eliminate the need for extensive additions of high voltage lines for the transmission of renewable energy across densely populated regions of the world.** However, the evolutions in the electric power industry that I believe will truly revolutionize the way we deliver electricity to individual consumers are smart grid applications related to real-time pricing, hourly demand response, and the expansion of customer choices for promoting energy efficiency. **The use of new smart grid innovations would make it possible for consumers to prioritize their energy use according to their daily schedules, needs, and preferences, taking into account a variable cost of electricity to save money. Smart grid advancements would also enable automated control systems to optimize energy use at home or for businesses, identifying the most appropriate times for device operation to reduce the cost of electricity. Customer participation will offer a number of incentives for the optimization of electric power operations,** including lower operation costs by eliminating the commitment of costly generating units at peak hours, mitigating mandatory system upgrades that are required for responding to a few hundred hours of annual peak loads, and **reducing the chance of transmission congestion, which could otherwise operate the power system at a state close to its critical point of collapse.** Demand response could also offer a less fluctuating and flatter daily profile, which would make it possible to forecast the daily load profile and schedule fuel and hydro consumption more comprehensively and efficiently for power generation.” This description of a smart power grid ushers the design and development of electric energy system for centuries to come.

### Smart Grid: Tech and Applications

#### Our power grid is extremely outdated and many challenges face the development of new technologies to improve power transmission

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 2,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.

**In many parts of the world (for example, the USA** and most countries in Europe), **the power system expanded rapidly from the 1950s and the transmission and distribution equipment that was installed then is now beyond its design life and in need of replacement.** The capital costs of like-for-like replacement will be very high and it is even questionable if the required power equipment manufacturing capacity and the skilled staff are now available. **The need to refurbish h the transmission and distribution circuits is an obvious opportunity to innovate with new designs and operations practices.** In many countiries **the overhead line circuits, needed to meet load growth or to connect renewable generation, have been delayed for up to 10 years due to difficulties in obtaining rights-of-way and environmental permits. Therefore some of the existing power transmission and distribution lines are operating near their capacity and some renewable generation cannot be connected. This calls for more intelligent methods of increasing the power transfer capacity of circuits dynamically and rerouting the power flows through less loaded circuits.**

#### The capacity of traditional circuits limit energy transmission, which results in wasted electric power generation

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 3,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.)

**Any power system operates within prescribed voltage and frequency limits. If the voltage exceeds its upper limit, the insulation of components of the power system and consumer equipment may be damaged, leading to short-circuit faults. Too low a voltage may cause malfunctions of customer equipment and lead to excess current and tripping of some lines and generators. The capacity of many traditional distribution circuits is limited by the variations in voltage that occur between times of maximum and minimum load and so the circuits are not loaded near to their thermal limits. Although reduced loading of the circuits leads to low losses, it requires greater capital investment.**

#### Smart grids would utilize a system that eliminated redundant circuits that better utilize electrical assets

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 3-4,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.)

**Modern society requires an increasingly reliable electricity supply as more and more critical loads are connected. The traditional approach to improving reliability was to install additional redundant circuits, at considerable capital cost and environmental impact. Other than disconnecting the faulty circuit, no action was required to maintain supply after a fault. A Smart Grid approach is to use intelligent post-fault reconfiguration so that after the (inevitable) faults in the power system, the supplies to customers are maintained but to avoid the expense of multiple circuits that may be only partly loaded for much of their lives. Fewer redundant circuits result in better utilization of assets** but higher electrical losses.

### Smart Grid Solves Econ

#### National governments see the smart grid as an important opportunity to enhance their economies

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 4,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.)

**Many national governments are encouraging Smart Grid initiatives as a cost-effective way to modernize their power system infrastructure while enabling the integration of low-carbon energy resources. Development of the Smart Grid is also seen in many countries as an important economic/commercial opportunity to develop new products and services.**

#### US public law strongly encourages investment in initiatives such as the overhauling of our energy infrastructure

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 6,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.)

**The USA According to Public Law** 110-140-DEC.19.2007 [6.], the United States of America (The USA)

**“is supporting modernization of the electricity transmission and distribution networks to maintain a reliable and secure electricity infrastructure that can meet future demand growth and to achieve increased use of digital information and controls technology**; **dynamic optimization of grid operations and resources;** deployment and integration of distributed resources and generation development and incorporation of demand response, demand –side resources and energy-efficient resources; **development of ‘smart’ technologies for metering, communications and status, and distribution automation; integration of ‘smart’** appliances and **consumer devices; deployment and integration of advanced electricity storage and peak-shaving technologies;** provisions to consumers of timely information and control options and development of standards for communication and inter-operability”

### Smart Grid = Topical

#### The Dept. of Energy definition of “smart grid” technology implies we are topical- includes development of the transportation of energy and the systems that support its transmission

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 6,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.) According to the US department of Energy [7.]:

**“A smart grid uses sensing, embedded processing and digital communications to enable the electricity grid to be observable (able to be measured and visualized), controllable (able to manipulated and optimized), automated (able to adapt and self-heal), fully integrated (fully interoperable with existing systems and with the capacity to incorporate a diverse set of energy sources).”**

#### Widespread implementation of smart grid technology is imperative to allow a seamless transition to increased dependence on electric generation from renewable sources of energy

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 206,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.)

**Renewable energy sources are being developed in many countries to reduce CO2 emissions and provide sustainable electrical power**. The balance of particular technologies and their scale changes from country to country. However, hydro, wind, biomass (solid biomass, bioliquids and biogas), tidal stream, and photovoltaic (PV) are common choices. **Variable speed turbines are used for wind, small hydro and tidal power generation. These generally use AC-DC-AC power conversion where the turbine is arranged to rotate at optimum speed to extract the maximum power from the fluid flow or minimize mechanical loads on the turbine.** The variable frequency power output from the generator is first converted to DC. A second converter is used to convert DC into 50/60 Hz AC. The output of a PV system is DC and therefore a DC-AC converter is essential for grid connection. Biomass technologies use a steam or gas turbine and a conventional generator. Reciprocating engines may be fuelled by biogas. They generally use a synchronous generator connected to the grid directly and are not considered in this chapter. **The power electronic interface between a renewable energy source and the grid can be used to control reactive power output and hence the network voltage as well as curtailing real power output, and so enable the generator to respond to the requirements of the grid.**

#### The bulk power loads of renewable energy sources require the integration of several smart grid innovations

Wu et al, ‘12

*(Smart Grid: Technology and Applications, Pg. 233,* First Edition. Janka Ekanayake, Kithsiri Liyange, Jianzhong Wu, Akihiko Yokooyama, and Nick Jenkins. © 2012 john Wiley & Sons, Ltd. Published 2012 by John Wiley and Sons, Ltd.)

**The future power system will involve connection of a greater number of large renewable energy schemes and other new low-carbon generators that will be needed to reduce emissions and maintain the continued security of supply. These new connections and subsequent bulk power flows will require network reinforcement.** The **traditional methods of increasing bulk power transfer capacity** are reconducting existing circuits, upgrading to a higher AC voltage and constructing new lines. However, these options, particularly ones which involve new overhead line routes, are **difficult to implement due to planning constraints and environmental concerns. FACTS devices can increase the capacity of AC circuits while HVDC, especially submarine routes, may be used for the addition of new capacity.**

## DA Answers

### Highway Gas Tax DA

#### Turn – The bank’s new revenue sources would free up new funds for appropriation bills

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Myth #8: Funding for a national infrastructure bank would rob from proposed funding for

Highway Trust Fund programs, including TIFIA and state infrastructure banks.

Reality: The infrastructure bank proposal is not a zero-sum competitor for Highway Trust Fund resources with TIFIA, SIBs, or any other existing programs in the surface transportation bull. Most of the bank proposals are drafted to be funded by appropriations outside the Highway Trust Fund, or in some cases by allowing the bank to issuing its own bonds. They are also designed to supplement existing programs and allocations, not substitute for them. Not only would the initial funding not need to rob Trust Fund resources, the activities of the bank could relieve some of the pressures on these oversubscribed and underfunded programs by providing an alternative financing path for certain projects that now rely on Trust Fund programs. This would free up money for projects that are most appropriate for these funding programs.

Greenstone, 2010 2009-10 he served as the chief economist at the White House’s Council of Economic Advisers. His research is focused on estimating the costs and benefits of environmental quality and the consequences of government regulation. The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. GREENSTONE: I just had two comments. One, I think if there’s greater confidence that the money was being spent on the high pay-out projects, I think that would loosen some of the political support for funding these. And so right now the primary vehicle is through the gas tax, and it goes to a highway trust fund and then it goes on formula. That’s -- I don’t think that’s a recipe for finding high rates of return projects, so I think that’s part of the problem.

A second thing, where there could be more -- another source of revenue, which I think should be explored, and the Hamilton Project has written a paper on this, is -- and I mentioned before, when I drive, and poor Representative DeLauro is trying to get to work every day, I’m slowing her down by being an extra car on the road. And that’s -- in economics we call it an externality. And so I’m not taking account of the behavior -- or of the time costs I’m imposing on Representative DeLauro.

The solution to that is simple. The solution to that is congestion fees, and the great thing about congestion fees is, would use -- we would use our infrastructure more -- the existing infrastructure more efficiently, and in addition, it would raise money, and that money could be invested back into infrastructure. So if you’re looking for a way to raise revenue for infrastructure, I think that would be a good way.

### Budget

#### The plan is not deficit spending, as an investment the bank will increase infrastructure spending through interest

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Myth #1: We can’t afford a national infrastructure bank, because the federal government is already “out of money.” Reality: The claim that the government is “broke” because we are running deficits is not unique to infrastructure, and it could apply to any spending proposal currently before Congress. But it does argue for focusing on our most urgent spending priorities, and for making the most efficient use of taxpayer dollars. Maintaining healthy infrastructure has always been supported by both parties as a top priority that is essential to economic prosperity and a high quality of life for all Americans. There is no avoiding the generational need to rebuild our aging infrastructure, and we must remember that there is nothing fiscally responsible about deferring maintenance costs, because those costs only become more expensive the longer we put them off. One of the best arguments for the bank approach is that produces much more “bang for the buck” from taxpayer dollars than the direct funding and grants that dominate our existing federal programs. This Committee has recognized that providing credit assistance to long-lived infrastructure projects is not the same as deficit spending—it is investing, not “spending.” By focusing on loans and loan guarantees that cover only a portion of the total cost of new projects, the bank would ensure that private capital or state funding sources bear a significant share of our investment burdens. Creative partnerships with states, local governments and agencies, and private investors will allow for flexible solutions that make the most efficient use of all our country’s financing resources.

#### The Plan is budget neutral, 60 billion in seed money will result in a trillion dollars in leverage in ten years

Felix G. Rohatyn, Special Advisor to the Chairman and CEO, Lazard Freres and Co. LLC, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

One way to finance the rebuilding of our country is by creating a national infrastructure bank that is owned by the federal government but not operated by it. The bank would be similar to the World Bank and European Investment Bank. Funded with a capital base of $50 to $60 billion, the infrastructure bank would have the power to insure bonds of state and local governments, provide targeted and precise subsidies, and issue its own thirty- to fifty-year bonds to finance itself with conservative 3:1 gearing. Such a bank could easily leverage $250 billion of new capital in its first several years and as much as $1 trillion over a decade. Run by an independent board nominated by the president and confirmed by the Senate, the bank would finance projects of regional and national significance, directing funds to their most important uses. It would provide a guidance system for the $73 billion that the federal government spends annually on infrastructure and avoid wasteful "earmark" appropriations. The bank's source of funding would come from funds now dedicated to existing federal programs.

#### Status quo infrastructure spending is about 2% of the total budget, 65 billion,

Emilia Istrate, Senior Research Analyst, and Robert Puentes 2009, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Metropolitan Policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” Brookings December 2009

Breaking it down further, federal investment may be in defense capital assets ($205.9 billion in 2008) or in non-defense capital ($253.8 billion). Non-defense federal physical investment represents about 42 percent of the non-defense investment ($107.5 billion). Federal spending on infrastructure— transportation, energy, water and environmental protection—was only $65 billion in 2008 (Figure 2).10 While the figures presented are not negligible, they show that federal investment is only 15 percent of the total federal spending. And only 14 percent of federal investment (2 percent of the total federal spending) was directed to transportation, energy, water, and environmental protection in 2008.

#### FIB Key to fiscal discipline—enforces selection criteria and objectives

Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metropolitan Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

An NIB would have more control over the selection and execution of projects than the current transportation grants within broad program structures. It would be able to enforce its selection criteria, make sure that the projects are more in line with its objectives and have oversight of the outcomes of the projects. The new infrastructure entity should require repayment of principal and interest from applicants. This would bring more fiscal discipline and commitment from the recipients to the outcomes of the project. The extensive use of loans by an NIB contributes to the distinction between a bank and another federal agency. The interest rates charged to the state and local recipients of NIB loans might be set to repay slowly the initial injections of federal capital, while still maintaining a sufficient capital base.103 Some experts argue that an NIB would be able to be sustainable and effective only if it is truly a “bank”.104

#### The cost of an NIB would ultimately be repaid economically and through means of efficacy

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

Financing the infrastructure upgrades needed to support America’s economy and meet its new challenges won’t be cheap, but there are billions in efficiencies that can be wrung out of the system with real structural changes, and the economic costs of inaction will be higher. By leveraging private resources, the NIB will ensure that future spending on infrastructure will get the utmost bang for the taxpayer buck. It will also cut down on waste by supporting only projects that serve demonstrated regional or national needs and satisfy goal-based criteria. Won’t this just turn into another big-spending program or bailout? How will the bank be repaid on investments in infrastructure? No, loans and financing issued by the NIB could be repaid by recipients. The existing European Investment Bank raises capital in the private markets and lends it at a higher interest rate in order to achieve profit and maintain sustainability.44 Repayments on infrastructure assets are often derived from tolls and user fees, but can be provided through other means such as availability payments and gross revenues.45 As part of its project evaluation criteria, the NIB would be required to assess repayment prospects and to ensure that it remains a viable entity. Won’t the bank be too small to meet our infrastructure needs? Won’t it threaten other, existing funding streams and programs? The NIB would be an additional tool to support infrastructure investment by leveraging private capital and by improving the project selection process. By doing so, the NIB would make a significant contribution to meeting America’s infrastructure needs, but the scope of demand is too great for any one program to address completely. The reforms embodied by the NIB can help to shape improvements in other programs, but the NIB is not intended to and would not be capable of completely replacing existing federal infrastructure programs. The NIB would be capitalized separately from other streams of program funding, and would assess and fund projects independently.

### Federalism

#### Unique turn – the bank would empower states and reduce angst over failed Federal transportation bills

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Reality: A properly structured national infrastructure bank would not be a monolithic centralplanning authority that would tie states’ hands and impose its judgment on state funding priorities. To the contrary, a well designed bank would empower states by giving them a new option to pursue low-cost financing of projects of their own choosing, and it would provide them the opportunity to benefit from large-scale projects that cross state borders or that may be too expensive or unwieldy for states to execute alone. In this way, a national bank could complement state infrastructure banks and Highway Trust Fund allocations, and it could also avoid the kind of frustration states have now over the failure of Congress to pass long-term reauthorization bills.

State involvement with the bank is purely voluntary

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Reality: State banks are an excellent tool and an important step in the right direction for project

finance in the U.S. But state banks are woefully inadequate for meeting many of our financing needs, and they should not be thought of as substitutes for a national infrastructure bank, or even as incompatible with creating a national bank. A well designed national bank offers a number of features and advantages not available from state banks. A national bank could finance large, expensive projects that are beyond the scale of state banks. A national bank would be better able to evaluate and finance projects of regional and national significance—those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury yields at historically low levels, as they are now. A national bank could easily be structured to complement and empower state banks by passing through lower federal borrowing costs for state-sponsored projects. Giving states the option to partner with the national bank would be an additional and purely voluntary tool, so the argument that the bank would somehow limit the decision-making power of state banks is entirely misplaced.

#### No unique link – the bank retains status quo federalism

Felix G. Rohatyn and Everett Ehrlich, October 9, 2008 “A New Bank to Save Our Infrastructure,”

<http://www.nybooks.com/articles/archives/2008/oct/09/a-new-bank-to-save-our-infrastructure/?page=1>

The bank would have no preconceived, overarching plan for the nation’s infrastructure. Proposals for infrastructure investment would still predominantly come from state and local governments. Our plan would preserve almost entirely the existing balance of power between federal, state, and local government, but would change dramatically the way priorities are set and projects funded. That is because it would proceed project-by-project, and dollar-by-dollar, to find the best use of federal resources.

#### The bank reduces red-tape

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expanded federal credit programs and for ensuring prudent financial management of those programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before. But unlike the DOE approach that has been characterized as “picking winners,” a national bank would rely on the same bottom-up approach of state and local project sponsorship currently used by TIFIA. Because that approach is purely voluntary and would not mandate specific project finance structures, the bank would empower states, rather than tying their hands with red tape.

#### Federal laws inhibit state adaptability to rebuilt infrastructure

Scott Thomasson, President, NewBuild Strategies LLC, April 2012 “Encouraging U.S. Infrastructure Investment” Policy Innovation Memorandum No. 17 http://www.cfr.org/infrastructure/encouraging-us-infrastructure-investment/p27771

States are already looking at new ways to finance infrastructure as federal funding becomes uncertain and their own budgets are strained. More states rely on PPPs to share the costs and risks of new projects, and they are finding new sources of nontax revenues to fund investments, like tolling and higher utility rates. But at the same time, federal regulations and tax laws often prevent states from taking advantage of creative methods to finance projects. Federal programs designed to facilitate innovative state financing are underfunded, backlogged, or saddled with dysfunctional application processes. Many of these obstacles can be removed by adjusting regulations and tax rules to empower states to use the tools already available to them, and by better managing federal credit programs that have become so popular with states and private investors.

### Politics: Popular

#### Plan is bipart – evidence that suggests otherwise is political posturing

William A. Galston September 7, 2010 9:59am, “Infrastructure Bank Proposal Would Spur Economic Growth” <http://www.brookings.edu/up-front/posts/2010/09/07-infrastructure-bank-galston>

The president’s proposal faces an uncertain fate. With the mid-term election campaign in full swing and political polarization at its highest level in more than a century, cooperation across party lines will be hard to achieve—even though the initial senate bill was introduced with bipartisan support just a few years ago. In the longer term, a bank structured to reduce politically motivated earmarks and to expose proposed infrastructure projects to a market test might attract a broader base of support than is now in evidence.

#### The plan is bipartisan and supported by business

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Any proposal to devote taxpayer money to create a new federal program should always be subject to close scrutiny by Congress, especially at a time when fiscal responsibility is an especially high priority for members of Congress charged with making these decisions. But we are also facing monumental economic problems and urgent investment needs to keep our country globally competitive. With so little common ground to be found in Washington today for solutions to these problems, a bipartisan idea that has such broad support from business, labor, and investors should not be dismissed without serious consideration. The infrastructure bank is a concept that has evolved over time and taken many forms, but it has proven to be an effective tool in other countries and an attractive approach for state governments. Most of the concerns raised about the bank can be addressed by debating and amending any of the current proposals, if there is a bipartisan will to do so. The Senate is already proving this kind of cooperation and fresh thinking about an infrastructure bank is possible, and the members of this Committee should not foreclose their chance to do the same here by rushing to judgment on the new bank proposals.

#### NIB is popular – CEO’s, wall street, labor, and its bipartisan

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Here in the U.S., there is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. These are the people making decisions every day that drive our country’s economic prosperity, and they recognize the huge potential for a bank to help address our investment needs by mobilizing private capital to leverage public funding. At a Capitol Hill forum held last week by the Progressive Policy Institute, urgent calls for swift action and smarter financing policies came from top executives from Nucor, the nation’s largest steel producer; Siemens, a multinational corporation making huge investments in manufacturing, energy, and infrastructure here in the U.S.; Ullico, an insurance company owned and funded by large union pensions; UBS Investment Bank, which advises U.S. and foreign investors on infrastructure financing; and Meridiam Infrastructure, a private-capital fund focused on investing directly in U.S. transportation, water, and energy projects. Donohue that has more recently been adopted in the American Jobs Act.

#### Bank Popular-Bi-partisan support

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

So, bipartisan proposals that will put people to work, meeting the vital needs of our Nation are proposals we should be fighting hard to see enacted. I have been a supporter of establishing this type of bank for some time. This proposal has bipartisan support in Congress and among various industry and labor groups. In fact, establishing an infrastructure bank is one of the few matters that both the AFL–CIO and the Chamber of Commerce agree on. So I am sorry to hear that this idea, which has promise, is dead on arrival in the House.

#### Bank Popular- wide range of support

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

The approach of the bipartisan infrastructure bank is new and innovative. But there is nothing new about broad support for infrastructure banks. The infrastructure bank is an idea that has already been widely adopted in countries around the world, and by many States here in the U.S. There is strong support for a national bank here in America that includes broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. Just this week, the President’s Jobs Council, an all-star team of CEOs and top leaders from the U.S. economy, recommended we create a national infrastructure bank that can ‘‘invest aggressively and efficiently in cutting-edge infrastructure.’’

### Politics: unpopular

Joyce Miller, partner with Kaminski Partners LLC, a newly formed merchant bank and advisory, where she is Managing Director for Infrastructure and Energy. “The Sad Story Of The National Infrastructure Bank” December 01, 2011, http://www.sallan.org/Snapshot/2011/12/the\_sad\_story\_of\_the\_national\_infrastructure\_bank\_1.php

The idea of a national infrastructure bank was first introduced in Congress almost two decades ago, and, earlier this year, it looked like it might finally pass. The BUILD Act, which would create a non-political national infrastructure bank, was conceived by John Kerry (Dem-Mass), and had bi-partisan support in the Senate, where it was also sponsored by Senators Kaye Bailey Hutchinson (Rep-Texas), Lindsay Graham (Rep-SC) and Mark Warner (Dem-Va). It was strongly backed by President Obama, who had first talked about the concept during the 2008 Presidential campaign, and again in 2011. The BUILD Act and the bank also had the rarely-seen combined support of both organized labor and the business community. It was endorsed by both the AFL-CIO and the U.S. Chamber of Commerce.

The BUILD provision for a national infrastructure bank was included in the $447 billion Rebuild America Jobs Act proposed by President Obama. That, broader bill, however, failed to pass the Senate on November 3, 2011 on a party-line vote, when every Republican (including Senators Hutchinson and Graham) voted against it along with two Democratic Senators. The stand-alone BUILD Act might pass in the Senate in 2012, but it will have a hard time in the House, where no companion bill has been introduced yet and where it is strongly opposed by Representative John Mica (Rep-Fl), Chair of the powerful Transportation and Infrastructure Committee.

Joyce Miller, partner with Kaminski Partners LLC, a newly formed merchant bank and advisory, where she is Managing Director for Infrastructure and Energy. “The Sad Story Of The National Infrastructure Bank” December 01, 2011, http://www.sallan.org/Snapshot/2011/12/the\_sad\_story\_of\_the\_national\_infrastructure\_bank\_1.php

So how was this important bill derailed? Republicans have not allowed any legislation proposed by the President to pass, hence the party-line negative vote in the Senate, even by those Republicans who support the bank. Opposition has come from conservatives and tea party supporters, particularly in the House, who view the bank as an undesirable expansion of the role of government and as a new form of government expenditure, something seen as inherently bad. The conservative priority of reducing the national debt creates pressure to block any new spending, no matter how necessary the program. Senator Hatch (Rep-Utah) argued during the floor debate that the proposal was just another spending bill while Senator Lieberman stated "While the goals of the infrastructure bill are worthy, I believe that the most important thing we can do to improve our economy... is to dramatically reduce the debt... unless we can put our economy on sound financial footing by reining in our debt, all additional stimulus efforts will be for naught."[1]

There is some hope that the stand-alone Kerry bank proposal might pass in 2012. Speaker Boehner may decide that the bill belongs under the jurisdiction of the Energy and Commerce Committee and not Transportation and Infrastructure, where it will definitely be blocked. But as long as the conservatives in Congress make deficit reduction their top priority, and as long as they continue to believe that only tax cuts for the wealthy (the so-called 'job creators') and not spending will stimulate the economy, the prognosis is poor.

#### **Plan saps focus and is unpopular**

Ronald Utt, Ph.D., Infrastructure ‘Bank’ Doomed to Fail September 14, 2011

http://www.heritage.org/research/commentary/2011/09/infrastructure-bank-doomed-to-fail?query=Infrastructure+%2525E2%252580%252598Bank%2525E2%252580%252599+Doomed

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.

#### Economic, budget, and state and private pressure will make an infrastructure bank popular

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MS. SNYDER: Sure, thanks so much. I’m Tanya Snyder with Street Slug. I just wanted to hear more about the funding mechanisms for all this and the politics around that and what you’re expecting in the debate about how to actually make this happen.

MR. PUENTES: Maybe not directed to anybody in particular. Does

anybody want to jump on that one?

MS. TROTTENBERG: I mean, I’ll jump first. I don’t think my answer will be particularly satisfying, Tanya. You know, obviously, when the President made this announcement on Labor Day, he talked about particularly for the -- what we would consider to be the front-loaded part of a six-year bill, these oil and gas loopholes which, you know, subsequent commentary -- I think actually Ken had something about it -- we’ll see. It’s been a tough fight in Congress on that one.

We are now in the process in the administration, I think, of consulting with the leaders in Congress to talk about how we’re going to pay for something bigger going forward. I mean, I think, as Rob said, the President is committed to having this bill paid for, but he’s also committed to this being a six-year bill that is going to have greater resources than just the status quo that we’re humming along at now. That’s, unfortunately, all I can say at the moment.

CONGRESSWOMAN DeLAURO: With regard to the financing of the bank, there have been legislation that I have and the Senate, Senators Dodd and Hagel had a bill in 2007. The then-Senator Obama was supportive of the infrastructure bank concept, went through the campaign with that. And, quite frankly, in the first budget, the first budget year, there was the capitalization of the bank at $5 billion a year for 5 years, which is what the legislation calls for. And in my own view, it wasn’t in the second budget, but it was the $4 billion fund that was under transportation, and I spoke out about that, because I think we need to get to an independent entity in the bank, but it’s a question and an issue. There was only $2 billion in that first budget year that was appropriated for this concept, which, quite frankly, didn’t go anywhere. But I think that we’re getting to a new time and a new place and a new environment, and what the President has come forward now with -- and he didn’t parse that $50 billion, so as do we know, you know, what happened, but I think it was significant movement on saying that we are going to move forward, try to move forward on an infrastructure bank and that we will capitalize it at what it needs to make the, you know, the most happen.

Just this last point. I think there is really significant support for an infrastructure bank and the public-private capitalizing of it that needs to be brought to bear on the Congress. I think earlier on when Bruce spoke, et cetera, about what’s happening with governors, et cetera, what’s happening in Virginia, there are a number of state infrastructure banks, South Carolina, California, you heard about Virginia, we’ve got good models internationally. So that I think it’s coming into its own. And I think, therefore, we need to really -- we’re bringing Congress along on this issue in terms of the financing of this bank.

MR. STRADER: Just to add one thing, I think when you look at how we’re going to fund transportation moving forward, whether it’s at the state level, whether it’s at the federal level, I think that you really have to look towards innovation.

I think we’re getting to the point now where we can’t just say, okay, we need new revenues. And I’m not at all trying to be partisan here, so let’s just, you know, raise this tax or get rid of this exemption or whatnot. I think down the road realistically that’s going to have to be part of it, but you also have to look at, you know, reform, consolidate, privatize, things like that, because when you go back in and you look and take a deep look, it can oftentimes be pretty amazing, the amount of money that you can find and then reinvest that money back into the system. MR. PUENTES: I mean, clearly, the financing and funding issues; you got a 900-pound gorilla in the room. We have the governors and the states that are facing their big problems. The federal trust fund, we know of those problems. The general revenue, we’ve had to infuse in that over the last 2 years, I think up to 60 billion if you include some of the stimulus stuff. We have the Deficit Commission and all that deficit conversation, which we know is getting ready to happen in a big, big way here in this town come December, so all of this is kind of circling. And I think we’re going to have -- these are the questions we’re going to have to deal with I think very soon.

## Topicality

### USFG Investment Increase

#### **NIB is a government investment increase**

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

As you know, Mr. Chairman, our commission proposed a new type of government effort to spur the rebuilding of public infrastructure—a National Infrastructure Bank that will refocus our national infrastructure policy on those projects that generate the most significant returns. Such a new facility would allow us to treat the renewal of our country’s roads and bridges, schools and water lines, airports and air traffic control systems, ports and water projects, as investments, and not simply as budget expenditures.

Our Commission’s recommendation would create a federal entity that will more effectively finance infrastructure projects of substantial national or regional significance using public and private capital. The National Infrastructure Bank Act that you and Senator Hagel have authored could do exactly that, and we strongly urge its passage.

#### The bank is USFG owned

Congressman Keith Ellison 2009, D-Minn United States House of Representatives, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

And so this is modeled after the European Investment Bank and other development banks around the world. It would be a wholly-owned government corporation that would have the authority to issue new public-benefit bonds to finance loans and loan guarantees for regionally and nationally significant infrastructure projects. It would also provide a secondary market, a liquidity, for purchasing infrastructure-related securities.

### Significantly Increase

#### **The plan would compliment, not entirely replace status quo infrastructure investment**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

If it were to create a national infrastructure bank, Congress would need to consider the fate of

these other programs. One option would be abolish the programs that appear to have the same

objectives as the infrastructure bank, such as TIFIA, but keep the programs that are primarily

aimed at providing assistance to smaller projects, such as the Wastewater and Drinking Water

SRFs and the State Infrastructure Bank program. Another option would be to create the national

infrastructure bank as an added mechanism for credit assistance, with the possible duplication o of effort this entails. All existing national infrastructure bank proposals take this latter approach.

### Significantly

#### Congressman Ellison proves the plan is significant

Congressman Keith Ellison 2009, D-Minn United States House of Representatives, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

And the fact is that the American Society of Civil Engineers has estimated that at least $1.6 trillion gap over the next five years in just maintaining existing infrastructure. We’ve got some investing to do. And with rampant, double-digit unemployment throughout our country, it’s important to note that investing in infrastructure creates jobs at a very high multiplier. Every $1 billion in federal funds invested in infrastructure creates over 47,000 jobs and $6.2 billion in economic activity. This is high-impact stuff. And for these reasons, we need to make a new national commitment to infrastructure in this country. And I want to submit to you that it is a heavy lift. It is a political paradigm shifter. And this is why I’m proud to be able to work with my colleagues, led by Representative DeLauro, in introducing the National Infrastructure Development Bank. As I said, it’s a big lift. It is a change in how we have done infrastructure financing. But the time has come to do it.

And it seems like a great time to do it. Because wasn’t it during the Civil War that Abraham Lincoln said we’re going to build an intra continental, intercoastal -- cost-to-coast railway system? Wasn’t it shortly after World War II that President Eisenhower said we’re going to build an interstate highway system? Wasn’t it during the Great Depression that we embarked on rural electrification?

When economic times are tough, that might be the best time to do something bold, to do something big, to think beyond the confines of the recent past.

So our legislation builds upon the tireless work of Representative DeLauro over the many sessions of Congress, and on a national infrastructure bank proposal that I introduced last Congress with Financial Services Committee Chairman Frank -- and which was a companion bill that Senator Dodd introduced in the Senate. This legislation would create an Infrastructure Development Bank modeled on a European Investment Bank and other development banks around the world.

Now, this is truly an American idea, but let me remind you that when President Eisenhower said, “You know, we need an interstate highway system,” he got the idea from across the pond. It was looking at the autobahn, and his assumption that it would be hard-slogging through Germany, but then finding an excellent highway system that made him think, you know, we

### Investment

#### Investment means long term benefits to economy

OMB, Brookings ’09 Emilia Istrate, Senior Reasearch Analyst @ Metro Policy Program in Brookings, The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Figueroa

Budgeting terms and definitions can be rather arcane and ambiguous. Nevertheless, they are critical for any discussion of federal spending. The Office of Management and Budget’s (OMB) annual analysis of the federal budget has included a chapter on “federal investment” for almost sixty years. OMB defines federal investment as federal outlays that produce long-term benefits to the national economy. The spending is split into three major categories: major public physical capital investment, investment in research and development, and investment in education and training.3 In each of these categories, the analysis differentiates between defense and non-defense spending and between direct federal spending and grants to state and local governments. The analysis shows actual values for the previous fiscal year and estimates for the current and following fiscal years **National capital** is the federally-financed capital that contributes more directly to the economic growth of the private sector. Most of the capital in this category is not owned by the federal government and includes highways, federally-funded research and development, and education. Such investments target the growth of the U.S. economy, the goal of a federal budget. The majority of the federal investments in transportation, energy, and natural resources would be counted towards the national capital

## CP Answers

### Pick a Tek CP

#### Be highly skeptical of their tek solves evidence – the rate of return fails to include cross-transportation platform analysis – the bank is key

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Not surprisingly, the literature suggests that the economic benefits from various infrastructure projects vary widely.11,12 Moreover, even if previous infrastructure investments had economic

benefits, it is not clear that policymakers should expect the same rate of return for subsequent infrastructure investments. This is especially true when one considers the network effects that are associated with the creation of original transportation networks. We must continue to take advantage of new investment opportunities made available by technological progress and be mindful of the fact that at some point, there are diminishing returns from further investments in a particular area. As Fernald observed, “Building an interstate network might be very productive; building a second network may not.”13

Perm do both

#### Perm solves – it improves direct investment options

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

National infrastructure bank proposals would support infrastructure development by providing

relatively low-interest loans and other types of credit assistance in such a way as to stimulate investment by state and local governments and private funding sources. A national infrastructure bank, moreover, could be complementary to direct federal investment in infrastructure.

### States

#### State banks fail, they lack funding and motivation to fund nationally significant transportation

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Reality: State banks are an excellent tool and an important step in the right direction for project

finance in the U.S. But state banks are woefully inadequate for meeting many of our financing needs, and they should not be thought of as substitutes for a national infrastructure bank, or even as incompatible with creating a national bank. A well designed national bank offers a number of features and advantages not available from state banks. A national bank could finance large, expensive projects that are beyond the scale of state banks. A national bank would be better able to evaluate and finance projects of regional and national significance—those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury yields at historically low levels, as they are now. A national bank could easily be structured to complement and empower state banks by passing through lower federal borrowing costs for state-sponsored projects. Giving states the option to partner with the national bank would be an additional and purely voluntary tool, so the argument that the bank would somehow limit the decision-making power of state banks is entirely misplaced.

#### States lack adequate leverage capacity – more funding without first building a bank infrastructure will result in the reappearance of Solyndra’s ghost

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Both the federal government and state authorities have already taken important steps toward

achieving some of the goals of a national infrastructure bank. Innovative financing programs like

TIFIA, the Railroad Rehabilitation and Investment Financing Program (“RRIF”), and the Department of Energy’s 1703 and 1705 loan guarantee programs have brought powerful changes to the way we approach infrastructure projects, by shifting a portion of the government’s role from spending (grants and direct funding) to investment (credit assistance, loans, and loan guarantees). And thanks to incentives created by Congress in past transportation legislation, states have created their own infrastructure banks to take advantage of new approaches to project finance and planning. As this Committee has recognized, these existing approaches are helpful responses to the enormous investment challenges we face, and they have moved us in the right direction to bring us closer to the modern financing practices used around the world for infrastructure projects. But even when looked at together, these programs have been unable to achieve the full potential we have to mobilize public and private investment in this country. The TIFIA program is oversubscribed with more project applications than it can process and finance, and it is limited by a small staff structure that would likely prove inadequate to handle the large program expansion recently proposed by this Committee. RRIF has failed to deploy most of the loan authority it already has. The DOE loan guarantee program has faced many challenges, most recently highlighted by the Solyndra bankruptcy. And state infrastructure banks have had a mixed track record, due in part to insufficient capitalizations and leveraging power. Given the interest the Committee has expressed in dramatically expanding the TIFIA program and opportunities for state infrastructure banks, it is timely to ask whether these programs can be improved by simply throwing more money at them, or whether an additional credit platform is needed to boost their effectiveness. This question is underscored by the recent news surrounding the Department of Energy’s loan guarantee to Solyndra, which suggests we should be wary of believing an existing program can deliver on the promises of a massive expansion in loan approvals before the necessary staff and expertise are in place. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics have argued against. And expanding TIFIA’s resources is likely to create more bureaucracy and red tape than a properly structured infrastructure bank.

#### States let their infrastructure collapse to acquire more federal funding

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Getting off the Appropriations Merry-Go-Round The current funding system has a tendency to encourage state and local governments to put off needed projects in hope that they can secure federal appropriations funding in the future. The absence of an alternative to the current infrastructure project funding system holds state and local governments captive to that system, and leads good and important projects to be deferred or delayed.

Many believe that an improved levy system in New Orleans was postponed because there was always the chance that the city would be able to grab the brass ring in the merry-go-round of the annual appropriations process. Certainly, the state’s political apparatus preferred that federal money first go to the state’s barge navigation system (even if any calculations that demonstrated the superiority of that project, if they exist, were subsequently proved false).

An associated source of delay is the carrying capacity of the jurisdiction in question. It seems unlikely that good, overdue projects in Illinois or Harrisburg – places in different stages of insolvency – will get built anytime soon. More generally, funds allocated to infrastructure projects too often follow the creditworthiness of the jurisdiction, not that of the project itself. This makes it harder for communities and regions to make the investments that might help in their economic improvement.

#### State bank proposals are false, National bank funds state banks

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

Of course this one proposal won’t solve all of our infrastructure challenges. We shouldn’t pretend that it will. I know that some will argue that providing additional funds to State infrastructure banks, or expanding the budget of TIFIA will do the trick. They are both worthy proposals, and I support them, as well. But they won’t do the trick on their own, either. What we need is a balanced approach to meeting our infrastructure needs. We need Federal, State, and private sector coordination. Contrary to what some may claim, none of these entities can finance the upgrades we need by themselves. Given its focus on regional, national, and rural projects, the AIFA will supplement State infrastructure banks. As envisioned, it will have a broader project scope, including transportation, energy, and water projects that will help support TIFIA’s focus on transportation.

#### Permutation solves

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Merely increasing the amount that we invest, however, must not be our only goal. Selecting projects that have the highest payoff is critically important, as is providing opportunities for the private sector to invest in public infrastructure. Given the significant needs for greater investment, the federal government cannot, and should not, be expected to be the sole source of additional investment funds. More effectively leveraging federal investment by pairing it with state, local and private investment is necessary to meet the challenges we face in expanding our transportation network.

#### Transportation improvement is necessary

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

Right now, our country can borrow at historically low interest rates. And if we take advantage of this situation, we could fund this bank and it could be self-sustaining. His proposal is modeled on bipartisan legislation introduced by Senators Kerry and Hutchison. And I would like to note that the President’s proposal provides for loans or loan guarantees, not grants, as contained in the Senate bill. Increasing our national capacity to invest in infrastructure is what our country needs right now. Over 14 million of our neighbors are unemployed, nearly 40,000 in Hawaii. The American Society of Civil Engineers estimates that we need $2.2 trillion in infrastructure investments to remain competitive. In Hawaii alone, we are facing an infrastructure funding shortfall of $14.3 billion. And since 2005, the U.S. has dropped from number 1 to number 15 in the World Economic Forum’s rankings of national infrastructures.

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expanded federal credit programs and for ensuring prudent financial management of those programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before. But unlike the DOE approach that has been characterized as “picking winners,” a national bank would rely on the same bottom-up approach of state and local project sponsorship currently used by TIFIA. Because that approach is purely voluntary and would not mandate specific project finance structures, the bank would empower states, rather than tying their hands with red tape. There are also advantages a national bank could offer to state infrastructure banks to expand their investment options and lower their borrowing costs. A national bank could assist states in financing large, expensive projects that are beyond the scale of state bank capitalization or lending power. A national bank would also be better able to evaluate and finance projects of regional and national significance—those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury rates at historically low levels, as they are now. Those savings could be passed through to states by partnering with state banks to finance projects selected and preapproved by the states themselves. By improving the economics of such projects, the national bank would also make them more attractive to investors, making more private capital available to states to leverage scarce taxpayer dollars. In short, the approaches used so far to expand public investment tools and mobilize private capital for infrastructure financing have been positive steps for the country. But even with more money, they can not address all of our national investment needs, and they should not be thought of as substitutes for a national infrastructure bank, but rather as complementary partners to the bank.

# Neg

## Inherency

#### Squo Solves

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Nonetheless, if credit availability is at issue, then a quick review of existing transportation infrastructure federal credit programs reveals that there are plenty of attractive credit programs including the U.S. Department of Transportation (USDOT) Transportation Infrastructure Finance and Innovation loan program (TIFIA), Private Activity Bonds, and State/Municipal/public authority Revenue Bonds.[3] For passenger and freight rail projects, there is also the USDOT’s Rail Rehabilitation and Improvement Financing (RFFI) program.

For these concerns, there are questions but not yet any answers.

If grants were to be provided by the new bank, how would they be different from—or better than—those already provided through the existing mechanisms in USDOT and the highway program?

If current levels of credit availability for existing federal transportation credit programs are deemed to be insufficient by some, why not propose that these existing channels be improved and/or expanded?

If spending is thought to be deficient, why not simply provide more grants through the existing mechanism rather than going through the costly and complicated process of setting up and operating a new federal transportation entity, which President Obama’s budget estimates would cost upwards of $270 million to create and staff?[4]

In this era of fiscal austerity and yawning budget deficits, wouldn’t there be better uses for this money than a redundant bureaucracy?

Are the banks’ independent status, separate board, funding, and approval process designed to circumvent the existing role that state DOTs and governors have in the allocation of transportation resources?

Would its independent status and separate board of directors thwart congressional oversight?

I don’t think a satisfactory answer has been provided to any of these questions, and certainly none of the existing proposals have addressed them. But they are certainly valid concerns, and Congress should seek answers to them as Members contemplate these many infrastructure bank proposals.

## Solvency

### 1NC

#### Bank will fail, too slow and is politicized

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, Infrastructure ‘Bank’ Doomed to Fail September 14, 2011

http://www.heritage.org/research/commentary/2011/09/infrastructure-bank-doomed-to-fail?query=Infrastructure+%2525E2%252580%252598Bank%2525E2%252580%252599+Doomed

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.

#### Turn: Infrastructure bank slows investment down

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Would an Infrastructure Bank Contribute to Jobs and Stimulate the Economy? For some advocates—especially the President—these banks are seen as mechanisms to propel the economy forward out of the lingering recession into an era of greater prosperity and more jobs. Sadly, all evidence indicates that this just isn’t so. As far back as 1983, the General Accounting Office (now the Government Accountability Office) reviewed an earlier infrastructure-based stimulus program and observed that although the program was enacted during the worst of the recession, “implementation of the act was not effective and timely in relieving the high unemployment caused by the recession.” Specifically, the GAO found that: Funds were spent slowly and relatively few jobs were created when most needed in the economy. Also, from its review of projects and available data, the GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided, and (2) project officials’ efforts to provide em­ployment opportunities to the unemployed ranged from no effort being made to work­ing closely with state employment agencies to locate unemployed persons.[5] Infrastructure-based stimulus programs have been a disappointment, in large part because of time delays in getting programs underway, projects identified and approved, and money spent. More recently, supporters of the American Recovery and Reinvestment Act (ARRA) claimed that it would focus on shovel-ready projects, but USDOT recently reported to this committee that as of July 2011—two and a half years after the enactment of the ARRA—just 61 percent of the authorized transportation funds had been spent. Perhaps contributing to this is the fact that the Federal Railroad Administration required 12 months to set up a mechanism to receive, review, and approve rail infrastructure projects authorized by the ARRA. In both of these cases, the stimulus funds were being spent through existing federal, state, and local channels by departments, managers, and employees with many years of experience in the project approval business. In large part, these delays are not due to any particular institutional failing but simply to the time it takes to establish guidelines and rules for project submission, for outside parties to complete the request, and for USDOT to review the many requests submitted and pick the most promising, perhaps with modifications, and fulfill the contractual details of awarding the contract. Once the award is made to state and local entities, they in turn must draw up the RFP (and perhaps produce detailed engineering plans as appropriate), put the contract out for bid, allow sufficient time for contractors to prepare bids, review submitted bids, and finally accept the winning contract. It is at this point that money can be spent on the project, and the time that elapses from the beginning to the end of the beginning can easily exceed a year or more. In the case of an infrastructure bank, such delays will be much longer—perhaps even double that described above. In the case of the above example, the assumption is that the newly authorized stimulus money would flow through an institutional “infrastructure” of well-established channels staffed by experienced people. In the case of the proposed infrastructure banks, no such administrative structure exists, and one will have to be created from scratch once the enabling legislation is enacted.

#### Fails leveraging capital

EHL ’12 - Federal Liaison for the Washington State. Department of Transportation; editor of the Transportation Issues (Larry, “The Fantasy Solution of an Infrastructure Bank”. April 16. http://www.transportationissuesdaily.com/the-fantasy-solution-of-an-infrastructure-bank/)

Aggarwala correctly notes that infrastructure banks offer a way around the political challenges of convincing elected officials and the public to raise the gas tax, and the pervasive myths (my words) of earmarks: “Private investors’ money multiplies limited public funds; those investors’ bankers help ensure that politicians don’t prioritize the wrong projects; and the projects themselves remain public — thus avoiding the downsides of true privatization.” That solves only the challenge of timing, not the challenge of wealth. Aggarwala describes how financing and infrastructure banks can solve the timing challenge: By definition, a financing problem is one of timing: a project built today creates value tomorrow, but the builder doesn’t have the cash today to get started. So an investor lends, the borrower builds and the two share the value created tomorrow. That’s finance. . . .Investment can unlock future revenue that can be shared with a lender. The problem is that much if not all of the public funds come from existing revenues. That in turn reduces the amount of funds available in the future for other needed maintenance, preservation and capacity improvements. In some cases, the public funds are new, such as tolling revenue. But tolling is an option on very few roads across the country. Further, there is strong opposition to tolling new roads and even stronger opposition to tolling an existing road for expansion and improvements. Aggarwala dissects the dilemma: “Unfortunately, America’s most dire infrastructure problems are . . . like Pennsylvania’s 6,000 structurally deficient bridges. Replacing these won’t create new value, serve new traffic or generate new economic development, so financing has to come from existing income. And that’s a problem not of timing, but of wealth. Even if a replacement bridge can be financed through an infrastructure bank, the debt service on the loan has to be paid back with existing wealth. Worse, most of America’s bridges are untolled, so even if their replacements were to carry more traffic, they wouldn’t yield new direct revenue. At best, through gasoline and other taxes, they would bring money into the federal Highway Trust Fund and into state and local governments. So what’s necessary to unlock financing is funding from increased future allocations from the Highway Trust Fund, or from state and local taxes. But that is the very problem an infrastructure bank tries to avoid.” I would quibble with his point about not generating new economic development. A new bridge or road can improve economic vitality but rarely enough to back private investment, which I think is Aggarwala’s point. There’s one aspect Aggarwala doesn’t mention, according to Joung Lee, Deputy Director of the AASHTO Center for Excellence in Project Finance. Congress, during its debates on a national infrastructure bank (NIB), has yet to reach “a full consensus on what exactly such an entity should do. So far the debate has exhibited qualities of a Rorschach test, where interested stakeholders project what they want to see in a NIB based on their varied interests. For example, Aggarwala takes it as a given that a NIB would extend loans to recipients that are selected through careful vetting based on sponsor creditworthiness and project risk. However, some supporters of the NIB have proposed activities that would include grant funding in addition to extending credit. Direct grant-making by a NIB would essentially displace state DOT and MPO decision-making with an entity that is much further removed from the transportation plans and projects to which such funds are applied. In addition, such activities would most likely reduce the purported ability of a NIB to efficiently leverage seed capital and bring discipline to project selection with minimal political interference.” So in the end, an infrastructure bank and financing tools are excellent *additional* tools which will help a few public agencies. They will help primarily with mega-projects at our ports and in our major cities – both of which are the economic engines of our country. Puentes comments that given “the absence of progress in Washington, cities like Chicago are showing the way forward. They are stepping up to devise new ways to conceive and finance a range of infrastructure projects as the physical means to an economy-shaping end, rather than end in itself.” But infrastructure banks and financing tools will do little to help the majority of smaller ports, and rural and suburban cities and counties who face overwhelming infrastructure needs and funding shortfalls. As Aggarwala notes, it is “fantasy” to believe we can “find a way other than taxes (on gasoline and property) or user fees (tolls and the like) to pay for infrastructure.”

### Solvency – 2NC

#### Turn – Infrastructure bank falls to special interests

MCCONVILLE ‘9 - masters in city & regional planning (“National Infrastructure Bank: What’s the Deal?”. December 11. http://thecityfix.com/blog/national-infrastructure-bank-whats-the-deal/)

These disadvantages are described:

With political independence comes a loss of accountability. A bank that is not reliant on Congressional appropriations is not subject to the oversight of the executive or legislative branches. This vacuum could be filled by other influences, such as special interest lobbying or the preferences of the bond market. As a bank, the NIB would strive to maximize its own returns. This could mean that governments with wealthier jurisdictions would be favored for funding, as they would be able to offer more favorable terms to the NIB. Recipients of funding may also choose to convert the economic returns from a project into revenue returns that could be promised to creditors. But this would only work for certain types of projects, i.e. a bridge that can be tolled easily, as opposed to a highway where tolling would be more complex, which could create biased project selection in favor of certain projects. The needs of private investors could hamper good transportation planning and management. For example, private investors in a road project want to be guaranteed that future changes to the system do not devalue their investment, so contracts would set a range of acceptable toll prices. This would interfere with the operator’s ability to manage demand through congestion pricing. Similarly, private investors often demand non-compete or compensation clauses, which bar or discourage adding capacity to a system if it results in less ridership on the toll road in which they have invested. Infrastructure investment is often used as a counter-cyclical economic stimulus. Government invests during recessions, providing jobs and encouraging spending. As the economy recovers, fiscal policy should recede, making room for private spending. An NIB would not necessarily jive with this counter-cyclical idea, as private capital markets become more risk-averse during recessions. Overall, it seems that a National Infrastructure Bank would address some flaws in the transportation funding system but perhaps create others. One serious question is yet to be answered. Several panelists at yesterday’s Brookings discussion on infrastructure and economic development echoed a sentiment that has been expressed by countless transportation advocates: America needs a comprehensive new transportation vision. How would a National Infrastructure Bank, driven by profit motive and free from government accountability, help us build and carry out that vision?

#### No funds for the plan

SCHULZ ‘10, Contributing Editor -- Logistics Management (John D., “Transportation infrastructure: Is a U.S. Infrastructure Bank an idea whose time has come?”. April 2. <http://www.logisticsmgmt.com/article/455228-Transportation_infrastructure_Is_a_U_S_Infrastructure_Bank_an_idea_whose_time_has_come_.php>)

Poole said the larger problem is state departments of transportation don't allocate enough for maintenance budgets of existing transportation entities. That's because such maintenance budgets are "the first things to be cut" during tough economic times. So in addition to funding new projects, states should increase their sources of dedicated funding to maintain existing assets. Bryan Grote, co-founder of Mercator Advisors, a financial advisory firm that works with sponsors of infrastructure projects, said the bank's appeal would be to more effectively utilize revenue into commercially viable projects. "Designing the bank would be difficult, but implementing it would be a major challenge," Grote said. "It probably can be a useful step. But the key is it being given the expertise and backing to ensure this entity is doing a better job in provided assistance in a better way. The primary problem is a lack of revenue, not a lack of access to capital markets."

#### Failed funding mechanisms

FREEMARK ’10 – Independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University (Yonah, “Benefits and Pitfalls of a National Infrastructure Bank”. March 8. http://www.thetransportpolitic.com/2010/03/08/benefits-and-pitfalls-of-a-national-infrastructure-bank/)

But as nice as the infrastructure bank may sound, its own financing mechanisms have yet to be clearly defined, even though the way it would lend out is relatively easy to understand. In his fiscal year 2011 budget, President Obama suggested appropriating $4 billion to establish the new infrastructure bank, with the assumption that the new agency would distribute grants to qualified projects and have its coffers refilled every year or so depending on need. Of course, what’s envisioned there is no bank at all, since it wouldn’t be generating revenue in return for its investments: it would be draining Washington’s coffers even more, with no clear explanation for why it is necessary. What’s the point of establishing another federal agency to dole out grants for infrastructure, when the Departments of Transportation, Housing and Urban Development, and Energy already do that all the time? This non-bank idea, in other words, is a non-starter. But what about an infrastructure bank that distributed loans at low interest rates and then expected to get its money back over time? What Connecticut Congresswoman Rosa DeLauro has been proposing for years is something modeled on the European Investment Bank (EIB). The EIB was founded in 1958 and provides low-interest loans at up to 50% of cost to qualified projects in a variety of sectors in Europe and North Africa. Recent projects funded by the EIB’s transport division include an extension of the Bilbao Metro in Spain, a tramway network in Lodz, Poland, and the high-speed rail line between Istanbul and Ankara in Turkey. Despite its vast size and lending obligations — it is larger than the World Bank — the EIB is independent, does not rely on infusions of funds from any European governments, and has a stellar credit rating. The principal of encouraging states and local governments to take out low-interest loans was championed by the stimulus act of early 2009, which included a provision for Build America Bonds. Governments have now issued $78 billion in these bonds, now representing 20% of the municipal debt market, mostly because the BAB program is such a good deal for public authorities that want to take out debt for new construction projects. Unlike the proposed infrastructure bank, however, the BAB program does not distribute funds based on merit, nor does it rely on a government bank — the federal government artificially produces low interest rates by subsidizing private loans. But the EIB and BAB models, as interesting as they are, do not actually increase the amount of money being spent on transportation in the long-term — they simply transfer more of the current spending load into debt. Is that a good idea when governments are already so squeezed by limited budgets? How can we be sure that we’ll be in an adequate financial situation to pay back these debts in the future? Spending now through loans inherently means less spending in the future: If Los Angeles compresses thirty years of transit spending into ten, what happens during the other twenty? Nothing at all, unless another separate revenue source is established. So none of the the infrastructure bank proposals put forth thus far will actually aid in reversing the current lack of adequate financing for transportation.

#### No quality control

FDL ’11 (Fire Dog Lake, “Infrastructure Bank Creates More Non-Accountable Decision-Makers”. http://firedoglake.com/2011/08/04/infrastructure-bank-creates-more-non-accountable-decision-makers/)

But where would the money come from? The Iraq war drains our national resources, and the 2001 cuts in personal income, capital gains, and inheritance taxes have slashed federal revenues. Meanwhile, several presidential candidates, including the Republican nominee, Senator John McCain, were unable to resist the temptation to endorse a motor fuels tax “holiday,” which would produce negligible saving for motorists but cut even further needed federal revenues. Thus, when it comes time for investments in our future, the federal cupboard is bare. If he were writing today, he would see the same problem, only now aggravated by the anti-tax mania of the Tea-Zombies and their Democratic enablers; the miserable financial position of the States; and by the coming fight over the fuel tax, which expires at the end of September. The fuel tax is the funding source for the nation’s highway trust fund, which finances most of the road-building, major maintenance and mass transit systems. It is on the hit list for Grover Norquist and the crazy party. Without it, there will be even less money for infrastructure. [cont'd.] Rohatyn says that the decision-making process is also a big a problem. We don’t have an organized process for making good decisions about major programs, what to repair, what to replace and what to create, whether it’s water treatment plants, airport expansion or highways. Instead, we have bureaucratic fiefdoms handing out whatever money they have based on their own ideas, or earmarks directed at filling the needs of congresscritters to bring home the bacon to their contributors. Or, we rely on state government to figure out the best way to handle their needs. Rohatyn wants something like an industrial policy, where the federal government picks winning and losing projects: No responsible body has the mission of impartially deciding whether we’d be better off with more mass transit and better train service and fewer major roads, because these are never compared when a specific proposal is under review. Moreover, the different agencies that analyze projects—if they do so—generally use different (and self-interested) criteria for determining such critical variables as the value of time, the value of new jobs created, the discount rate, the cost of capital, and so on. As a result, the public is left without the apples-to-apples comparisons that any rational investor would use to allocate a portfolio of billions of dollars of investment. In Rohatyn’s telling, the infrastructure bank would apply meritocratic criteria to the projects it funds. And by bank he means the board of directors: unelected people like cabinet officials and people appointed by President Obama, Majority Leader Reid and Speaker Boehner. He wants us to cede control of major infrastructure completely to unelected and unaccountable people. At least, they will not be accountable to citizens. They will be solely responsible to the investors in the bank, the rich and the entitled. What else would you expect from the profoundly anti-democratic elites?

We wouldn’t have this problem if we raised taxes, but that would violate the rights of Americans not to pay taxes. Instead of taxes, we pay interest or tolls to Abu Dhabi and other clients of Goldman Sachs and JPMorgan Chase. The interests of these financiers and their clients are certainly aligned, but not with the interests of US citizens.

#### Economic decline inevitable - the banks will result in outsourcing

Clyde Prestowitz July 11, 2011, is founder and President of the Economic Strategy Institute, “Where the jobs went,” http://prestowitz.foreignpolicy.com/posts/2011/07/11/where\_the\_jobs\_went

The idea of stimulus incorporated in the standard economic models is that it will create demand for goods and services produced in America and thereby drive investment in new factories and jobs to produce more of those goods and services. The difficulty is that we do not want to stimulate a lot more construction or finance (those were the bubbles that collapsed after all), and greater stimulus to create demand for things we largely import does not drive new investment or creation of new jobs in America. It only increases our debt. What is needed is not just demand in the American economy, but demand that results in domestic production and that does not increase domestic or international debt.

Think about this in the wake of the recent New York Times article reporting on the new Oakland Bay Bridge being made in and imported from China. Building infrastructure like bridges is a time-honored way of creating demand in the economy that creates jobs. Indeed, just this past weekend President Obama called for creation of an Infrastructure Bank that would enable a dramatic ratcheting up of U.S. investment in critical infrastructure. It's a good idea and one that I, along with others, have long promoted. But if the decision of the state of California to have the main structural elements of the Oakland Bay Bridge made in China is a harbinger of things to come, then an Infrastructure Bank is likely to create more jobs in Asia than in the United States.

No doubt former Governor Arnold Schwarzenegger and his cabinet thought they would save about $400 million on steel by buying the bridge in China because Chinese steel production has been heavily subsidized and China's government manages its yuan to be artificially undervalued versus the dollar. But what they didn't consider was that those subsidies tend to make U.S.-based production uncompetitive and not only put American workers out of jobs but exert downward pressure on wages generally while eroding critical investments in equipment and human skills, reducing state, municipal, and federal tax revenues, and contributing to the shrinkage of the national educational base. No one in California took a look at even the whole state picture, let alone the national picture, to determine whether buying a bridge in China was really going to be a net gain for the state (as it turns out, in the past two years the price of Chinese steel has risen much faster than that of U.S. steel so that even the initially projected savings are unlikely to be realized). Even worse, no one at the federal level of the U.S. government has any responsibility for evaluating the net impact of these kinds of deals or for reducing the leakage of stimulus spending abroad and maximizing the domestic production impact of government spending.

Until our economists and officials begin to wrestle with the need for the United States not only to stimulate its economy but to do so in ways that will lay the basis for America to increase its wealth-producing capacity and pay its way, they are likely to find themselves in a continuous state of shock.

#### The bank are not sufficient to resolve the advantages – funding gaps and infrastructure bill problems will remain

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Myth #2: Supporters of the national infrastructure bank believe it is a substitute for passing transportation reauthorization bills. Reality: Many in the transportation community worry that bank proposals distract from the need for Congress to pass broader reauthorization legislation. Supporters of the infrastructure bank acknowledge that it is not a silver bullet for meeting our investment needs or a substitute for comprehensive aviation and surface transportation bills. The bank is not even a stopgap measure for transportation spending—its funding would be very small compared to the funding levels in the aviation and surface bills. No one has suggested that passing a bill to create an infrastructure bank would be enough for anyone to declare our investment problems solved, or to reduce the urgency of reaching agreement on long-term funding bills that allow planned projects to move forward and create jobs immediately. The bank is one part of a multi-pronged approach to meeting our infrastructure investment challenges. It is intended as a durable institution that would complement existing programs and those contemplated by the reauthorization bills. And the debate about the bank is not just about transportation—it is also intended to complement and improve existing programs for other types of infrastructure, such as energy and water projects.

#### Status quo solves – a national bank repeats past efforts

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

The federal government already uses a wide range of direct expenditures, grants, loans, loan

guarantees, and tax preferences to expand infrastructure investment. A national infrastructure

bank would be another way to provide federal credit assistance, such as direct loans and loan

guarantees, to sponsors of infrastructure projects. To a certain extent, a new institution may be

duplicative with existing federal programs in this area, and Congress may wish to consider the

extent to which an infrastructure bank should supplant or complement existing federal

infrastructure efforts.

#### Infrastructure banks will build projects that have the least spillover benefits

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14. http://www.fas.org/sgp/crs/misc/R42115.pdf, last accessed 5.20.12

Analyst in American National Government Selecting projects through an infrastructure bank has possible disadvantages as well as advantages. First, it would direct financing to projects that are the most viable financially rather than those with greatest social benefits. Projects that are likely to generate a financial return through charging users, such as urban water systems, wastewater treatment, and toll roads, would be favored if financial viability is the key element for project selection. Conversely, projects that offer extensive spillover benefits for which it is difficult to fully charge users, such as public transit projects and levees, would be disfavored.53

#### Turn, A bank would take years to function properly, this could tradeoff with current investments in the short term

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

Although a national infrastructure bank might help accelerate projects over the long term, it is

unlikely to be able to provide financial assistance immediately upon enactment. In several

infrastructure bank proposals (e.g., S. 652 and S. 936), officials must be nominated by the

President and approved by the Senate. The bank will also need time to hire staff, write regulations, send out requests for financing proposals, and complete the necessary tasks that a new organization must accomplish. This period is likely to be measured in years, not months. The example of the TIFIA program may be instructive. TIFIA was enacted in June 1998. TIFIA regulations were published June 2000, and the first TIFIA loans were made the same month.45 However, according to DOT, it was not until FY2010 that demand for TIFIA assistance exceeded

its budgetary authority.46

#### The bank would reduce overall funding for projects

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

One attraction of the national infrastructure bank proposals is the potential to encourage significant nonfederal infrastructure investment over the long term for a relatively small amount of federal budget authority. Ignoring administrative costs, an appropriation of $10 billion for the infrastructure bank could encourage $100 billion of infrastructure investment if the subsidy cost were similar to that of the TIFIA program.47 The critical assumption, however, centers on the estimated risk of each project. The current methods used to budget for federal credit programs generally underestimate the potential risk and thus the federal commitment (as measured by the “subsidy cost”).48 Increasing the estimated subsidy cost would result in a significant reduction in the amount available for investment. For example, doubling the average subsidy cost from 5% to 10% would reduce available loan capacity by half, as the loans are expected to cost the government twice as much.

#### Infrastructure bank is the next Fannie/Freddie

K.E. Campbell, certified public accountant, September 4, 2011, “Infrastructure bank a bad idea” http://www.americanthinker.com/blog/2011/09/infrastructure\_bank\_a\_bad\_idea.html

AFL-CIO president Richard Trumka wants it. The rent-seeking and increasingly statist U.S. Chamber of Commerce wants it. So does RINO Senator Lindsey Graham. Senator John Kerry really wants it. Former SEIU boss Andy Stern envisions it being a mechanism to tax the overseas profits of multinational corporations. President Obama is supposedly obsessed with it and is considering making it part of his latest "jobs plan." It is an infrastructure bank. The idea, under different names, has been around for several years. The government-owned entity would provide funding for, primarily, transportation projects through federally funded loans, guarantees, and grants and "leverage" those funds to "attract significant private-sector investment." Tax payers would initially capitalize and ultimately underwrite the "bank" (a misnomer, as banks do not award grants). In theory, the concept has certain merits, but the reality, especially in the grips of big government ideologues, would be something different. To call for such an entity is to admit governments' past failures and improvidence in this critical area, highlighting the untold amounts squandered on non-critical if not wasteful, even unconstitutional, expenditures. Recall that the massive, $800 billion "stimulus" bill in 2009 was sold largely on the premise of funding much-needed infrastructure improvements and repairs. For centuries, this country has financed most of its local, state and federal infrastructure through our existing governmental bodies and taxing authorities--without an infrastructure bank--via regular appropriations, municipal bond markets, and other means. Ronald Utt, Ph.D, of the Heritage Foundation thinks the idea of an infrastructure bank is "a dangerous distraction and a waste of [Obama's] time." Paul Roderick Gregory of Forbes believes such an institution "would simply be a political slush fund and encourage wasteful spending by political cronies." Conn Carroll of the Washington Examiner describes the proposed bureaucracy as "just another stimulus boondoggle." House Republicans are suspicious that such a bank "is nothing more than a vehicle for more stimulus spending, disguised as "capital investment."" Picture a kind of TARP/stimulus/Fannie Mae Frankenstein. Big, federally directed and funded infrastructure projects are currently viewed by many on the American left as a panacea to the ailing economy and to their guy's re-election chances. That belief, writes Chris Edwards of Cato Institute, is a "liberal fairy tale, detached from the actual experience of most federal agencies over the last century." As Carroll put it, "When [infrastructure spending] decisions are made at the federal level, politics, not cost-benefit analysis, dictates what gets funded." The track records of our country's existing governmental "banks," like the Federal Reserve, Fannie Mae, and Freddie Mac, don't bode well for a national infrastructure bank. Like most "public-private partnerships," the associated risks would be borne solely or disproportionately by the public. Further, granting decision-making authority to unelected bureaucrats rather than elected officials is a bad idea (though neither is perfect). A national infrastructure bank would be an embodiment of statism, central authority, deficit spending, and social engineering (think "green jobs" and union favoritism) in the form of a new, eternal and ever-expanding federal bureaucracy. It is exactly what we don't need.

#### **The bank would would dampen long term infrastructure investment**

Yonah Freemark March 8, 2010 independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University, from which he graduated in May 2008 with a BA in architecture. He writes about transportation and land use issues for The Transport Politic and The Infrastructurist. “Benefits and Pitfalls of a National Infrastructure Bank” <http://www.thetransportpolitic.com/2010/03/08/benefits-and-pitfalls-of-a-national-infrastructure-bank/>

But the EIB and BAB models, as interesting as they are, do not actually increase the amount of money being spent on transportation in the long-term — they simply transfer more of the current spending load into debt. Is that a good idea when governments are already so squeezed by limited budgets? How can we be sure that we’ll be in an adequate financial situation to pay back these debts in the future? Spending now through loans inherently means less spending in the future: If Los Angeles compresses thirty years of transit spending into ten, what happens during the other twenty? Nothing at all, unless another separate revenue source is established. So none of the the infrastructure bank proposals put forth thus far will actually aid in reversing the current lack of adequate financing for transportation.

#### Transportation infrastructure high now, the bank will transfer risk onto the tax payer, the market will provide

Mark A. Calabria, director of financial regulation studies at the Cato Institute, September 9, 2010 “A Fannie Mae for Intrastructure?” http://www.cato-at-liberty.org/a-fannie-mae-for-intrastructure/

Like President Bush before him, Obama has a knack for taking the worst ideas of his opponents and making them his own. It is truly bipartisanship in the worst of ways (think Sarbanes-Oxley, the TARP or No Child Left Behind). The newest example is the President’s proposed “infrastructure bank.” A bill along those lines was introduced a few years ago by then Senator Hagel, although the idea is far from new. First, let’s get out of the way the myth that we have been “under-funding” intrastructure. Take the largest, and usually most popular, piece: transportation. Over the last decade, transportation spending at all levels of government has increased over 70 percent. One can debate if that money has been spent wisely, but there’s no doubt we’ve been spending an ever-increasing amount on infrastructure – so there goes one rationale for an infrastructure bank. The real rationale for an infrastructure bank is to transfer the risk of default away from investors, bankers and local/state governments onto the federal taxpayer, but to do so in such a manner that the taxpayer has no idea what they are on the hook for. If there are truly great projects out there that will pay their own way, then they should have no trouble getting private funding. Of course, we will be told that the bank will charge an interest rate sufficient to cover losses and that the taxpayer won’t be on the hook. Again, if it is charging an appropriate rate, then why does the bank need to be chartered (and backed) by the taxpayer? We’ve heard this story before…with Social Security, flood insurance, FHA, Fannie/Freddie…the list goes on, that all of these programs would pay their own way and never cost the taxpayer a dime. If there are truly outstanding infrastructure needs, then appropriate the money and pay for them. An infrastructure bank is just another way to allow Wall Street to line its pockets while leaving the risk with the taxpayer. If bankers aren’t willing to actually take the risks, then why exactly do we need them?

### Bank Fails – Ext.

#### There’s a risk of the project being unobtainable

U.S. Department of Transportation, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” 2008, [**http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm**](http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm)

As in any modeling process**, assumptions have been made** in the models to make analysis practical and meet the limitations of available data. Chapter 10 explores **the impact** that varying some of these key assumptions would have on the overall results projected by HERS, NBIAS, and TERM. These **include alternative assumptions regarding future deployments of operations technology, future levels of travel demand, the elasticity of travel demand to changes in user costs, future capital costs, discount rates, the valuation of nonmonetary benefits such as travel time savings, and the expected life span of pavements and structures.** While the economics-based approach applied in HERS, NBIAS, and TERM would suggest that projects be implemented in order based on their benefit-cost ratios (BCRs) until the funding available under a given scenario is exhausted, the reality is that other factors influence Federal, State, and local decisionmaking. **If some projects with lower BCRs were carried out in favor of projects with higher BCRs, then the actual amount of investment required to achieve any given level of performance would be higher than the amount predicted in this report**. Consequently, increasing spending to the level specified for one of the "maintain" scenarios would not guarantee that the targeted measures of conditions and performance would actually be sustained at base year levels. Similarly, while the HERS, NBIAS, and TERM models all screen out potential improvements that are not cost-beneficial from the "improve" scenarios, simply increasing spending to the level associated with that scenario would not in itself guarantee that these funds would be expended in a cost-beneficial manner. There may also be some projects that, regardless of economic merits, may be infeasible as a practical matter due to factors beyond those considered in the models. Because of this, the supply of feasible cost-beneficial projects could be exhausted at a lower level of investment than indicated by these scenarios. **Consequently, the improvements to future conditions and performance projected under the "improve" scenarios may not be fully obtainable in practice.**

#### NIB won’t solve at all – it gives money away without repayments

 Ronald D. Utt is the Morgan Senior Research Fellow in Economic Policy at the [Heritage Foundation](http://www.washingtontimes.com/topics/heritage-foundation/)(heritage.org).<http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/> September 14, 2011

President [**Obama**](http://www.washingtontimes.com/topics/barack-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**](http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/) **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**](http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/)**. Such a bank has all the liabilities of the** American Revitalization and[Investment](http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/) 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**](http://www.washingtontimes.com/topics/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**](http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/) **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](http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/) Commission observed, **“Institutions that give away money without requiring repayment are properly called foundations, not banks.”**

#### NIB won’t solve -

 Ronald D. Utt is the Morgan Senior Research Fellow in Economic Policy at the [Heritage Foundation](http://www.washingtontimes.com/topics/heritage-foundation/)(heritage.org).<http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/> September 14, **2011**

**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**](http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/) **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 **hav**ing 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.**

### NIB Fails

#### National infrastructure bank falls flat- too much bureaucracy

[Targeted News Service](http://search.proquest.com/pqcentral/pubidlinkhandler/sng/pubtitle/Targeted+News+Service/$N/29620?accountid=14793)( [Washington, D.C] 12 Oct 2011., “National Infrastructure Bank Would Create More Red Tape & Federal Bureaucracy”, <http://proxy.uwlib.uwyo.edu/login/?url=http://search.proquest.com/docview/897794111?accountid=14793> Acessed 7/3 BDE)

The House Transportation and Infrastructure Committee issued the following news release: Committee leaders and transportation officials and experts at a Congressional hearing today agreed that the creation of **a** new **National Infrastructure Bank, as proposed by the Obama Administration, would add to the amount of red tape and federal bureaucracy that already slows down and diverts funding away from transportation and infrastructure projects**. Members of the Committee and witnesses highlighted existing federal programs and authorities that could be strengthened to finance infrastructure projects more effectively than simply increasing the size of the government. Members and witnesses also agreed that expediting **the cumbersome project approval process would facilitate infrastructure improvements**. Chairman Mica's Statement "We must use every responsible mechanism possible to move projects and expand our capacity to finance infrastructure maintenance and improvements, **but a National Infrastructure Bank is dead on arrival in Congress**," said U.S. Rep. John L. Mica (R-FL), Chairman of the Transportation and Infrastructure Committee. "There are several reasons for this. One is that **we do not need to create more federal bureaucracy. In fact, with over 100 separate federal surface transportation programs**, we need less bureaucracy. "The federal government also has **existing financing programs that serve the same purpose as a National Infrastructure Bank, such as TIFIA, RRIF** and others, that we can improve and strengthen.

NIB costs $270 million and existing programs solve

[Targeted News Service](http://search.proquest.com/pqcentral/pubidlinkhandler/sng/pubtitle/Targeted+News+Service/$N/29620?accountid=14793)( [Washington, D.C] 12 Oct 2011., “National Infrastructure Bank Would Create More Red Tape & Federal Bureaucracy”, <http://proxy.uwlib.uwyo.edu/login/?url=http://search.proquest.com/docview/897794111?accountid=14793> Acessed 7/3 BDE)

Another reason a national bank is DOA is because **there is already such a bank structure in place at the state level.** **Thirty-three state infrastructure banks already exist, and we can ensure financing and build upon this foundation without creating a new level of federal bureaucracy**. "If the Administration's goal is to get people to work immediately, a **National** Infrastructure **Bank that will require** more than a year to create and **$270 million to run** is not the answer. That is funding that should be used for infrastructure, but would instead be used to create more red tape. "Unfortunately, the Administration still hasn't learned that **'shovel ready' has become a national joke**. Yesterday, the President announced he would expedite 14 infrastructure projects, but this plan only pushes these projects to the front of the line with current red tape and rules, while it pushes back or stalls hundreds of other projects pending federal approval. We must expedite the review process for all projects, not just a handful." Chairman Duncan's Statement "I, for one, do not support setting up a new bureaucracy in Washington where political appointees would decide which transportation projects are the most worthy to receive a Federal loan," said U.S. Rep. John J. Duncan, Jr. (R-TN), Chairman of the Highways and Transit Subcommittee. "**That is why Congress already established the State Infrastructure Bank program. Current law allows a state to use their Federal-aid funding to capitalize a State Infrastructure Bank and provide loans and loan guarantees to appropriate transportation projects that the state deems most important. "**The Transportation Infrastructure Finance and Innovation Act program, or **TIFIA, was established in 1998 to provide loans and loan guarantees to surface transportation projects**. In fact, the **TIFIA** program is so popular it **received 14 times the amount of project funding requests in FY11 than the program has available to distribute**.

### Solvency: Neg

#### NIB benefits exaggerated.

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

The mandate of an NIB in practice would 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.115 The issue of coordination with other agencies is a thornier one. Even current federal agencies do not have a great record at coordinating their programs. Independent of any proposal design, an NIB is no panacea for the problems of the federal investment process. It is not a solution for the current federal investment programs. An NIB would be focused only on its own projects, which would be financed through new federal investment. It is not a revenue source, but a financing mechanism. It is not a replacement of the current formulabased grants or direct federal funding in infrastructure. If it could be established, a politically-independent and appropriately-designed NIB would implement a better type of federal investment process. While supplementing the current federal investment programs, an NIB would have a better selection process and project delivery. This would require clear articulation of its goals and sufficient political autonomy to exercise analytical decisionmaking in choosing projects. A competitive selection process for projects of regional and national significance would provide a basis for a performance driven infrastructure process.

#### NIB Fails, too dependent on political agendas

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

An NIB, as envisaged by recent proposals, would be under congressional influence. It would receive annual appropriations from Congress and the board would have to submit a report to the president and the Congress at the end of each fiscal year. Evidence from the federal transportation program shows that congressional directives sometimes choose projects which are not a priority and that would not have been chosen in a competitive selection process.111 Talking about changing the U.S. transportation policy into performance driven decisionmaking, former U.S. Department of Transportation official Tyler Duvall articulated the problem: “The objective of depoliticizing transportation decisions by using the political process is a tough challenge.”112

#### NIB fails—Few projects can pay back loans

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

An issue of discussion is the revenue source required to repay an NIB loan. There is a concern is that only revenue producing projects, such as toll roads, would be able to obtain funding from an NIB. The TIFIA awards track record shows that while tolls are the main revenue source, there are alternatives. Awardees may use other sources of funding to reimburse the loan or secure the loan guarantee, such as availability payments. The Washington Metropolitan Area Transit Authority secured a loan guarantee with its gross revenues as well as payments provided by the local area governments to support its Capital Improvement Program.114

#### NIB fails—it does not solve the most crucial component—cost overruns

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

Cost overruns on infrastructure projects are increasingly prevalent and exact real costs. One survey of projects around the world found that costs were underestimated for almost 90% of projects, and that cost escalation on transportation projects in North America was almost 25%.22 Boston’s Central Artery/Tunnel Project (a.k.a. the “Big Dig”) came in 275% over budget, adding $11 billion to the cost of the project. The construction of the Denver International Airport cost 200% more than anticipated. The San Francisco-Oakland Bay Bridge retrofit project witnessed overruns of $2.5 billion—more than 100% of the original project cost—before construction even got underway.23 And of course, there are the “bridge to nowhere” earmarks that solve a political need, but not an economic one.

### Solvency: Delay

#### It takes years before the loans are issued

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

Thank you, sir. Mr. Thomasson, before my time expires, let me extend what Mr. Utt said. In your estimation, how long do you think it would take for the national infrastructure bank to actually begin issuing loans? Mr. THOMASSON. It’s hard to say. It would take time, and I think those who proposed the bank acknowledge that it is not an immediate solution. It sends a good long-term signal to the private markets that helps trigger investment. But it would take a year or two, probably, before the loans were issued.

#### Timetable estimates are on the low side

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf-mrb>)

Early in my career, I was a lawyer for the U.S. Synthetic Fuels Corporation, which was formed under the Energy Security Act of 1980. It was a Government corporation intended to provide loans, loan guarantees, and other instruments for alternate energy projects. And it worked fairly well. But it took a long time to get the program started. I think a year is a very unlikely period of time to get this program off the ground. The rulemaking alone will take time.

### NIB Doesn’t Solve

#### Highways have the best return for the economy

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Edward Gramlich argues that the greatest return on investment can be garnered from spending on maintenance of existing highways.9 Citing data from the Congressional Budget Office, he finds an extremely high rate of return from bringing road conditions up to their minimum state of good repair. Interestingly, he also finds that improvements beyond the state of good repair are not associated with positive returns. Allocating maintenance dollars to where they are most needed is likely to generate high rates of return and improve safety, suggesting that our spending on infrastructure going forward should prioritize funding roads that are in a state of disrepair.

#### Economic implications are exaggerated

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Not surprisingly, the literature suggests that the economic benefits from various infrastructure projects vary widely.10,11 Additionally, even if previous infrastructure investments had economic benefits, it is not clear that policymakers should expect the same rate of return for subsequent infrastructure investments. This is especially true when one considers the network effects that are associated with the creation of original transportation networks. We must continue to take advantage of new investment opportunities made available by technological progress and be mindful of the fact that at some point, the economy reaches the point of diminishing returns from further investments in a particular area. As Fernald observed, “Building an interstate network might be very productive; building a second network may not.”

#### National infrastructure bank fails

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

The Transportation Infrastructure Finance and Innovation Act program, or TIFIA, was established in 1998 to provide loans and loan guarantees to surface transportation projects. In fact, the TIFIA program is so popular, that it has received 14 times the amount of project funding requests in fiscal year 2011 than the program has available to distribute. Why not give these established programs more funding, in order for them to reach their full potential?2 Also, there is no guarantee that transportation projects would be favored over the water and energy projects that the President’s national bank proposal would set up. This proposal seems to many simply just another distraction as Congress pushes for a long-term surface transportation reauthorization bill. The administration should be focused on helping Congress to pass this much-overdue legislation, and give the States some long-term funding certainty that a national infrastructure bank would most certainly not accomplish.

#### Existing infrastructure banks work, just need money

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

First of all, if you review the existing legislation, it creates more bureaucracy. If you don’t think we have enough bureaucracy, we have got a chart somewhere that shows the existing bureaucracy of the Department of Transportation, and it is over 100 agencies’ activities. And I guess this is supposed to be quasi-independent, it would be out to one side. But if you just look at the chart of existing Federal agencies and activities, we have tons of them. And you can use this chart now. We have 33 States that have existing infrastructure banks. And Mr. DeFazio, in his opening remarks, said they are up against the wall. Most of them, like the Federal Government, don’t have the monies to finance these infrastructure banks. This chart shows what we already have in place. The problem is they don’t have the funds. So, rather than create a national new bureaucracy, another agency, I think we can utilize the existing infrastructure banks. You will hear from the Oklahoma secretary of transportation shortly, and he will tell you they have the bank, they don’t have the money. So we have existing capability.

### Must Be More than Transportation

#### Bank must include projects beyond transportation to be effective

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

Third, any bank that we create should have broad infrastructure range. We have to do this, we’ve got to change the way we invest in infrastructure, we have to do what the President is suggesting, streamline, modernize our approach while taking an overall view of what U.S. infrastructure, the state of this at the moment. One of the benefits of the infrastructure bank that I’m proposing is that it funds a range of projects, transportation, environmental infrastructure, energy infrastructure, water, telecommunications, that is the way it’s laid out in the bill, it gives states and localities one place to turn to fund wide ranging projects while also looking at the creation of a diversity of revenue streams, location and -- types that are involved in the bank, the bank activities. So I will just make a couple of just concluding points. The bank, as we have laid it out, as I have just laid it out, enjoys broad support. It is democrats, republicans, labor, business. The U.S. Chamber is supportive of this, as well as labor unions. We’ve got the civil engineers, the Association of General Contractors, the National Governors Association, people of the caliber of Ambassador Felix Roatan, who has some knowledge of infrastructure financing, is very supportive. ANDERSON COURT REPORTING You saw maybe in the Financial Times this week, Bernard Schwartz’s

#### Transportation bank only would continue to fragment programs undermining future economic growth

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

And I do believe, as I’ve said, that we have a fragmented program here so that we are not addressing -- we don’t have a good grasp of what we need to do overall on infrastructure.

So once again, you’re getting into what is traditionally a federal difficulty, is you’ve got silos. You’re looking at transportation. Now we are, you know, energy, so you’ve got a whole bunch of energy projects there, you’ve got environmental infrastructure. There is no over arching plan to look forward to what it is that deals with a growth capacity in terms of economy.

And I submit, we just have truncated what we’re spending here, and, therefore, we’re looking at not the kinds of returns on the investment, because the investment is getting smaller and smaller rather than growing over time.

### Ruralism

#### The bank would exclude rural areas

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

Second, selection of the projects with the highest returns might conflict with the traditional desire of Congress to assure funding for various purposes. Rigorous cost-benefit analysis might show that the most attractive projects involve certain types of infrastructure, while projects involving other types of infrastructure have less favorable cost-benefit characteristics. This could leave the infrastructure bank unable to fund some types of projects despite local support. Third, financing projects through an infrastructure bank may serve to exclude small urban and rural areas because large, expensive projects tend to be located in major urban centers. Because of this, an infrastructure bank might be set up to have different rules for supporting projects in rural areas, and possibly also to require a certain amount of funding directed to projects in rural areas. For example, S. 652 proposes a threshold of $25 million for projects in rural areas instead of $100 million in urban areas. Even so, the $25 million threshold could exclude many rural projects.

### Bank $ Solvency

#### Infrastructure bank will fail to produce enough income to cover costs – it’s worse than Fannie and Freddie

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Beginning in the 1930s, the federal government created a number of bank-like entities and credit insurance facilities, and every one of them has been challenged by serious, if not catastrophic, financial failure that often involved costly taxpayer bailouts. They include the Federal Land Banks, Farm Credit Administration, Federal Housing Administration, Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Home Loan Banks, and Fannie Mae and Freddie Mac. The latter two are perhaps the most catastrophic of all, with the taxpayer bailout cost totaling about $150 billion so far.

In every case, these entities were believed to have been soundly organized and operated, and they provided loans and guarantees and insurance on products or entities that were also believed to be financially sound. Importantly, these loans and investments also provided a reliable stream of income to fund the federal entity, service its debt, and provide it with the necessary reserves and contingency funds.

In short, they were all deemed to be commercially viable, as were their clients. Yet they all failed in one way or the other despite the top-notch talent thought to be running them.

Could the Bank Avoid These Risks?

In this regard, what is noteworthy about the typical infrastructure bank proposals is that all will begin with risks and deficiencies that significantly exceed those confronting the federal finance entities cited above. Fannie Mae, for example, was supposed to be investing only in conforming mortgages, thought by most to be a safe, conservative investment providing a steady stream of interest and principal repayment.

In contrast, and with the exception of some well-established toll roads, bridges, and tunnels, most transportation infrastructure earns no revenue and must be supported entirely through taxes or related user fees. Most roads are still “free” to users and likely will remain so, while fares earned on even the best-run transit systems cover none of their debt service and only about half of their operating costs.

While a growing share of new transportation capacity underway will be tolled and thus will yield a stream of revenues, “freeways” will likely continue to be the norm. However, even the act of tolling is no assurance that the necessary and sufficient revenues will be there to cover debt service: Over the past decade or so, a number of new toll roads in Virginia, California, South Carolina, and Texas have suffered revenue shortfalls of some significant magnitude. Obviously, a revenue-generating environment of this degree of uncertainty seems likely to impose important challenges to any transportation infrastructure bank attempting to maintain a sound financial footing.

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Some Final Thoughts

As this testimony has argued, at the end of the day, a real bank needs a reliable stream of revenues to thrive and survive, yet many of the transportation projects now underway and contemplated do not provide a reliable stream of revenues—beyond state or local taxes—that can meet the debt service payments for infrastructure bank loans provided or guaranteed.

Beyond more taxes, the only other obvious option is to “commercialize” infrastructure in ways that more closely connect use of infrastructure with fees paid by users. Tolls, of course, are the most obvious fee and were essential in creating a precursor of the interstate highway system running west from Boston to Chicago and south to Washington, D.C. In recent years, the advent of public–private partnerships (P3s) in several states has worked to boost infrastructure spending that creates projects providing new capacity that are expected to pay for themselves through tolls charged on new lanes offering premium service.

While P3s could offer a promising supplement to the traditional highway program and could be important customers of an infrastructure bank, their existence is dependent on accommodative state legislation, and not all states have enacted such legislation. Virginia has done so and at the moment is the beneficiary of approximately $4 billion in additional road spending by way of three P3s now underway or soon to be started.

### Accountability/Democracy

#### **Bank has no political accountability undermining democracy**

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Management and Operational Concerns

Previous sections have already touched on the management challenges confronting any of these banks. If these banks are allowed to borrow on their own, or if they are funded by a large, one-time appropriation that can be leveraged into more debt and loan guarantees, it seems that Congress and the President would have little say in what they did and how they did it. Indeed, the nation has already experienced a couple of such incidents, and they are commonly referred to as Fannie Mae and Freddie Mac.

All of the bills to create infrastructure banks include many pages of exhaustive detail on the prospective management structure, a pseudo-corporate board, and its duties. Degrees of independence vary from one proposal to another, but the greater the independence, the more likely it is that the bank may wander away from the changed priorities of future Congresses and Presidents and instead pursue opportunities that are not necessarily in the public interest. In a democratic society where voters periodically get to pick the people and policies that govern them, it might not be appropriate to have entities supported by taxpayers that are not responsive to the voters.

There is also the question of the extent to which some of these infrastructure bank proposals may be designed also to circumvent existing budget controls and spending caps, as well as ongoing oversight. How each of these proposals might be scored is beyond the scope of this testimony, but it is certainly an issue that Congress should carefully review.

### Not Enough $ <60 Mill

Infrastructure shortfall is much larger than the projected NIB budget

Robert Poole, February 3, 2009, A National Infrastructure Bank? Proposed bank can fill a niche, but current proposal needs to be refocused, director of transportation at Reason Foundation. http://reason.org/news/show/a-national-infrastructure-bank

One of the hottest ideas in infrastructure politics these days is the proposal now in Congress for a National Infrastructure Bank. Presidential candidate Barack Obama, New York City Mayor Michael Bloomberg, and many other big-city mayors have all endorsed the idea, as have a number of trade associations favoring increased infrastructure investment.

The leading vehicle is S. 1926, introduced last summer by Sen. Chris Dodd (D, CT) and Chuck Hagel (R, NE). It would "target large capacity-building projects not adequately served by current financing mechanisms" including "mass transit systems, housing properties, roads, bridges, drinking water systems, and wastewater systems." The NIB would be set up as an independent government entity, modeled after the Federal Deposit Insurance Corporation, with a five-member board of directors appointed by the President and confirmed by the Senate. Minimum federal investment per project would be $75 million. The legislation calls for the bank to issue $60 billion in long-term (up to 50-year) bonds.

Projects would be selected by the NIB's board on the basis of "national or regional significance," with the amount of federal investment determined on a "sliding scale" based on the type of infrastructure, location, project cost, current and projected usage, non-federal revenue, promotion of economic growth and community development, reduction in congestion, environmental benefits, and land-use policies that promote smart growth."

My initial reaction to this proposal is "Huh?" There's no question that this country has not been investing enough in either rebuilding and modernizing existing infrastructure or adding much-needed new capacity. But is a new federal entity of this sort a sensible response?

One clue that this is mostly smoke and mirrors is the paltry $60 billion amount. With estimates of infrastructure funding shortfalls at or above a trillion dollars, this seems like the proverbial drop in the bucket.

Rather than simply dismissing the NIB proposal as the wrong direction for expanded and smarter infrastructure investment, I consulted a number of experts in infrastructure finance and asked their assessment. All basically agreed with my critique of the existing proposal-but all of them also argued that since the legislation already exists and has some political momentum, the best approach for critics might be to propose better content for the measure.

The gist of these people's overlapping comments was that there is a role for the federal government to do more to encourage sound investment in large infrastructure projects-at least those like highways, bridges, water and wastewater systems in which a user-fee revenue stream is feasible. There is already nearly $200 billion sitting in infrastructure investment funds, looking for good projects. But there are very few large-scale projects ready to go. What's need is a lot of detailed (and costly) pre-development work to establish basic feasibility, get environmental clearance, and do preliminary design.

Funding those pre-development efforts for user-backed projects of national or regional significance could be done on a soft-loan basis by such an entity-soft in the sense that the loan would be paid back (on a subordinated basis) if the project ultimately gets financed and built, but could be forgiven if the project proved non-viable and did not get financed. The need to make this "bank" self-sustaining would serve as a restraint on funding pre-development work on highly speculative projects.

How much of a difference could this make in "deal flow" for the billions in private capital that is looking for viable investments? One colleague provided this optimistic numerical example. Assume the $60 billion in initial funding for this re-purposed NIB were parceled out over a decade to 500 projects at an average of $120 million each in pre-development work. If that $120 million was about 10% of the average project's total capital costs (i.e., $1.2 billion each), it would generate $600 billion in total construction (or reconstruction). That's pretty impressive leverage.

Another expert, Dana Levenson of RBS, gave the analogy of one of the more successful government-sponsored enterprises, PEFCO (Private Export Funding Corporation). PEFCO started out with a mix of government and private sector capital; it assists with the financing of exports, both as a direct lender and as a secondary market buyer of export loans originated by lenders, and is currently leveraging its capital at a 50:1 ratio. Levenson suggests that on an initial (public plus private) capital of $20 billion, a National Infrastructure Bank modeled after PEFCO could leverage up to $1 trillion in infrastructure. (Even with 25:1 leverage, it could jump-start $500 billion in projects.) But all of that would have to be infrastructure with a user-fee revenue stream to pay back the loans.

In short, I'm persuaded that there is a niche that an NIB could fill, to help this country take advantage of the huge pool of investment funds seeking to invest in U.S. infrastructure. Whoever ends up as our next president should seek to refocus current national infrastructure bank proposals into this sustainable form.

Robert Poole is director of transportation at Reason Foundation. An archive of Poole's work is available here and Reason's transportation research and commentary is here.

http://reason.org/news/show/a-national-infrastructure-bank

### Solvency: Delay

#### NIB would take forever to implement

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

A Bank offers the prospect of dramatic improvement in infrastructure programs, but its proponents must temper their enthusiasm. The Bank is not a fountain of free money. The Bank model works because somewhere, somehow, someone must pay something that can be turned into a stream that repays private lending, and that somewhere the salami can be sliced so that there is enough left to feed those private lenders profitably. This requires fees, bills, fares, or some other kind of payment; otherwise, private lending is only a veil for more public borrowing, and at a higher cost. For that reason, a Bank needs to separate its

credit enhancement and go-to-market activities in order to make clear the level of subsidy going to any project regardless of the form it takes. It will be a long time before a National Infrastructure Bank replaces the modal programs and imposes rationality on the current infrastructure financing system. But by looking at the way we appraise and select projects, the terms on which we invite private resources to the challenge of financing new assets, and give localities and their users the right signals, we can measure our progress towards the horizon goal.

### A2: Bank Self-sustaining

#### **The infrastructure bank would not become self-sustaining**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

Can a national infrastructure bank be financially self-sustaining? All pending infrastructure bank proposals have the objective of increasing investment in infrastructure while maintaining financial self-sustainability. These two objectives may not be compatible.

Traditional banks are self-sustaining because they borrow from depositors at a low rate (and typically short term) and lend at a higher rate (and typically long term). In addition, they impose fees and charge for a variety of services beyond lending. An infrastructure bank’s selfsustainability,

in contrast, would depend almost exclusively on its capacity to lend at a higher rate than its cost of capital. If the infrastructure bank were to rely mainly on private capital (either equity or credit), it would have to provide those investors with a rate of return comparable to that available on investments with a similar risk and time profile to those in the bank’s portfolio. If the federal government bears some of the risk, then investors would not require as much compensation as they would if not for the federal guarantee. Federal budgeting rules, however, would require that the value of the risk shifted from the private sector to the federal government be accounted for in the federal budget.49

The other constraint on sustainability is the need to keep the nonfederal share of projects attractive to investors. Currently, state and local governments can finance infrastructure with relatively low-cost capital by issuing tax-exempt bonds. If the infrastructure bank must compensate investors to attract capital, and no federal tax advantages are conferred upon these investors, it seems unlikely that the bank will be able to match the low interest rates available with tax-exempt bonds.

The infrastructure bank proposed in S. 652 and S. 1549 would be allowed to charge fees for loans and loan guarantees, which could move the bank closer to sustainability. However, the additional transaction fees or interest rate adjustments would make financing through the infrastructure bank more expensive. The higher these fees go, the less advantageous it will be for a project sponsor to seek infrastructure bank assistance

### A2: States Banks prove

#### Historically SIBS fail

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

This committee’s draft proposal for reauthorization of the federal highway program includes a section whose purpose is to enhance and expand the role of state infrastructure banks in transportation funding. Although the legislative language has not yet been made available, the draft proposal says that the new approach:

will reward states that create and capitalize state Infrastructure Banks to provide loans for transportation projects…. The percentage of federal funding that a state can dedicate to a state infrastructure bank will be increased from 10 percent to 15 percent and states will receive a specific amount of funding that can only be used to fund State Infrastructure Banks.

At present, there are several state infrastructure banks (SIBs) in operation, and their existence, or lack thereof, reflects a series of past federal SIB legislative initiatives enacted in 1991, 1995, 1997, and 1998. Today, several SIBs are in active operation, some very much so, and some illustrate the concerns discussed earlier in discussing a federal bank. A quick review of some of these SIBs suggests that few of the projects they fund return a stream of income (if any) sufficient to cover debt service and operating expenses and that state and local tax revenues account for much of the revenues supporting these banks. This suggests that they may not be materially different from the workings of the state DOT and are not banks in the normal use of the term.

### Bank Fails – Ext.

#### Highways have the best return for the economy

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Edward Gramlich argues that the greatest return on investment can be garnered from spending on maintenance of existing highways.9 Citing data from the Congressional Budget Office, he finds an extremely high rate of return from bringing road conditions up to their minimum state of good repair. Interestingly, he also finds that improvements beyond the state of good repair are not associated with positive returns. Allocating maintenance dollars to where they are most needed is likely to generate high rates of return and improve safety, suggesting that our spending on infrastructure going forward should prioritize funding roads that are in a state of disrepair.

#### Economic implications are exaggerated

Geithner’10 (Timothy, Secretary of the treasury, In accordance with the council of economic advisers, October 11, “An Economic Analysis of Infrastructure Investment”, <http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf>-mrb)

Not surprisingly, the literature suggests that the economic benefits from various infrastructure projects vary widely.10,11 Additionally, even if previous infrastructure investments had economic benefits, it is not clear that policymakers should expect the same rate of return for subsequent infrastructure investments. This is especially true when one considers the network effects that are associated with the creation of original transportation networks. We must continue to take advantage of new investment opportunities made available by technological progress and be mindful of the fact that at some point, the economy reaches the point of diminishing returns from further investments in a particular area. As Fernald observed, “Building an interstate network might be very productive; building a second network may not.”

#### National infrastructure bank fails

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

The Transportation Infrastructure Finance and Innovation Act program, or TIFIA, was established in 1998 to provide loans and loan guarantees to surface transportation projects. In fact, the TIFIA program is so popular, that it has received 14 times the amount of project funding requests in fiscal year 2011 than the program has available to distribute. Why not give these established programs more funding, in order for them to reach their full potential?2 Also, there is no guarantee that transportation projects would be favored over the water and energy projects that the President’s national bank proposal would set up. This proposal seems to many simply just another distraction as Congress pushes for a long-term surface transportation reauthorization bill. The administration should be focused on helping Congress to pass this much-overdue legislation, and give the States some long-term funding certainty that a national infrastructure bank would most certainly not accomplish.

#### Existing infrastructure banks work, just need money

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

First of all, if you review the existing legislation, it creates more bureaucracy. If you don’t think we have enough bureaucracy, we have got a chart somewhere that shows the existing bureaucracy of the Department of Transportation, and it is over 100 agencies’ activities. And I guess this is supposed to be quasi-independent, it would be out to one side. But if you just look at the chart of existing Federal agencies and activities, we have tons of them. And you can use this chart now. We have 33 States that have existing infrastructure banks. And Mr. DeFazio, in his opening remarks, said they are up against the wall. Most of them, like the Federal Government, don’t have the monies to finance these infrastructure banks. This chart shows what we already have in place. The problem is they don’t have the funds. So, rather than create a national new bureaucracy, another agency, I think we can utilize the existing infrastructure banks. You will hear from the Oklahoma secretary of transportation shortly, and he will tell you they have the bank, they don’t have the money. So we have existing capability.

#### A National infrastructure bank takes a year, and costs $270 billion

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

The other thing, too, is what is all this about? This is about trying to get people to work immediately. To create this new infrastructure, Federal infrastructure bank, it is estimated a minimum of a year. This requires setting up a bureaucracy, staffing it—there is over 100 positions—a cost of $270 billion. Now, if we could leverage that out, it is worth probably $1.5 billion, even in a State that doesn’t do very good leveraging. So, at the cost of $270 billion, when I already have in place infrastructure banks that can make immediate decisions—what they need is the financial backing—so these are some of the reasons I think a Federal infrastructure bank is dead on arrival at this time, if we want to get people working. Now, if you want a recipe not to get people to work, adopt that current proposal. If you want a recipe to put off job creation, adopt that national infrastructure bank proposal. And we can do just the opposite. We can get people working right away.

#### Even if the National Infrastructure Bank happens, the money won’t get out

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

Finally, we have got a situation where we can get money, we can be creative, we don’t have to create huge bureaucracy. But what we do need is some reform in the process of getting money out. We still have—and even if I create another—even if I put more money in these infrastructure banks at the State level, or we created a Federal new infrastructure bank, we created the stimulus program with $63 billion for infrastructure out of $787 billion. As of September 1, there was $22 billion still in Washington, DC, after 21⁄2 years. You can’t get the money out. In the past bills that we have done authorization from this committee, I have asked the staff to total up how much money is still sitting there—TEA–21, TEA–LU, ISTEA—there is $8.5 billion. So there is $30.5 billion sitting there that we can’t spend that we have. So we can do a better job in getting money out that we already have.

#### Creating the National infrastructure bank doesn’t fix the underlying problems

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

I am glad that we are taking the time to discuss the issue of the national infrastructure bank, as well, before we get in a hurry to do something, and end up creating another labyrinth of red tape and another Federal program to solve the previous labyrinth of red tape and the previous old Federal program. In the past, Government high-risk loans were used for activities like nuclear power plants, but had such a high cost and high regulation that lenders were slow to put capital at risk, because of the uncertain political environment. Now, apparently, the regulation and political risk is high on asphalt pavement. What have we become, as a Nation, when we have driven the cost of construction up so high, increased the construction time through regulations so long, and burdened the State budget so much that we need a Federal loan program to offset the risks of lending for a bridge? This is a prime case of the Federal Government creating the problem, and then running in with a solution that will really just create more problems. It is my concern that this loan program is designed to bail out States that cannot get credit because of bad budgeting decisions in the past, so they are at high risk. Or it is another way to shuttle additional money to States that already receive a high proportion of transportation dollars. There is a legitimate role for the Federal Government in transportation and facilitating interstate commerce. But creating a new infrastructure bank with the start-up cost of $270 million and 100 new employees to do what normal transportation funding, TIFIA, and many State infrastructure banks already do, I do not believe is one of them. States do not need yet another way to increase their debt from the Federal Government. They need answers to the problem. They also don’t need a group from Washington determining which projects get funding, based on the decisions of another yet-to-benamed group from the administration. The last thing we need is another Government enterprise like Fannie Mae and Freddie Mac, or another loan program like the Department of Energy’s loan to Solyndra.

#### Takes a long time to set up a national infrastructure bank

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

The Federal infrastructure bank is also not shovel-ready. It would take a significant amount of time to select directors, get established, do the studies, hire the large staff, then start giving taxpayerbacked loans. In the meantime, what is really needed is a long-term reauthorization bill, a funded TIFIA program, and a streamlined construction process so they can get started.

#### Infrastructure bank starts at a disadvantage

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

First, the Federal Government has created a number of credit entities over time, and most have been challenged by serious financial failure involving taxpayer bailouts. Fannie Mae and Freddie Mac are the most recent and perhaps the most catastrophic of all, with bailout costs totaling about $150 billion so far. Would an infrastructure bank be immune from these risks? In this regard, what is noteworthy about the typical infrastructure bank proposal is that all will begin with risks and deficiencies that could exceed those confronting the Federal finance entity cited above. Fannie Mae, for example, was supposed to be investing only in conforming mortgages, thought by most to be safe, conservative investment, providing a steady stream of revenue. With the exception of some well-established toll roads, bridges, and tunnels, most transportation infrastructure earns no revenue, and must be supported through taxes or related user fees. Most roads are still free to users, and will likely remain so, while fares earned on even the best run transit systems recover none of their debt service, and only about half of their operating costs. As such, the inevitable source of revenues to an infrastructure bank seem likely to be taxes. And, of course, this would be the case with any grants by banks, as some proposals would allow.

#### Existing channels selects and funds better projects

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

Third, I am perplexed by how such a bank would aid in the economic recovery. For some advocates, these banks are seen as a mechanism to propel the economy forward out of the lingering recessions and into an era of greater prosperity and more jobs. Sadly, all evidence indicates that this isn’t so. In large part, such programs have been a disappointment because of time delays in getting underway, projects identified, projects approved, and money spent. Supporters of the American Recovery and Reinvestment Act claim that it would focus on shovel-ready projects, but USDOT recently reported to this committee that, as of July 2011, 21⁄2 years after the enactment of the legislation, just 61 percent of authorized transportation funds had been spent. Yet the stimulus funds were spent through existing Federal, State, and local channels by departments, managers, and employees with many years of experience in the project approval business.

#### TIFIA gives a 30 or 40 times multiplier for federal spending

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

This shift in thinking is evidenced best by the policy underlying one of the key components of the President’s proposed Jobs Act, the national infrastructure bank. The President is certainly right—we can create hundreds of thousands of badly needed jobs and build critically important infrastructure with a federally supported bank. What is ironic, however, is that we already have a national infrastructure bank for transportation. And as you have heard today, it is called TIFIA. And Congressman Johnson has been one of the longest standing supporters of TIFIA, and we can’t thank you enough for your steadfast commitment. This program has been operating successfully for 12 years. Every $100 million of TIFIA credit subsidy creates approximately $1 billion in the face amount of loans, which States, localities, and private entities use to create about $3 billion in project finance plans. Thus, the Federal Government gets a 30 to 40 times multiplier for every TIFIA dollar that it provides.

#### Private or state funding is preferable, four reasons.

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

First, the Federal Government, having run out of money, should not finance facilities that can be financed by others. Second, because U.S. transportation systems have a long userpays tradition, having been financed over long periods by private investors and by user-funded, dedicated road funds. As you all know, the Federal Highway Trust Fund was set up in 1956 with great care to avoid subsidies from general revenues. And this seems to me to be a precedent worth following. Third, Government involvement can actually delay projects, and even politicize them, so that the most urgently needed projects do not get funded. This point is pertinent, because the executive branch seems to have a problem in identifying viable projects on which to spend taxpayers’ money. Job creation does not justify all projects. And the private sector actually tends to be good at finding those with benefits that exceed costs. In my testimony I suggest that priority be given to relieving urban traffic congestion by providing express toll lanes, the tolls being collected electronically and varied to ensure free flow on the lanes at all times. Finally, Federal involvement raises costs, for example, because of numerous regulations, including those arising from the DavisBacon and ‘‘Buy American’’ acts. Therefore, for projects that cannot be financed by private investment, it seems to me that financing by individual States seems preferable to Federal financing.

#### It takes years before the loans are issued

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

Thank you, sir. Mr. Thomasson, before my time expires, let me extend what Mr. Utt said. In your estimation, how long do you think it would take for the national infrastructure bank to actually begin issuing loans? Mr. THOMASSON. It’s hard to say. It would take time, and I think those who proposed the bank acknowledge that it is not an immediate solution. It sends a good long-term signal to the private markets that helps trigger investment. But it would take a year or two, probably, before the loans were issued.

#### Timetable estimates are on the low side

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf-mrb>)

Early in my career, I was a lawyer for the U.S. Synthetic Fuels Corporation, which was formed under the Energy Security Act of 1980. It was a Government corporation intended to provide loans, loan guarantees, and other instruments for alternate energy projects. And it worked fairly well. But it took a long time to get the program started. I think a year is a very unlikely period of time to get this program off the ground. The rulemaking alone will take time.

Economic improvement models are wrong- Asia proves

Chin ’11 (Curtis, Former Ambassador of the U.S. to the Asian Development Bank, October 18, 2011 “Obama's infrastructure bank won't create real jobs;

Asia shows trade growth lifts economy more than government projects”, Submitted to the Washington post, Lexis- mrb)

With U.S. unemployment persistently and unacceptably high, President Obama and others from all political persuasions have voiced support once again for establishment of a new government-created institution that would provide loans and guarantees to finance U.S. infrastructure. They note Asia's continued economic growth and cite the region's - and particularly China's - tremendous investments in showcase infrastructure projects as reason enough to support greater government financing of infrastructure and development - and the jobs that come with such spending. Policymakers in Washington would be mistaken, however, if they see short-term job creation as rationale for creation of another federal bureaucracy in the guise of a U.S. national infrastructure bank. The latest proposal, part of Mr. Obama's recent Senate-rejected $447 billion jobs bill, envisioned a new $10 billion institution in Washington. That subproposal of the "jobs" bill may well rise again. The benefits, proponents say, will be twofold: rebuilding the United States' crumbling infrastructure and creating jobs. Just as the World Bank helped rebuild Europe after World War II and brings critical investment dollars to the poorest nations, isn't it time, they say, to do the same thing at home in the United States? Yet, like many things too good to be true, caveat emptor - buyer beware. Asia, with its multitude of infrastructure projects, offers a lesson, albeit a counterintuitive one. For all the billions of dollars in projects pushed by the World Bank and other multilateral development banks, what is clear is that such institutions are not the key players when it comes to infrastructure investment and job creation for much of Asia. Much more critical to growth have been trade, a still-evolving but strengthening infrastructure of transparency, governance and the rule of law, and allowing businesspeople the chance to, well, go about doing their business. In that context, the recently passed U.S. Free Trade Agreements with Korea, Panama and Colombia may well do more in the long run to spur economic growth in the United States and those countries than any individual bridge or other single infrastructure project. A further case in point: China borrows a few billion dollars annually from the World Bank and the Asian Development Bank. That being said, for an economy of several trillion dollars, the financial and employment impact of these banks' infrastructure lending to China are minimal, and even questionable on other policy grounds.

Thoughts on infrastructure should change, instead of forcing projects

Chin ’11 (Curtis, Former Ambassador of the U.S. to the Asian Development Bank, October 18, 2011 “Obama's infrastructure bank won't create real jobs;

Asia shows trade growth lifts economy more than government projects”, Submitted to the Washington post, Lexis- mrb)

In brief, this means a new attitude toward infrastructure, driven by a couple basic principles: First, we need to stop thinking of and selling infrastructure investment simply as a direct provider of short-term employment when times are bad. To do so risks not just bridges, but roads, rails and airports to nowhere. It also risks a decline in long-term support for critical infrastructure investment when promised jobs do not materialize. Second, we need to prioritize limited government resources on projects that will have more meaningful and sustainable economic results. We need to weed out what does not work and not be afraid to innovate. And third, we need to ensure the climate improves for private investment in infrastructure and its operations and maintenance. That means also ensuring that a welcoming business climate exists for the private enterprises and entrepreneurs that are the real drivers of job creation in any economy. On a basic economic level, obviously the larger-scale infrastructure development projects tend to contribute more to gross domestic product growth and employment, especially in the short-term. But when it comes to sustained growth, better focused projects of more modest scale can have a longer-term impact than bigger, costlier projects - shovel ready, or not.

## Advantage Answers

### Econ – 1NC

#### Turn – the plan causes outsourcing and wage deflation, which kills the economy

PRESTOWITZ ’11 - president of the Economic Strategy Institute and writes on the global economy for FP (Clyde, “Where the jobs went”. July 11. http://prestowitz.foreignpolicy.com/posts/2011/07/11/where\_the\_jobs\_went)

The idea of stimulus incorporated in the standard economic models is that it will create demand for goods and services produced in America and thereby drive investment in new factories and jobs to produce more of those goods and services. The difficulty is that we do not want to stimulate a lot more construction or finance (those were the bubbles that collapsed after all), and greater stimulus to create demand for things we largely import does not drive new investment or creation of new jobs in America. It only increases our debt. What is needed is not just demand in the American economy, but demand that results in domestic production and that does not increase domestic or international debt.

Think about this in the wake of the recent New York Times article reporting on the new Oakland Bay Bridge being made in and imported from China. Building infrastructure like bridges is a time-honored way of creating demand in the economy that creates jobs. Indeed, just this past weekend President Obama called for creation of an Infrastructure Bank that would enable a dramatic ratcheting up of U.S. investment in critical infrastructure. It's a good idea and one that I, along with others, have long promoted. But if the decision of the state of California to have the main structural elements of the Oakland Bay Bridge made in China is a harbinger of things to come, then an Infrastructure Bank is likely to create more jobs in Asia than in the United States.

No doubt former Governor Arnold Schwarzenegger and his cabinet thought they would save about $400 million on steel by buying the bridge in China because Chinese steel production has been heavily subsidized and China's government manages its yuan to be artificially undervalued versus the dollar. But what they didn't consider was that those subsidies tend to make U.S.-based production uncompetitive and not only put American workers out of jobs but exert downward pressure on wages generally while eroding critical investments in equipment and human skills, reducing state, municipal, and federal tax revenues, and contributing to the shrinkage of the national educational base. No one in California took a look at even the whole state picture, let alone the national picture, to determine whether buying a bridge in China was really going to be a net gain for the state (as it turns out, in the past two years the price of Chinese steel has risen much faster than that of U.S. steel so that even the initially projected savings are unlikely to be realized). Even worse, no one at the federal level of the U.S. government has any responsibility for evaluating the net impact of these kinds of deals or for reducing the leakage of stimulus spending abroad and maximizing the domestic production impact of government spending.

Until our economists and officials begin to wrestle with the need for the United States not only to stimulate its economy but to do so in ways that will lay the basis for America to increase its wealth-producing capacity and pay its way, they are likely to find themselves in a continuous state of shock.

#### No impact- econ decline doesn’t cause war

Barnett ‘9(Thomas P.M. Barnett, senior managing director of Enterra Solutions LLC, “The New Rules: Security Remains Stable Amid Financial Crisis,” 8/25/2009)

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.

#### Heg is inevitable: structural foundations buffer heg decline

NORRLOF ’10 - an Associate Professor in the Department of Political Science at the University of Toronto (Carla, “ America’s Global Advantage US Hegemony and International Cooperation” p. 1-2)

The United States has been the most powerful country in the world for more than sixty years. Throughout this period, it has had the world’s largest economy and the world’s most important currency. For most of this time, it had the world’s most powerful military as well – and its military supremacy today is beyond question. We are truly in an era of US hegemony, a unipolar moment, a Pax Americana, which has enabled Americans to enjoy the highest standard of living in human history. Is this privileged position being undercut by serial trade deficits? The pessimists are growing more numerous by the day. They see the country’s spendthrift ways as a disaster waiting to happen. They warn that the cavernous gap in merchandise trade, well above 6 percent in 2006, is an ominous sign of competitive slippage. In 2008, the liabilities acquired to finance the shortfall in exports reached an amazing 29 percent of GDP. A falling dollar, military overstretch, the rise of the euro, the rise of China, and progressively deeper integration in East Asia are among the factors that many believe herald the imminent decline of American hegemony. In my view, the doomsayers are mistaken. I argue that American hegemony is stable and sustainable. While the United States certainly does face a number of challenges, an analysis of the linkages between trade, money, and security shows that American power is robust. This book is a story about why and how American hegemony works, and what other states would have to do to emulate or, on other grounds, thwart, America’s power base. As I will show, the United States benefits from running persistent trade deficits as a result of its special position in the international system. I will argue that any comparably situated country would choose to pursue the same cyclical deficit policy as the one encouraged by the US government. A series of size advantages cut across trade, money, and security: the size of the American market, the role of the dollar, and American military power interact to make a trade deficit policy rewarding and buffer the United States from the extreme consequences that a sustained deficit policy would otherwise have.

#### No impact to the transition

IKENBERRY ‘8 professor of Politics and International Affairs at Princeton University (John, The Rise of China and the Future of the West Can the Liberal System Survive?, Foreign Affairs, Jan/Feb)

Some observers believe that the American era is coming to an end, as the Western-oriented world order is replaced by one increasingly dominated by the East. The historian Niall Ferguson has written that the bloody twentieth century witnessed "the descent of the West" and "a reorientation of the world" toward the East. Realists go on to note that as China gets more powerful and the United States' position erodes, two things are likely to happen: China will try to use its growing influence to reshape the rules and institutions of the international system to better serve its interests, and other states in the system -- especially the declining hegemon -- will start to see China as a growing security threat. The result of these developments, they predict, will be tension, distrust, and conflict, the typical features of a power transition. In this view, the drama of China's rise will feature an increasingly powerful China and a declining United States locked in an epic battle over the rules and leadership of the international system. And as the world's largest country emerges not from within but outside the established post-World War II international order, it is a drama that will end with the grand ascendance of China and the onset of an Asian-centered world order. That course, however, is not inevitable. The rise of China does not have to trigger a wrenching hegemonic transition. The U.S.-Chinese power transition can be very different from those of the past because China faces an international order that is fundamentally different from those that past rising states confronted. China does not just face the United States; it faces a Western-centered system that is open, integrated, and rule-based, with wide and deep political foundations. The nuclear revolution, meanwhile, has made war among great powers unlikely -- eliminating the major tool that rising powers have used to overturn international systems defended by declining hegemonic states. Today's Western order, in short, is hard to overturn and easy to join. This unusually durable and expansive order is itself the product of farsighted U.S. leadership. After World War II, the United States did not simply establish itself as the leading world power. It led in the creation of universal institutions that not only invited global membership but also brought democracies and market societies closer together. It built an order that facilitated the participation and integration of both established great powers and newly independent states. (It is often forgotten that this postwar order was designed in large part to reintegrate the defeated Axis states and the beleaguered Allied states into a unified international system.) Today, China can gain full access to and thrive within this system. And if it does, China will rise, but the Western order -- if managed properly -- will live on.

#### Trade does not solve war—there’s no correlation between trade and peace

MARTIN et al ‘8 (Phillipe, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, and Centre for Economic Policy Research; Thierry MAYER, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, CEPII, and Centre for Economic Policy Research, Mathias THOENIG, University of Geneva and Paris School of Economics, The Review of Economic Studies 75)

Does globalization pacify international relations? The “liberal” view in political science argues that increasing trade flows and the spread of free markets and democracy should limit the incentive to use military force in interstate relations. This vision, which can partly be traced back to Kant’s Essay on Perpetual Peace (1795), has been very influential: The main objective of the European trade integration process was to prevent the killing and destruction of the two World Wars from ever happening again.1 Figure 1 suggests2 however, that during the 1870–2001 period, the correlation between trade openness and military conflicts is not a clear cut one. The first era of globalization, at the end of the 19th century, was a period of rising trade openness and multiple military conflicts, culminating with World War I. Then, the interwar period was characterized by a simultaneous collapse of world trade and conflicts. After World War II, world trade increased rapidly, while the number of conflicts decreased (although the risk of a global conflict was obviously high). There is no clear evidence that the 1990s, during which trade flows increased dramatically, was a period of lower prevalence of military conflicts, even taking into account the increase in the number of sovereign states.

#### Economic nationalism is inevitable – makes economic cooperation impossible

GOLDSTONE ‘7 - PhD candidate in the Department of Political Science and a member of the Security Studies Program at the Massachusetts Institute of Technology. He is a non-resident research fellow at the Center for Peace and Security Studies, Georgetown University (P.R.,”Does Globalization Bring War or Peace?”. September 25. http://www.alternet.org/audits/62848/?page=entire)

American policymakers should beware claims of globalization's axiomatic pacifying effects. Trade creates vested interests in peace, but these interests affect policy only to the extent they wield political clout. In many of the states whose behavior we most wish to alter, such sectors -- internationalist, export-oriented, reliant on global markets -- lack a privileged place at the political table. Until and unless these groups gain a greater voice within their own political system, attempts to rely on the presumed constraining effects of global trade carry substantially greater risk than commonly thought.

A few examples tell much. Quasi-democratic Russia is a state whose principal exposure to global markets lies in oil, a commodity whose considerable strategic coercive power the Putin regime freely invokes. The oil sector has effectively merged with the state, making Russia's deepening ties to the global economy a would-be weapon rather than an avenue of restraint. Russian economic liberalization without political liberalization is unlikely to pay the strong cooperative dividends many expect.

China will prove perhaps the ultimate test of the Pax Mercatoria. The increasing international Chinese presence in the oil and raw materials extraction sectors would seem to bode ill, given such sectors' consistent history elsewhere of urging state use of threats and force to secure these interests. Much will come down to the relative political influence of export-oriented sectors heavily reliant on foreign direct investment and easy access to the vast Western market versus the political power of their sectoral opposites: uncompetitive state-owned enterprises, energy and mineral complexes with important holdings in the global periphery, and a Chinese military that increasingly has become a de facto multi-sectoral economic-industrial conglomerate. Actions to bolster the former groups at the expense of the latter would be effort well spent.

At home, as even advanced sectors feel the competitive pressures of globalization, public support for internationalism and global engagement will face severe challenges. As more sectors undergo structural transformation, the natural coalitional constituency for committed global activist policy will erode; containing the gathering backlash will require considerable leadership.

Trade can indeed be a palliative; too often, however, we seem to think of economic interdependence as a panacea; the danger is that in particular instances it may prove no more than a placebo.

### State Budget – 1NC

#### Turn – plan destroys state flexibility, which is key to solve

MICA ‘11 - chairman of the Transportation and Infrastructure Committee (John, “Mica: States Will Have More Flexibility Without a National Infrastructure Bank”. July 21. http://www.rollcall.com/features/Transportation-2011\_Policy-Briefing/policy\_briefings/John-Mica-National-Infrastructure-Bank-207562-1.html?zkMobileView=true)

Significant reforms and improvements for transportation programs will increase the investment value of available infrastructure resources.

By leveraging limited funds more effectively, the level of infrastructure investment is increased. But a national infrastructure bank is not the best way to achieve this leverage.

The Federal Highway Administration estimates that for every federal dollar invested in state infrastructure banks, $9.45 in loans for transportation projects can be issued. To encourage states to better utilize SIBs, the Republican proposal increases the percentage of federal highway funding that a state can dedicate to a SIB from 10 percent to 15 percent, and states will receive a specific amount of funding that can be used only to fund SIBs.

Many states currently have infrastructure banks. The proposal builds upon this existing SIB structure rather than increasing the size of the bloated federal bureaucracy, as some advocate, by creating a national infrastructure bank. States will have more flexibility to make project decisions.

The proposal also expands the successful Transportation Infrastructure Finance and Innovation Act program. By dedicating $6 billion to TIFIA, $60 billion in low-interest loans to fund at least $120 billion in transportation projects will be generated. Additional TIFIA funding will help meet demand for credit assistance for projects, enabling increased leveraging of Highway Trust Fund dollars with state, local and private-sector investment.

The new fiscally responsible initiative streamlines the federal bureaucracy in other ways as well. There are more than 100 federal surface transportation programs, many of which are duplicative or do not serve a national interest. An unprecedented consolidation and elimination of about 70 of these programs under this proposal will decrease the size of the federal bureaucracy, freeing up funds that can be invested in infrastructure instead of siphoned off to maintain unnecessary programs.

#### Alt cause to education – teacher accountability systems

MINTROP AND SUNDERMAN ‘9 – Heinrich Mintrop is an associate professor in the Graduate School of Education at the University of California; AND\*\*\* Gail L. Sunderman is a senior research scientist and director of the Mid-Atlantic Equity Center at the George Washington University Center for Equity and Excellence in Education (Heinrich. Gail L. Sunderman. Sage Journals Online, “Predictable Failure of Federal Sanctions-Driven Accountability for School Improvement—And Why We May Retain It Anyway”, <http://edr.sagepub.com/cgi/content/full/38/5/353?ijkey=WezdCXsvUKaV.&keytype=ref&siteid=spedr>)

Accountability systems fashioned after NCLB principles violate core professional norms of educators and produce widespread frustration and demoralization among those charged with carrying out needed school improvement efforts. Although teaching to the test is acceptable to a certain degree, high pressure to do so to the exclusion of other more complex and far-reaching goals is not. As a result, teachers widely report that they need to compromise standards of good teaching when striving to meet accountability goals (Abrams et al., 2003; McNeil, 2000; Valenzuela, 2005). Indeed, schools’ performance or accountability status may be a poor indicator of their overall educational quality (Mintrop & Trujillo, 2007).

The moral discourse of accountability assigns failure to schools’ lack of high expectations and standards for all students and places the burden of responsibility on educators. Educators themselves are torn. They assume guilt and at the same time discount it (Booher-Jennings, 2005; Finnigan & Gross, 2007; Hargreaves, 2004; Mintrop, 2004). The belief is widespread that sanctions penalize teachers and administrators who have to work under the most difficult conditions in schools that serve children in poverty from many different demographic subgroups, a belief that resonates with evidence documented by research (Sunderman et al., 2004). As a result, low-performance labels attached to the organization are rejected as valid judgments of individual work quality (Mintrop, 2004).

#### No risk of a bioterror attack, and there won’t be retaliation - their evidence is hype

MATISHAK ‘10 (Martin, Global Security Newswire, “U.S. Unlikely to Respond to Biological Threat With Nuclear Strike, Experts Say,” 4-29, <http://www.globalsecuritynewswire.org/gsn/nw_20100429_7133.php>)

WASHINGTON -- The United States is not likely to use nuclear force to respond to a biological weapons threat, even though the Obama administration left open that option in its recent update to the nation's nuclear weapons policy, experts say (See GSN, April 22). "The notion that we are in imminent danger of confronting a scenario in which hundreds of thousands of people are dying in the streets of New York as a consequence of a biological weapons attack is fanciful," said Michael Moodie, a consultant who served as assistant director for multilateral affairs in the U.S. Arms Control and Disarmament Agency during the George H.W. Bush administration. Scenarios in which the United States suffers mass casualties as a result of such an event seem "to be taking the discussion out of the realm of reality and into one that is hypothetical and that has no meaning in the real world where this kind of exchange is just not going to happen," Moodie said this week in a telephone interview. "There are a lot of threat mongers who talk about devastating biological attacks that could kill tens of thousands, if not millions of Americans," according to Jonathan Tucker, a senior fellow with the James Martin Center for Nonproliferation Studies. "But in fact, no country out there today has anything close to what the Soviet Union had in terms of mass-casualty biological warfare capability. Advances in biotechnology are unlikely to change that situation, at least for the foreseeable future." No terrorist group would be capable of pulling off a massive biological attack, nor would it be deterred by the threat of nuclear retaliation, he added. The biological threat provision was addressed in the Defense Department-led Nuclear Posture Review, a restructuring of U.S. nuclear strategy, forces and readiness. The Obama administration pledged in the review that the United States would not conduct nuclear strikes on non-nuclear states that are in compliance with global nonproliferation regimes. However, the 72-page document contains a caveat that would allow Washington to set aside that policy, dubbed "negative security assurance," if it appeared that biological weapons had been made dangerous enough to cause major harm to the United States. "Given the catastrophic potential of biological weapons and the rapid pace of biotechnology development, the United States reserves the right to make any adjustment in the assurance that may be warranted by the evolution and proliferation of the biological weapons threat and U.S. capacities to counter that threat," the posture review report says. The caveat was included in the document because "in theory, biological weapons could kill millions of people," Gary Samore, senior White House coordinator for WMD counterterrorism and arms control, said last week after an event at the Carnegie Endowment for International Peace. Asked if the White House had identified a particular technological threshold that could provoke a nuclear strike, Samore replied: "No, and if we did we obviously would not be willing to put it out because countries would say, 'Oh, we can go right up to this level and it won't change policy.'" "It's deliberately ambiguous," he told Global Security Newswire. The document's key qualifications have become a lightning rod for criticism by Republican lawmakers who argue they eliminate the country's previous policy of "calculated ambiguity," in which U.S. leaders left open the possibility of executing a nuclear strike in response to virtually any hostile action against the United States or its allies (see GSN, April 15). Yet experts say there are a number of reasons why the United States is not likely to use a nuclear weapon to eliminate a non-nuclear threat. It could prove difficult for U.S. leaders to come up with a list of appropriate targets to strike with a nuclear warhead following a biological or chemical event, former Defense Undersecretary for Policy Walter Slocombe said during a recent panel discussion at the Hudson Institute. "I don't think nuclear weapons are necessary to deter these kinds of attacks given U.S. dominance in conventional military force," according to Gregory Koblentz, deputy director of the Biodefense Graduate Program at George Mason University in Northern Virginia. "There's a bigger downside to the nuclear nonproliferation side of the ledger for threatening to use nuclear weapons in those circumstances than there is the benefit of actually deterring a chemical or biological attack," Koblentz said during a recent panel discussion at the James Martin Center. The nonproliferation benefits for restricting the role of strategic weapons to deterring nuclear attacks outweigh the "marginal" reduction in the country's ability to stem the use of biological weapons, he said. In addition, the United States has efforts in place to defend against chemical and biological attacks such as vaccines and other medical countermeasures, he argued. "We have ways to mitigate the consequences of these attacks," Koblentz told the audience. "There's no way to mitigate the effects of a nuclear weapon." Regardless of the declaratory policy, the U.S. nuclear arsenal will always provide a "residual deterrent" against mass-casualty biological or chemical attacks, according to Tucker. "If a biological or chemical attack against the United States was of such a magnitude as to potentially warrant a nuclear response, no attacker could be confident that the U.S. -- in the heat of the moment -- would not retaliate with nuclear weapons, even if its declaratory policy is not to do so," he told GSN this week during a telephone interview. Political Benefits Experts are unsure what, if any, political benefit the country or President Barack Obama's sweeping nuclear nonproliferation agenda will gain from the posture review's biological weapons caveat. The report's reservation "was an unnecessary dilution of the strengthened negative security and a counterproductive elevation of biological weapons to the same strategic domain as nuclear weapons," Koblentz told GSN by e-mail this week. "The United States has nothing to gain by promoting the concept of the biological weapons as 'the poor man's atomic bomb,'" he added.

### 1NC- Warming

Transportation only accounts for 33% of fuels and massive alt causes to the plan- includes more than just highways

Bogo ‘9 (Jennifer Bogo, PopularMechanics.com “Report Sees Dire Future for Warming's Impact on U.S. Transport”, <http://www.popularmechanics.com/science/environment/4254048>, October 1, 2009, LEQ)

Transportation's contribution to global warming has been well articulated. It's responsible for 33 percent of United States emissions from fossil fuel combustion--more if you count the life-cycle emissions from extracting fuel and manufacturing vehicles. Now, for the first time, the government is taking an in-depth look at the flip scenario: how global warming is affecting transportation.

And more things than the plan are key to solve

Bogo ‘9 (Jennifer Bogo, PopularMechanics.com “Report Sees Dire Future for Warming's Impact on U.S. Transport”, <http://www.popularmechanics.com/science/environment/4254048>, October 1, 2009, LEQ)

In the near term, taking inventory of America's most vulnerable infrastructure will be key. By outfitting it with technology to monitor its condition, as well as shifts in regional climate, officials will be able to receive advanced warning of potential failures. The report emphasizes redundant communications and power systems for restoring transportation systems quickly in the event that they do go down. To adapt to new extremes, transportation providers should work more closely with weather forecasters and emergency planners, and respond to severe weather events in ways that are more routine and proactive than ad hoc. In other words, develop emergency response and evacuation plans before emergencies occur, and make sure they are communicated clearly to the people living in high-risk areas.

No warming and it’s not anthropogenic

Watson 9 (Steve, citing a report conducted by the Japan Society of Energy and Resources, the academic society representing scientists from the energy and resource fields, “Top Japanese Scientists: Warming Is Not Caused By Human Activity,” February 27th, <http://www.infowars.com/top-japanese-scientists-warming-is-not-caused-by-human-activity/>)

A major scientific report by leading Japanese academics concludes that global warming is not man-made and that the overall warming trend from the mid-part of the 20th Century onwards has now stopped. Unsurprisingly the report, which was released last month, has been completely ignored by the Western corporate media. The report was undertaken by Japan Society of Energy and Resources (JSER), the academic society representing scientists from the energy and resource fields. The JSER acts as a government advisory panel, much like the International Panel on Climate Change did for the UN. The JSER’s findings provide a stark contrast to the IPCC’s, however, with only one out of five top researchers agreeing with the claim that recent warming has been accelerated by man-made carbon emissions. The **government commissioned** report criticizes computer climate modeling and also says that the US ground temperature data set, used to back up the man-made warming claims, is too myopic. In the last month, no major Western media outlet has covered the report, which prompted British based sci-tech website The Register to commission a translation of the document. Section one highlights the fact that Global Warming has ceased, noting that since 2001, the increase in global temperatures has halted, despite a continuing increase in CO2 emissions. The report then states that the recent warming the planet has experienced is primarily a recovery from the so called "Little Ice Age" that occurred from around 1400 through to 1800, and is part of a natural cycle. The researchers also conclude that global warming and the halting of the temperature rise are related to solar activity, a notion previously dismissed by the IPCC. "The hypothesis that the majority of global warming can be ascribed to the Greenhouse Effect is mistaken." the report’s introduction states. Kanya Kusano, Program Director and Group Leader for the Earth Simulator at the Japan Agency for Marine-Earth Science & Technology (JAMSTEC) reiterates this point: "[The IPCC's] conclusion that from now on atmospheric temperatures are likely to show a continuous, monotonic increase, should be perceived as an unprovable hypothesis," Shunichi Akasofu, head of the International Arctic Research Center in Alaska, cites historical data to challenge the claim that very recent temperatures represent an anomaly: "We should be cautious, IPCC’s theory that atmospheric temperature has risen since 2000 in correspondence with CO2 is nothing but a hypothesis. " "Before anyone noticed, this hypothesis has been substituted for truth… The opinion that great disaster will really happen must be broken." Akasofu concludes. The key passages of the translated report can be found here. The conclusions within the report dovetail with those of hundreds of Western scientists, who have been derided and even compared with holocaust deniers for challenging the so called "consensus" on global warming. The total lack of exposure that this major report has received is another example of how skewed coverage of climate change is toward one set of hypotheses. This serves the agenda to deliberately whip up mass hysteria on behalf of governments who are all too eager to introduce draconian taxation and control measures that won’t do anything to combat any form of warming, whether you believe it to be natural or man-made.

Newest data proves the greenhouse effect is a hoax

IBT 11(International Business Times, Citing report from NASA’s Terra Satellite, “Global Warming a Hoax? NASA Reveals Earth Releasing Heat into Space,” 7/30, <http://sanfrancisco.ibtimes.com/articles/189649/20110730/global-warming-hoax-nasa-earth-releasing-heat-space.htm>)

With new data collected from a NASA's Terra satellite, the previous model may be proven as a hoax. Hypothesis based on the satellite's findings show that planet Earth actually releases heat into space, more than it retains it. The higher efficiency of releasing energy outside of Earth contradicts former forecasts of climate change. Dr. Roy Spencer, a team leader for NASA's Aqua satellite, studied a decade worth of satellite data regarding cloud surface temperatures. "The satellite observations suggest there is much more energy lost to space during and after warming than the climate models show...There is a huge discrepancy between the data and the forecasts that is especially big over the oceans," said Dr. Spencer. By cross examining data with other Climate Change models, he concluded that carbon dioxide is just a minor part in global warming. His studies have garnered media attention and that the data are going against the beliefs of global warming alarmists by disproving their theory.

Cooling now - outweighs emissions

NIPCC ’10(Nongovernmental International Panel on Climate Change, multi-national scientific coalition comprised of leading climate scientists, “Acknowledging Recent Natural Cooling,” http://www.nipccreport.org/articles/2010/jun/25jun2010a1.html)

In a paper entitled "A strong bout of natural cooling in 2008," which was published in *Geophysical Research Letters*, Perlwitz *et al*. (2009) recount some interesting facts about which many climate alarmists would rather the public remained unaware, including the fact that there was, in Perlwitz *et al*.'s words, "a precipitous drop in North American temperature in 2008, commingled with a decade-long fall in global mean temperatures." Perlwitz *et al*. begin their narrative by noting that there has been "a decade-long decline (1998-2007) in globally averaged temperatures from the record heat of 1998," citing Easterling and Wehner (2009). And in further describing this phenomenon, they say that U.S. temperatures in 2008 "not only declined from near-record warmth of prior years, but were in fact colder than the official 30-year reference climatology (-0.2°C versus the 1971-2000 mean) and further were the coldest since at least 1996." With respect to the geographical origin of this "natural cooling," as they describe it, the five researchers point to "a widespread coolness of the tropical-wide oceans and the northeastern Pacific," focusing on the Niño 4 region, where they report that "anomalies of about -1.1°C suggest a condition colder than any in the instrumental record since 1871." So, pushing the cause of the global and U.S. coolings that sparked their original interest back another link in the chain which -- in their estimation -- connects them with other more primary phenomena, they ask themselves what caused these *latter* anomalous and significant oceanic coolings? Perlwitz *et al*. first discount *volcanic eruptions*, because they say "there were no significant volcanic events in the last few years." Secondly, they write that *solar forcing* "is also unlikely," because its radiative magnitude is considered to be too weak to elicit such a response. And these two castaway causes thus leave them with "coupled ocean-atmosphere-land variability" as what they consider to be the "most likely" cause of the anomalous coolings. In regard to these three points, we agree with the first. With respect to Perlwitz *et al*.'s dismissal of solar forcing, however, we note that the jury is still out with respect to the interaction of the solar wind with the influx of cosmic rays to earth's atmosphere and their subsequent impact on cloud formation, which may yet prove to be substantial. And with respect to their final point, we note that the suite of real-world ocean-atmosphere-land interactions is highly complex and also not fully understood. Indeed, there may even be important phenomena operating within this realm of which the entire scientific community is ***ignorant***. And some of those phenomena may well be strong enough to ***totally compensate*** for anthropogenic-induced increases in greenhouse gas emissions, so that other natural phenomena end up dictating the ever-changing state of earth's climate, as could well be what has been happening over the last decade or more. In light of these considerations, therefore, as well as the substantial *strength* and *longevity* of the planet's current cooling phase, the path of wisdom would seem to us to be to wait and see what happens next, in the unfolding biogeophysical drama of earth's ever-changing climatic path to the future, before we undertake to attempt to *change* what we clearly do not fully *comprehend*.

Your evidence is based on flawed studies - warming’s not a threat and not anthropogenic

Leake 10 (Jonathan, Times Online, Citing John Christy of the UA Huntsville, a former author for the IPCC, “World may not be warming, say scientists,” 2-14, <http://www.timesonline.co.uk/tol/news/environment/article7026317.ece?print=yes&randnum=1269060067737>)

The United Nations climate panel faces a new challenge with scientists casting doubt on its claim that global temperatures are rising inexorably because of human pollution. In its last assessment the Intergovernmental Panel on Climate Change (IPCC) said the evidence that the world was warming was “unequivocal”. It warned that greenhouse gases had already heated the world by 0.7C and that there could be 5C-6C more warming by 2100, with devastating impacts on humanity and wildlife. However, new research, including work by British scientists, is casting doubt on such claims. Some even suggest the world may not be warming much at all. “The temperature records cannot be relied on as indicators of global change,” said John Christy, professor of atmospheric science at the University of Alabama in Huntsville, a former lead author on the IPCC. The doubts of Christy and a number of other researchers focus on the thousands of weather stations around the world, which have been used to collect temperature data over the past 150 years. These stations, they believe, have been seriously compromised by factors such as urbanisation, changes in land use and, in many cases, being moved from site to site. Christy has published research papers looking at these effects in three different regions: east Africa, and the American states of California and Alabama. “The story is the same for each one,” he said. “The popular data sets show a lot of warming but the apparent temperature rise was actually caused by local factors affecting the weather stations, such as land development.” The IPCC faces similar criticisms from Ross McKitrick, professor of economics at the University of Guelph, Canada, who was invited by the panel to review its last report. The experience turned him into a strong critic and he has since published a research paper questioning its methods. “We concluded, with overwhelming statistical significance, that the IPCC’s climate data are contaminated with surface effects from industrialisation and data quality problems. These add up to a large warming bias,” he said. Such warnings are supported by a study of US weather stations co-written by Anthony Watts, an American meteorologist and climate change sceptic. His study, which has not been peer reviewed, is illustrated with photographs of weather stations in locations where their readings are distorted by heat-generating equipment. Some are next to air- conditioning units or are on waste treatment plants. One of the most infamous shows a weather station next to a waste incinerator. Watts has also found examples overseas, such as the weather station at Rome airport, which catches the hot exhaust fumes emitted by taxiing jets. In Britain, a weather station at Manchester airport was built when the surrounding land was mainly fields but is now surrounded by heat-generating buildings. Terry Mills, professor of applied statistics and econometrics at Loughborough University, looked at the same data as the IPCC. He found that the warming trend it reported over the past 30 years or so was just as likely to be due to random fluctuations as to the impacts of greenhouse gases. Mills’s findings are to be published in Climatic Change, an environmental journal. “The earth has gone through warming spells like these at least twice before in the last 1,000 years,” he said.

No extinction

NIPCC 11. Nongovernmental International Panel on Climate Change. Surviving the unprecedented climate change of the IPCC. 8 March 2011. <http://www.nipccreport.org/articles/2011/mar/8mar2011a5.html>

In a paper published in *Systematics and Biodiversity*, Willis *et al*. (2010) consider the IPCC (2007) "predicted climatic changes for the next century" -- i.e., their contentions that "global temperatures will increase by 2-4°C and possibly beyond, sea levels will rise (~1 m ± 0.5 m), and atmospheric CO2will increase by up to 1000 ppm" -- noting that it is "widely suggested that the magnitude and rate of these changes will result in many plants and animals going extinct," citing studies that suggest that "within the next century, over 35% of some biota will have gone extinct (Thomas *et al*., 2004; Solomon *et al*., 2007) and there will be extensive die-back of the tropical rainforest due to climate change (e.g. Huntingford *et al*., 2008)." On the other hand, they indicate that some biologists and climatologists have pointed out that "many of the predicted increases in climate have happened before, in terms of both magnitude and rate of change (e.g. Royer, 2008; Zachos *et al*., 2008), and yet biotic communities have remained remarkably resilient (Mayle and Power, 2008) and in some cases thrived (Svenning and Condit, 2008)." But they report that those who mention these things are often "placed in the 'climate-change denier' category," although the purpose for pointing out these facts is simply to present "a sound scientific basis for understanding biotic responses to the magnitudes and rates of climate change predicted for the future through using the vast data resource that we can exploit in fossil records." Going on to do just that, Willis *et al*. focus on "intervals in time in the fossil record when atmospheric CO2 concentrations increased up to 1200 ppm, temperatures in mid- to high-latitudes increased by greater than 4°C within 60 years, and sea levels rose by up to 3 m higher than present," describing studies of past biotic responses that indicate "the scale and impact of the magnitude and rate of such climate changes on biodiversity." And what emerges from those studies, as they describe it, "is evidence for rapid community turnover, migrations, development of novel ecosystems and thresholds from one stable ecosystem state to another." And, most importantly in this regard, they report "there is very little evidence for broad-scale extinctions due to a warming world." In concluding, the Norwegian, Swedish and UK researchers say that "based on such evidence we urge some caution in assuming broad-scale extinctions of species will occur due solely to climate changes of the magnitude and rate predicted for the next century," reiterating that "the fossil record indicates remarkable biotic resilience to wide amplitude fluctuations in climate."

# Disadvantages

## Federalism

#### A federal infrastructure bank kills normal state authority over infrastructure

Mallet, Specialist in Transportation Policy, Maguire, Specialist in Public Finance, and Kosar, Analyst in American National Government, 2011

William, Steven and Kevin, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation,” December 14, http://www.fas.org/sgp/crs/misc/R42115.pdf, last accessed 5.20.12

A fourth possible disadvantage is that a national infrastructure bank may shift some decision making from the state and local level to the federal level. Although the initiation of projects will come from state and local decision-makers, a national infrastructure bank will make the final determination about financing. Some argue that this will reduce state and local flexibility and give too much authority to centralized decision-makers divorced from local conditions.54

#### Turn – The bank would centralize decision undermining local control

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

A fourth possible disadvantage is that a national infrastructure bank may shift some decision making from the state and local level to the federal level. Although the initiation of projects will come from state and local decision-makers, a national infrastructure bank will make the final determination about financing. Some argue that this will reduce state and local flexibility and give too much authority to centralized decision-makers divorced from local conditions.54

### Federalism Now

#### Federalism good – states and individuals own more than the Fed

**U.S. Department of Transportation**, “Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance Report to Congress,” **2008,** [**http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm**](http://www.fhwa.dot.gov/policy/2008cpr/execsum.htm)

**Ownership** is largely **split among the Federal, State, and local governments**. Roads owned by **these** governments **are considered "public."** **States own** slightly **over 20 percent of the Nation's public road mileage**. **The Fed**eral government **controls approximately 3.2 percent**, primarily **in National Parks and Forests, on Indian reservations, and on military bases. In** 20**06**, approximately **76.5 percent of American roads were locally owned**. In general, owners construct and maintain the roads with the aid of substantial financial [assistance](http://www.fhwa.dot.gov/policy/2008cpr/chap2.htm) from other levels of government; some intergovernmental agreements authorize States to directly construct and maintain locally owned highways under certain conditions. As Exhibit 2-1 demonstrates, the share of locally owned roads grew slightly over the past decade. The share of local public road mileage increased from 75.3 to 76.5 percent between 1997 and 2006. During that same period, the share of State-owned public road mileage remained mostly constant at 20.4 percent in 1997 and 20.3 percent in 2006.**The share of Federally owned public road mileage declined from 4.3 percent in 1997 to 3.2 percent in 2006.** This drop can be attributed to the decision not to count country forest development roads as public roads in 1998. As such, Federal, rural area road mileage decreased significantly between 1997 and 2000. **Federal road mileage reached a peak in** 19**84,** when 7 percent of all public roads were owned by the Federal government , **and has steadily decreased since then**. Much of the change occurred as the result of Federal land management agencies reclassifying some of their mileage from public to nonpublic status.

## Budget DA

#### And, an infrastructure bank would cause runaway spending on wasteful infrastructure projects—wastes stimulus that could be used for more productive projects

Washington Times, 2011

“Editorial: Obama’s infrastructure boondoggle,” March 16, http://www.washingtontimes.com/news/2011/mar/16/obamas-infrastructure-boondoggle/, last accessed 5.22.12

The last thing America needs right now is another government agency. Apparently, [Sen. John Kerry](http://www.washingtontimes.com/topics/john-kerry/), Massachusetts Democrat, doesn’t agree. On Tuesday, he announced his intention to establish the [American Infrastructure Financing Authority](http://www.washingtontimes.com/topics/american-infrastructure-financing-authority/) ([AIFA](http://www.washingtontimes.com/topics/american-infrastructure-financing-authority/)). President [Obama](http://www.washingtontimes.com/topics/barack-obama/) has championed the idea as an “innovative” solution to our transportation and energy problems. This bad idea was actually lifted directly out of the New Deal playbook.

[Mr. Kerry](http://www.washingtontimes.com/topics/john-kerry/)’s plan would spend $10 billion in taxpayer funds to create an infrastructure bank that offers loans and loan guarantees for transportation, energy and water projects deemed to be of public benefit. The idea is to leverage the taxpayer cash into $640 billion worth of investment in infrastructure. That extra $630 billion doesn’t come from thin air; ultimately, it would be extracted from the taxpayers’ pockets. “We will still need public funding, or if we use private dollars, they will still have to be paid back with tolls or something else,” said [Sen. Mark Warner](http://www.washingtontimes.com/topics/mark-warner/), Virginia Democrat, at a Tuesday press conference in support of the bill.

Individuals would pay those tolls and extra charges to construct projects deemed unsuitable by private investment banks. Traditionally, financial firms that answer to shareholders only approve the deals that are most likely to succeed. [Mr. Kerry](http://www.washingtontimes.com/topics/john-kerry/)’s agency would be set up to give the necessary edge for marginal and uneconomic boondoggles. This reduces the amount of capital available to more promising endeavors. On the other hand, politically correct monetary sinkholes like high-speed rail, windmills and solar panels would thrive.

In theory, this bank would eventually pay for itself through fees charged for its loan services, but it will never operate like a real company. The agency’s board of directors is appointed by the president with the majority reflecting the beliefs of the party occupying the White House. It will be staffed by civil servants beholden to big government for their paychecks. Those on the public dole have never been particularly adept at protecting the interests of the people who pay those plush salaries.

[Mr. Kerry](http://www.washingtontimes.com/topics/john-kerry/) asserted that because the deals would be funded from tolls and other charges, “The chances of this failing are really miniscule.” Yet the risk is substantial as toll roads have a long history of failure. The very first High-Occupancy Toll project, the 91 Express Lanes in Orange County, Calif., required a $135 million bailout in 2002. Greenville, S.C.’s Southern Connector went bust in June. Closer to home, Richmond’s Pocahontas Parkway required a state bailout. In Australia, three multibillion-dollar tolling schemes went bankrupt in the past three years.

This is relevant because the agency’s “leverage” comes from risking the full faith and credit of the U.S. government against the integrity of these projects. This is an arrangement developed by President Franklin D. Roosevelt, who created the government-sponsored enterprises that became Fannie Mae and Freddie Mac. We know how well that turned out, with taxpayers facing a bill of up to $250 billion to clean up the mess.

### Budget Links

#### NIB Increases debt

Kessler’11 Ryan McConaghy and Jim Kessler http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf; A National Infrastructure Bank, Third Way. Jim Kessler is the Vice President for Policy at Third Way Ryan McConaghy is Deputy Director of the Third Way Economic Program, Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. Figueroa

The NIB would add to the federal debt and budget deficit if it were to use debt to finance its activities and if there were not cuts in federal spending taken elsewhere. There is also a trade-off between independence from political influence and cost of borrowing. If an NIB is a federal agency, it may draw upon Treasury’s low interest rates to finance its activities. If it is a shareholder–owned entity, it would incur higher costs of borrowing than Treasury, so the loans going to recipients would have to be at higher interest rates.113

## Investment Tradeoff DA

#### **Investment funds are limited – the bank would tradeoff with status quo investments**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

One of the main arguments for creating a national infrastructure bank is to encourage investment that would otherwise not take place. This investment is especially thought to be lacking for large, expensive projects whose costs are borne locally but whose benefits are regional or national in scope.33 A national infrastructure bank might help facilitate such projects by providing large amounts of financing on advantageous terms.34 For instance, an infrastructure bank could provide loans with very long maturities and allow repayment to be deferred until a facility is up and running.

Whether this would lead to an increase in the total amount of capital devoted to infrastructure investment is unclear. One purported advantage of certain types of infrastructure banks is access to private capital, such as pension funds and international investors. These entities, which are generally not subject to U.S. taxes, may be uninterested in purchasing the tax-exempt bonds that are traditionally a major source of project finance, but might be willing to make equity or debt investments in infrastructure in cooperation with a national infrastructure bank. If this shift were to occur, however, it could be to the detriment of existing investment, as the additional investment in infrastructure may be drawn from a relatively fixed amount of available investment funds. Even if it were to increase the total amount of infrastructure investment, an infrastructure bank may not be the lowest-cost means of achieving that goal. The Congressional Budget Office has pointed out that a special entity that issues its own debt would not be able to match the lower interest and issuance costs of the U.S. Treasury.35

## Highway Bill DA

#### Bank tradesoff with current highway and transit programs

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Moreover, those banks that would also make grants would lose money on every grant made, effectively losing both interest and principal the minute the grant is made. This has led one critic to observe that “institutions that give away money without requiring repayment are properly called ‘foundations’ not ‘banks.’”[1] Senator James Inhofe, ranking member on the Senate’s Environment and Public Works Committee, likewise noted that:

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.[2]

Senator Inhofe makes a very good point by wondering about what the value added would be of creating another federal transportation program (independent of the current one under some proposals) when you already have one that has been up and running for more than half a century and, for the most part, has served the nation well. More specific to some of the infrastructure bank proposals is the emphasis on loans and loan guarantees as opposed to grants, suggesting that the bank will somehow be paid back—a notion about which, as we have seen, we have reason to be skeptical.

#### Obama’s bank would be seeded by highway funds

Scott Thomasson 2011, Economic and Domestic Policy Director Progressive Policy Institute

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Much of the criticism of the infrastructure bank focuses on features that are not shared by all the proposals now before Congress. For example, the objection that is most frequently misapplied is that the infrastructure bank is not a true “bank,” because it makes grants in addition to issuing loans. The argument is that making grants is essentially giving money away for free, something a “real bank” would never do. This criticism has been lobbed against the president’s jobs bill proposal many times since he announced it, but it simply does not apply to that proposal, which is limited to loans and loan guarantees.

The president’s current proposal in the American Jobs Act is not the same as his own earlier “IBank” included in his most recent budget proposal submitted to Congress earlier this year, nor is it the same as previous bills offered by Congresswoman DeLauro, Senator Dodd, and others, which are the versions many opponents choose as the targets of their criticism. The president’s jobs bill proposal adopts the model that resulted from a thoughtful bipartisan effort in the Senate, embodied in the BUILD Act in introduced by John Kerry, Kay Bailey Hutchison, Mark Warner, and Lindsay Graham. The BUILD Act represents an entirely new approach to the idea of creating an infrastructure bank, one that goes a long way to reconcile the huge levels of needed investment with the very real spending constraints facing Congress. This proposal launches the bank on a fiscally responsible scale, while preserving the best principles of political independence and merit-based decision making that make the bank worth doing in the first place. They do this by structuring their bank as an independent, government-owned financing authority using model used by the U.S. Export-Import Bank, the TIFIA program, and other well-run existing federal credit programs, none of which bear any resemblance to shareholder-owned GSEs like Fannie Mae and Freddie Mac. Both the BUILD Act and the American Jobs Act would create a new entity called the American Infrastructure Financing Authority (“AIFA”). The AIFA proposal has been the subject of much confusion and misinformation, with opponents painting a misleading picture of what this type of bank would look like and how it would finance infrastructure projects. The difference between the investment tools offered in the bipartisan AIFA proposal and earlier approaches starts with understanding the distinction between funding and financing. Grants and funding programs “give money away for free” by spending federal money directly to pay for projects, or passing that money along to states and local governments to pay for them. Financing programs like AIFA and TIFIA require repayment of loans and reimbursement from borrowers for the default risks assumed by the federal government, making the Treasury whole for its financing of the project. AIFA loans and loan guarantees would be issued using the same credit mechanisms as TIFIA and RRIF established under the Federal Credit Reform Act (“FCRA”). This approach makes AIFA a particularly appropriate successor to the TIFIA program for transportation projects. Because of this structural compatibility with FCRA-based credit programs, combined with the independence and expertise of its staff and board of directors, an AIFA-type entity could provide a unique opportunity to enhance existing programs by offering those programs the option of utilizing its staff and resources to assist in the evaluation of loan applications. Offices like RRIF or the DOE loan guarantee programs could retain their discretion to make final decisions on applications, while improving the review and structuring of those projects by calling on the bank as a financial advisor. AIFA would be funded with a one-time discretionary appropriation of $10 billion. While the initial start-up funding could be paid for using funding from the surface transportation bill or other legislation reported from this Committee, there has thus far been no proposal to do so. A key feature of AIFA is that it is designed to be self-sustaining. The bipartisan Senate proposal is carefully structured to ensure it adheres to the requirement to operate without ongoing appropriations from Congress.

# Counterplans

## CP: States

#### Text:

#### The fifty states of the United States and all relevant territories should create independent state infrastructure banks. We’ll clarify

Counterplan solves the aff-

States can create successful infrastructure banks without federal oversight

Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

Create new public/private institutions. To finance the kind of major investments necessary to support the Next Economy, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies, states should establish a state infrastructure bank (SIB) or enhance it if one is already in place. Beginning in 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for states. Since then, 33 states have established SIBs to finance transportation projects. Most of this support comes in the form of belowmarket 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.

#### And, state infrastructure banks are more flexible—able to provide a variety of financing options

Giglio, Ph.D., professor of strategic management at Northeastern University’s College of Business Administration, 2011

Joseph, Patriot Ledger, “Infrastructure bank provides invaluable resources,” December 5, http://www.patriotledger.com/topstories/x1178219699/COMMENTARY-Infrastructure-bank-provides-invaluable-resources?zc\_p=0, last accessed 5.25.12

Under the 2005 Federal Highway Authorization bill, known as SAFETEA-LU, all states were given the authority to establish state and even regional infrastructure banks. This followed a period during the 1990s when at different times anywhere from 10 to 39 states were allowed to experiment with these banks under a series of federal pilot programs. A state infrastructure bank (SIB) offers several major benefits. First, it allows a state to leverage existing scarce resources. States can build more projects with fewer dollars and accelerate construction, especially for projects whose economic benefits can be identified and captured. This approach ameliorates the impact of inflation on construction costs and allows benefits like job creation, private sector income and tax revenue to be realized sooner than they would be using traditional infrastructure investment. Second, by offering an array of financing tools such as low-interest loans, refinancing and construction financing, an SIB can increase flexibility by tailoring financing packages to meet specific project needs. Closely related, infrastructure banks can facilitate projects that are financially tenuous by providing lines of credit or insurance. Equally important, the availability of a menu of financing tools coupled with the ability to have other debt paid before the infrastructure bank loan is paid back can attract private capital and local government funding, further enhancing a state’s ability to husband scarce infrastructure funding resources. A third benefit to creating an SIB is the opportunity for states to develop a self-renewable, insulated source of future capital. Simply put, an SIB recycles resources by re-loaning funds as they are repaid. The repaid funds effectively become state resources. In addition to increased leverage and additional flexibility, this allows states to develop and control their own source of capital.

### States Solve 2NC

#### State and private industry managed infrastructure avoids environmental catastrophe and increases efficiency

Chris Edwards, the director of tax policy studies at Cato, October 21, 2011 “Infrastructure Projects to Fix the Economy? Don't Bank on It,” http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it

In a recent television ad for her network, MSNBC host Rachel Maddow stands below the Hoover Dam and asks whether we are still a country that can "think this big" — Hoover Dam big. The commercial is built on the assumption that American greatness is advanced by federal spending on major infrastructure projects. If I had my own television commercial, I'd stand in front of the wreckage of Idaho's Teton Dam,which, like the Hoover Dam, was built by the federal Bureau of Reclamation. The Teton Dam was based on shoddy engineering and a flawed economic analysis. It collapsed catastrophically in 1976, just a year after it was built. Increased infrastructure spending has bipartisan support in Washington these days. President Obama wants a new federal infrastructure bank, and members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and bureaucratic bungling, with money often going to wasteful and environmentally damaging projects. When the federal government 'thinks big,' it often makes big mistakes. For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the federal government shouldn't be in the infrastructure business. Rather, state governments and the private sector are best equipped to provide it.The Corps of Engineers has been building levees, canals and other civilian water infrastructure for more than 200 years — and it has made missteps the entire time. In the post-Civil War era, for example, there were widespread complaints about the Corps' wastefulness and mismanagement. A 1971 book by Arthur Morgan, a distinguished engineer and former chairman of the Tennessee Valley Authority, concluded: "There have been over the past 100 years consistent and disastrous failures by the Corps in public works areas ... resulting in enormous and unnecessary costs to ecology [and] the taxpayer." Some of the highest-profile failures include the Great Mississippi Flood of 1927. That disaster dramatically proved the shortcomings of the Corps' approach to flood control, which it had stubbornly defended despite outside criticism. Hurricane Katrina in 2005 was like a dreadful repeat. The flooding was in large part a man-made disaster stemming from poor engineering by the Corps and misdirected funding by Congress. Meanwhile, the Bureau of Reclamation has been building economically dubious and environmentally harmful dams since 1902. Right from the start, "every Senator ... wanted a project in his state; every Congressman wanted one in his district; they didn't care whether they made economic sense or not," concluded Marc Reisner in his classic history of the agency, Cadillac Desert. The dam-building pork barrel went on for decades, until the agency ran out of rivers into which it could pour concrete. Looking at the Corps and Reclamation, the first lesson about federal infrastructure projects is that you can't trust the cost-benefit analyses. Both agencies have a history of fudging their studies to make proposed projects look better, understating the costs and overstating the benefits. And we've known it, too. In the 1950s, Sen. Paul Douglas (D-Ill.), lambasted the distorted analyses of the Corps and Reclamation. According to Reisner, Reclamation's chief analyst admitted that in the 1960s he had to "jerk around" the numbers to make one major project look sound and that others were "pure trash" from an economics perspective. In the 1970s, Jimmy Carter ripped into the "computational manipulation" of the Corps. And in 2006, the Government Accountability Office found that the Corps' analyses were "fraught with errors, mistakes, and miscalculations, and used invalid assumptions and outdated data." Even if federal agencies calculate the numbers properly, members of Congress often push ahead with "trash" projects anyway. Then-senator Christopher Bond of Missouri vowed to make sure that the Corps' projects in his state were funded, no matter what the economic studies concluded, according to extensive Washington Post reporting on the Corps in 2000. And the onetime head of the Senate committee overseeing the Corps, George Voinovich of Ohio, blurted out at a hearing: "We don't care what the Corps cost-benefit is. We're going to build it anyhow because Congress says it's going to be built." As Morgan noted in his 1971 book, these big projects have often damaged both taxpayers and ecology. The Corps, Reisner argues, has "ruined more wetlands than anyone in history" with its infrastructure. Meanwhile, Reclamation killed wetlands and salmon fisheries as it built dams to provide high-cost irrigation water to farmers in the West — so they could grow crops that often compete with more efficiently grown crops in the East. Taxpayers are double losers from all this infrastructure. They paid to build it, and now they are paying to clean up the environmental damage. In Florida, for example, the Corps' projects, along with federal sugar subsidies, have damaged the Everglades. So the government is helping to fund a multibillion-dollar restoration plan. In the West, federal irrigation has increased salinity levels in rivers, necessitating desalination efforts such as a $245 millionplant in Yuma, Ariz. And in a large area of California's San Joaquin Valley, federal irrigation has created such toxic runoff that the government is considering spending up to $2 billion to fix the damage, according to some estimates. When the federal government "thinks big," it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, it replicates the mistakes across the nation. Today, for instance, Reclamation's huge underpricing of irrigation water is contributing to a water crisis across much of the West. Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities. When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. The solution is to move as much infrastructure funding as we can to the state, local and private levels. That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It's true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren't automatically repeated across the country. The states should be the laboratories for infrastructure. We should further encourage their experiments by bringing in private-sector financing. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed — the densely populated Northeast. As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation's massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports. The recent infrastructure debate has focused on job creation, and whether projects are "shovel ready." The more important question is who is holding the shovel. When it's the federal government, we've found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let's give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They're ready.

### States Solve- Ext.

#### Private or state funding is preferable, four reasons.

House of Representatives ‘11 (Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, October 12, 2011, “NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY AND MORE RED TAPE”, <http://www.gpo.gov/fdsys/pkg/CHRG-112hhrg70681/pdf/CHRG-112hhrg70681.pdf>-mrb)

First, the Federal Government, having run out of money, should not finance facilities that can be financed by others. Second, because U.S. transportation systems have a long userpays tradition, having been financed over long periods by private investors and by user-funded, dedicated road funds. As you all know, the Federal Highway Trust Fund was set up in 1956 with great care to avoid subsidies from general revenues. And this seems to me to be a precedent worth following. Third, Government involvement can actually delay projects, and even politicize them, so that the most urgently needed projects do not get funded. This point is pertinent, because the executive branch seems to have a problem in identifying viable projects on which to spend taxpayers’ money. Job creation does not justify all projects. And the private sector actually tends to be good at finding those with benefits that exceed costs. In my testimony I suggest that priority be given to relieving urban traffic congestion by providing express toll lanes, the tolls being collected electronically and varied to ensure free flow on the lanes at all times. Finally, Federal involvement raises costs, for example, because of numerous regulations, including those arising from the DavisBacon and ‘‘Buy American’’ acts. Therefore, for projects that cannot be financed by private investment, it seems to me that financing by individual States seems preferable to Federal financing.