## NIB Aff

### 1ac Plan

**Plan: The United States federal government should establish a national infrastructure bank to substantially increase its transportation infrastructure investment.**

### 1ac Advantage

**Contention 1 is the Advantage ---**

**Declining transportation infrastructure is undermining the foundation of the U.S. economy --- investment alone will create millions of jobs in the short-term**

**Donohue, 11** --- president and chief executive officer of the US Chamber of Commerce (9/8/2011, Thomas J., Christian Science Monitor, “The highway to jobs - via better infrastructure,” Factiva, JMP)

As Obama and Congress talk jobs, here's an appeal from the US Chamber of Commerce: Invest heavily in roads, air transport, and other infrastructure. The economy and jobs depend on it. Adopt innovative financing, including an infrastructure bank to leverage private investment.

Throughout America's history, feats in infrastructure, like the Interstate Highway System, have not only been symbols of national achievement but also conduits for commerce and keys to prosperity.

Today, however, much of this foundation of the US economy is costly, cracked, and crumbling. Roads, rail, airports, and harbors need continual investment to keep pace with demand.

Recent research by the US Chamber of Commerce discovered that underperforming transport infrastructure cost the US economy nearly $2 trillion in lost gross domestic product in 2008 and 2009. The chamber's Transportation Performance Index showed that America's transit system is not keeping up with growing demands and is failing to meet the needs of the business community and consumers.

Most important, the research proved for the first time that there is a **direct relationship between transportation infrastructure performance and GDP**.

The index findings also showed that if America invests wisely in infrastructure, it can become more reliable, predictable, and safe. By improving underperforming transport infrastructure, the United States could unlock nearly $1 trillion in economic potential.

Making investments that tackle immediate challenges, like congestion, and that account for growing demand into the future, America would boost productivity and economic growth in the long run and support millions of jobs in the near term.

Investment in infrastructure would also improve quality of life by reducing highway fatalities and accidents and easing traffic congestion that costs the public $115 billion a year in lost time and wasted fuel - $808 out of the pocket of every motorist. Such an investment would also allow the country to better protect the environment while increasing mobility.

If America fails to adequately invest in transportation infrastructure, by 2020 it will lose $897 billion in economic growth. Businesses will see their transportation costs rise by $430 billion, and the average American household income will drop by more than $7,000. US exports will decline by $28 billion. Meanwhile, global competitors will surge past us with superior infrastructure that will attract jobs, businesses, and capital.

So how can the US get its infrastructure to go from insufficient and declining to safe, competitive, and productive? An obvious place to start is for Congress to pass core bills for surface transportation, aviation, and water programs - at current funding levels. Congress must move forward with multiyear reauthorizations to restore the nation's highways; modernize air traffic control and improve airports; and maintain American ports, harbors, dams, and levees.Doing so would enable communities to plan projects, hire employees, and prevent devastating layoffs of existing workers. Reauthorizing the Federal Aviation Administration alone would help keep 70,000 workers on the job.

Next, America should expand energy infrastructure to support growing needs. A great example is the Keystone XL pipeline to connect Canadian oil sands with Texas refineries. The sooner the project is approved and construction begins, the sooner the US can rake in the benefits of added investment and government revenues, job creation, and more resources to fuel energy needs and keep costs down for businesses and consumers.

Likewise, the US can't let a needlessly cumbersome permitting process stand in the way of infrastructure development. The administration should limit environmental reviews to six months and forgo reviews when no significant environmental impact is expected. Duplicative reviews by state and federal governments should be prevented and, when multiple agencies are involved, a lead agency should be appointed to coordinate actions and move things along. Accelerating the permitting process would quickly mobilize construction and hiring from one end of the country to the other.

In this era of tight government budgets, America must adopt innovative financing approaches and spur on public-private partnerships. A national infrastructure bank must be a part of a long-term investment strategy. An initial government investment of $10 billion could leverage up to $600 billion in private funds.But regulatory impediments must also be removed. They take an estimated $250 billion in global capital out of play. If that private capital were invested in infrastructure projects, it could create 1.9 million jobs over 10 years and spur untold economic growth.

As for public investments, sooner or later we'll have to face the fact that the federal fuel tax has not been raised 1 cent in 17 years. The country needs modest, phased-in increase.

Comprehensively restoring America's infrastructure and revitalizing the economy are monumental tasks. Fortunately, we are the same nation that built our world-class system in the first place. If anyone is up to the challenge, we are.

**This negatively influences the entire economy --- prevents a resilient supply chain**

**Little, 11** --- Director, Keston Institute for Public Finance and Infrastructure Policy (4/5/2011, Richard, “Infrastructure Investment and U.S. Competitiveness,” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, JMP)

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.

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.

**Infrastructure deficiencies put a ceiling on growth --- investment is necessary to break the cycle**

**Likosky, 11** --- senior fellow at the Institute for Public Knowledge at NYU (7/12/2011, Michael B., “Banking on the Future,” <http://www.nytimes.com/2011/07/13/opinion/13likosky.html>, JMP)

FOR decades, we have neglected the foundation of our economy while other countries have invested in state-of-the-art water, energy and transportation infrastructure. Our manufacturing base has migrated abroad; our innovation edge may soon follow. If we don’t find a way to build a sound foundation for growth, the American dream will survive only in our heads and history books.

But how we will pay for it? Given the fights over the deficit and the debt, it is doubtful that a second, costly stimulus package could gain traction. President Franklin D. Roosevelt faced a similar predicament in the 1930s when the possibility of a double-dip Depression loomed.

For this reason, the New Deal’s second wave aggressively pursued public-private partnerships and quasi-public authorities. Roosevelt described the best-known of these enterprises, the Tennessee Valley Authority, as a “corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.”

A bipartisan bill introduced by senators including John Kerry, Democrat of Massachusetts, and Kay Bailey Hutchison, Republican of Texas, seeks a similar but modernized solution: it would create an American Infrastructure Financing Authority to move private capital, now sitting on the sidelines in pension, private equity, sovereign and other funds, into much-needed projects.

Rather than sell debt to investors and then allocate funds through grants, formulas and earmarks, the authority would get a one-time infusion of federal money ($10 billion in the Senate bill) and then extend targeted loans and limited loan guarantees to projects that need a push to get going but can pay for themselves over time — like a road that collects tolls, an energy plant that collects user fees, or a port that imposes fees on goods entering or leaving the country.

The idea of such a bank dates to the mid-1990s. Even then, our **growth was hampered by the inadequacy of our infrastructure** and a lack of appetite for selling public debt to cover construction costs. Today we find ourselves **trapped in a vicious cycle** that makes this proposal more urgent than ever. **Our degraded infrastructure straitjackets growth**. We resist borrowing, fearful of financing pork-barrel projects selected because of political calculations rather than need.

While we have channeled capital into wars and debt, our competitors in Asia and Latin America have worked with infrastructure banks to lay a sound foundation for growth. As a result, we must compete not only with their lower labor costs but also with their advanced energy, transportation and information platforms, which are a magnet even for American businesses.

A recent survey by the Rockefeller Foundation found that Americans overwhelmingly supported greater private investment in infrastructure. Even so, there is understandable skepticism about public-private partnerships; Wall Street has not re-earned the trust of citizens who saw hard-earned dollars vacuumed out of their retirement accounts and homes. An infrastructure bank would not endanger taxpayer money, because under the Federal Credit Reform Act of 1990, passed after the savings and loan scandal, it would have to meet accounting and reporting requirements and limit government liability. The proposed authority would not and could not become a Fannie Mae or Freddie Mac. It would be owned by and operated for America, not shareholders.

The World Bank, the Inter-American Development Bank, the Asian Development Bank and similar institutions helped debt-burdened developing countries to grow through infrastructure investments and laid the foundations for the global high-tech economy. For instance, they literally laid the infrastructure of the Web through a fiber-optic link around the globe. Infrastructure banks retrofitted ports to receive and process shipping containers, which made it profitable to manufacture goods overseas. Similar investments anchored energy-intensive microchip fabrication.

President Obama has proposed a $30 billion infrastructure bank that, unlike the Senate proposal, would not necessarily sustain itself over time. His proposal is tied to the reauthorization of federal highway transportation money and is not, in my view, as far-reaching or well designed as the Senate proposal.

But he recognizes, as his predecessors did, **the importance of infrastructure to national security**. For Lincoln, it was the transcontinental railroad; for F.D.R., an industrial platform to support military manufacturing; for Eisenhower, an interstate highway system, originally conceived to ease the transport of munitions. **America’s ability to project strength**, to rebuild its battered economy and to advance its values is possible only if we possess modern infrastructure.

**Action now is critical --- the economy is beginning to slip significantly**

**Coy, 6/1** --- Bloomberg Businessweek's economics editor (6/1/2012, Peter, “The U.S. Economy Slips Below the 'Mendoza Line'” <http://www.businessweek.com/articles/2012-06-01/the-u-dot-s-dot-economy-slips-below-the-mendoza-line>, JMP)

The U.S. jobs machine underperformed even the most pessimistic forecasts in May, adding just 69,000 jobs. The lowest estimate of 87 economists surveyed by Bloomberg was 75,000, with a median of 150,000 and an optimistic top estimate of 195,000. The unemployment rate ticked up to 8.2 percent from 8.1 percent in April.

The worse-than-mediocre job growth is a big blow to the reelection campaign of President Barack Obama, who has been touting the economy’s gradual recovery from the worst recession since the Great Depression. Even with the latest job gain, the economy has regained only 3.9 million of the 8.8 million jobs that were lost in the deep recession that ended in June 2009. May’s job growth was the smallest increase in a year.

The U.S. economy has “slipped back under the Mendoza line,” JPMorgan Chase (JPM) Chief U.S. Economist Michael Feroli said Thursday, before the jobs report came out but after another discouraging report—the news that the U.S. economy grew at an annual rate of just 1.9 percent in the first quarter. The Mendoza line is baseball lingo that has made the jump into business. It’s a reference to Mario Mendoza, a shortstop for Pittsburgh, Seattle, and Texas in the 1970s and 1980s whose batting average (below .200 in five of his nine seasons) **has come to stand for the dividing line between mediocrity and badness**.

Each of the past three years, job growth started strong and then faded. In 2010 there was a peak in March and April; in 2011 the strongest period was February, March, and April; in 2012 it was January and February, when the economy added well over 200,000 jobs.

**An economic recovery is impossible until we address declining transportation infrastructure**

**Davidson, 5/20** (Paul, 5/20/2012, “USA's creaking infrastructure holds back economy,” <http://www.usatoday.com/money/economy/story/2012-05-20/creaking-infrastructure/55096396/1>, JMP)

Inland waterways quietly keep the nation's economy flowing as they transport $180 billion of coal, steel, chemicals and other goods each year — a sixth of U.S. freight — across 38 states. Yet, an antiquated system of locks and dams threatens the timely delivery of those goods daily.

Locks and dams raise or lower barges from one water level to the next, but breakdowns are frequent. For example, the main chamber at a lock on the Ohio River near Warsaw, Ky., is being fixed. Maneuvering 15-barge tows into a much smaller backup chamber has increased the average delay at the lock from 40 minutes to 20 hours, including waiting time.

The outage, which began last July and is expected to end in August, will cost American Electric Power and its customers $5.5 million as the utility ferries coal and other supplies along the river for itself and other businesses, says AEP senior manager Marty Hettel.

As the economy picks up, the nation's creaking infrastructure will increasingly struggle to handle the load. That will make products more expensive as businesses pay more for shipping or maneuver around roadblocks, and it will cause the nation to lose exports to other countries — both of which are expected to hamper the recovery.

"The good news is, the economy is turning," says Dan Murray, vice president of the American Transportation Research Institute. "The bad news is, we expect congestion to skyrocket."

The ancient lock-and-dam system is perhaps the most egregious example of aging or congested transportation systems that are being outstripped by demand. Fourteen locks are expected to fail by 2020, costing the economy billions of dollars. Meanwhile, seaports can't accommodate larger container ships, slowing exports and imports. Highways are too narrow. Bridges are overtaxed.

Effects 'sneaking up'

The shortcomings were partly masked during the recession as fewer Americans worked and less freight was shipped, easing traffic on transportation corridors. But interviews with shippers and logistics companies show delays are starting to lengthen along with the moderately growing economy.

"I call this a stealth attack on our economy," says Janet Kavinoky, executive director of transportation and infrastructure for the U.S. Chamber of Commerce. "It's not like an immediate crisis. It's something that's sneaking up on us."

Freight bottlenecks and other congestion cost about $200 billion a year, or 1.6% of U.S. economic output, according to a report last year by Building America's Future Educational Fund, a bipartisan coalition of elected officials. The chamber of commerce estimates such costs are as high as $1 trillion annually, or 7% of the economy.

Yet, there's little prospect for more infrastructure investment as a divided Congress battles about how to cut the $1.3 trillion federal deficit, and state and local governments face their own budget shortfalls. Government investment in highways, bridges, water systems, schools and other projects has fallen each year since 2008. IHS Global Insight expects such outlays to drop 4.4% this year and 3% in 2013.

The U.S. is spending about half of the $2.2 trillion that it should over a five-year period to repair and expand overburdened infrastructure, says Andrew Herrmann, president of the American Society of Civil Engineers.

Inland waterways, for example, carry coal to power plants, iron ore to steel mills and grain to export terminals. But inadequate investment led to nearly 80,000 hours of lock outages in fiscal 2010, four times more than in fiscal 2000. Most of the nation's 200 or so locks are past their 50-year design life.

A prime example is an 83-year-old lock on the Ohio River near Olmsted, Ill. Congress set aside $775 million to replace it and another nearby lock in 1988. The project began in 1993 and was scheduled to be finished by 2000 but still isn't complete, in part because of engineering modifications intended to save $60 million. Now, the cost has ballooned to $3.1 billion, and the new lock won't be ready until 2020 or later.

The cost overrun leaves little money for other projects. About $8 billion is needed to replace 25 locks and dams in the next 20 years, says Michael Toohey, president of the Waterways Council, an advocacy group.

But Congress allocates only about $170 million a year, with the government and a 20-cent-a-gallon tax on tow operators each funding half. Toohey says $385 million a year is required to fund all the work. "We're the silent industry" because waterways are less visible, he says.

The biggest railroad bottleneck is in Chicago. A third of the nation's freight volume goes through the city as 500 freight trains jostle daily for space with 800 passenger trains and street traffic. Many freight rail lines crisscross at the same grade as other trains and cars — a tangle that forces interminable waits. It takes an average freight train about 35 hours to crawl through the city. Shipping containers typically languish in rail yards several days before they can be loaded onto trains.

Manufacturers, in turn, must stock more inventory to account for shipping delays of uncertain length, raising product costs about 1%, estimates Ken Heller, a senior vice president for DSC Logistics. Caterpillar has built two multimillion-dollar distribution centers outside the city to increase its freight volumes so it can get loading priority at rail yards.

About $3.1 billion in projects are planned, underway or complete, such as separate intersecting roadways and rail lines, but only a third of the money has been approved.

Highways, meanwhile, suffer from Congress's failure in recent years to assure long-term funding for a federal trust fund that pays for upgrades. The fund kicks in about $42 billion a year, but that goes largely to maintenance, and the fund is expected to temporarily run out of money in 2013.

Among those affected is UPS. The giant courier says that if each of its 95,000 U.S. vehicles is delayed an average five minutes a day for a year — a realistic figure — it costs the company $103 million in added fuel costs, wages and lost productivity.

Con-way, one of the largest trucking companies, often builds an extra day of travel into shipping schedules to ensure it meets customers' exacting just-in-time delivery demands, says Randy Mullet, head of government relations. Customers pay a premium for that.

In Texas, worsening delays on Interstate 35 between San Antonio and Dallas, much of which has only two lanes each way, forces regional grocery chain H-E-B to charge about 15 cents more for a gallon of milk, says Ken Allen, a former H-E-B executive and now a consultant for the company.

Bridges under strain

The nation's 600,000 bridges are also falling behind. Nearly a quarter are classified as "structurally deficient" or "functionally obsolete," according to the Federal Highway Administration. As of the end of last year, more than one in 10 were closed or had weight limits that barred trucks. For Illinois corn grower Paul Taylor, such a restriction on the Pearl Street bridge in Kirkland means he must drive three extra miles to deliver his corn to a grain elevator, raising his costs by about 5 cents a bushel.

Many unrestricted bridges, meanwhile, are strained, especially at border crossings. The busiest in North America is the 83-year-old, four-lane Ambassador Bridge, the only direct link between Detroit and Canada. The bridge, already impaired by its capacity, often closes lanes for repairs and empties onto a busy city street in Windsor, Ont. Delays, typically lasting two hours, are exacerbated by a Customs checkpoint that's not large enough for the traffic volume.

U.S. auto companies store extra parts at factories and closely space deliveries so that if one truck is sidetracked, another isn't far behind, says Kevin Smith, senior vice president for consulting firm Sandler & Travis. Ford Motor told a state legislative committee last fall that such maneuvers, along with extra freight expenses, add up to $800 to the cost of a vehicle.

"This is one of the last remaining impediments" to business recruitment, says Sandy Baruah, CEO of the Detroit Regional Chamber of Commerce, noting that both taxes and union wages have fallen in recent years.

The Canadian government has proposed building a new bridge that skirts Windsor and connects to highways in Canada. But the Michigan legislature has rejected the plan amid a lobbying and advertising campaign by the Ambassador Bridge's owner, 84-year-old billionaire Manuel "Matty" Moroun.

In Nogales, Ariz., snags cause several hours of delays at the Mexican border, where a customs plaza undergoing a $200 million expansion feeds into a two-lane road in each direction.

That often translates into delays for about 200 local fresh produce importers whose customers require timely deliveries.

The plaza work is to be completed in two years, but that's expected to dump even more cars and trucks onto two-lane Mariposa Road. Officials only recently began to studywidening it.

Jaime Chamberlain, owner of J-C Distributing, says that several times a week, the snarls delay by as much as a day deliveries of his tomatoes, squash, bell peppers and other produce to U.S. wholesalers or grocers. He says he loses thousands of dollars in orders almost weekly and occasionally has lost the business of a major grocery chain at a cost of several million dollars a year.

Far more revenue is jeopardized by outdated seaports on the East and Gulf coasts. A half-dozen ports can't handle new larger ships with greater container capacity because the harbors are too shallow, says Paul Anderson, CEO of the Jacksonville Port Authority.

That raises shipping costs and delays exports of steel, factory machines and computers that may sit at docks for days. Delivery times and costs are also higher for imports of electronics, apparel and other goods, boosting retail prices.

While some larger ships can dock at the port of Savannah during high tide, they can't load to full capacity and must typically wait up to six hours for the tide to come in, says Curtis Foltz, head of the Georgia Ports Authority.

The need to accommodate bigger ships will become even more dire after the Panama Canal is widened in 2014, allowing big ships from Asia to cross from the West Coast to the Eastern U.S. There are plans to deepen several ports, but project studies by multiple federal agencies take about 13 years.

By contrast, Brazil, India, China and Southeast Asia are dredging ports in as little as three years, including planning and construction, Anderson says.

Meanwhile, U.S. and foreign companies often turn to countries with modernized ports.

Caterpillar, the world's top maker of construction and mining equipment, has moved 30% of its exports and 40% of imports to Canadian ports in recent years, costing U.S. ports tens of millions of dollars a year in revenue.

"We can get our exports and imports to market faster and at lower costs," Caterpillar Chief Financial Officer Ed Rapp says of the move.

Economic decline triggers nuclear war

Harris and Burrows 9 (Mathew, PhD European History at Cambridge, counselor in the National Intelligence Council (NIC) and Jennifer, member of the NIC’s Long Range Analysis Unit “Revisiting the Future: Geopolitical Effects of the Financial Crisis” <http://www.ciaonet.org/journals/twq/v32i2/f_0016178_13952.pdf>, AM)

Increased Potential for Global Conflict Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample Revisiting the Future opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups\_inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks\_and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an **unintended escalation** and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to **escalating** **crises**. 36 Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

**Additionally, transportation infrastructure is a vital internal link to the economy which is key to U.S. hegemony and global trade**

**AGC, 11** (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

It also is important to note that the federal programs for investing in highway and transit projects has traditionally been self-funded. Since the 1950s, highway users have, through a mixture of gas taxes and other use-related fees, provided all of the funds that go into the Highway Trust Fund. Until only recently all federal surface transportation investments had come from this self-funded Trust Fund. In other words, structured correctly, the federal surface transportation program does not have to cost anyone that doesn’t use the highway system a single penny.

As important, there is a strong argument to be made for the fact that the proper role of the federal government is to create and set conditions favorable to private sector job creation. For example, in an economy where the difference between success and failure is often measured by a company’s ability to deliver goods quickly and efficiently, maintaining transportation infrastructure is as important to the success of the private sector as are stable and low tax rates, minimal red tape and regulations and consistent and stable rule of law.

Officials in Washington also need to understand that allowing our transportation infrastructure to deteriorate will serve as an added tax on private citizens and the business community alike. That is because added congestion, shipping delays and transportation uncertainty will raise commuting costs, the price of most retail and grocery goods and the cost of getting supplies and delivering products for most U.S. businesses.

**Investing in infrastructure is vital to our national economic security.** **America’s position and power in the world is directly dependent on its economic supremacy**. It is, after all, our national wealth that funds the country’s highly skilled Armed Forces, that allows us to direct global trade policy and that allows our currency to dominate global marketplaces. Without continued investments to support and nurture that economic vitality, **America will surely be eclipsed by other, fast-growing competitors** like China, Brazil and/or India.

Given that so much of the U.S. economy has evolved into a just-in-time model where as-needed deliveries are far more efficient than expensive warehousing and storage, **maintaining our transportation infrastructure is vitally important to the health of our economy**. Traffic congestion and aging roads already cost U.S. businesses $80 billion a year because of deferred infrastructure maintenance and our failure to keep pace with the growth of shipping and other traffic. Allowing our transportation infrastructure to deteriorate will only further undermine our businesses and erode our national economic security.

In other cases, the federal government has an obligation to invest in infrastructure to avoid imposing costs on U.S. businesses and imposing unfunded mandates on state and local governments. For example, local governments had long been responsible for paying to maintain and operate water systems. That meant only major cities and wealthy towns had access to modern water systems. Much of that changed when the federal government began mandating quality standards for drinking water and wastewater discharge through legislation like the Clean Water Act and Safe Drinking Water Act. These standards were in the best interest of the nation, ensuring protection of public health and environmental quality. By mandating quality standards, however, the federal government forces local governments to spend billions of dollars to upgrade equipment and comply with regulatory burdens. The federal government must not foist the burden of maintaining national standards onto local ratepayers alone. Given that it is in the federal interest to set water quality standards, then so too must it be in the federal interest to provide – primarily in the form of state revolving loan funds – financing help to operators so they can meet those standards.

**Lack of federal leadership to improve transportation infrastructure will erode U.S. competitiveness and global leadership**

**Buchanan, 9** --- Associate Professor at The George Washington University Law School, and a former economics professor (11/19/09, Neil H., “Why the U.S. Government Must Invest in Infrastructure Now, Or Pay A Steep Cost, <http://writ.news.findlaw.com/buchanan/20091119.html>, JMP)

Recently, I returned from a trip to Austria, Spain, England, and Scotland. By coincidence, the first issue of The New York Times I picked up after returning to this country included an op-ed column by Bob Herbert, who argued passionately that the United States is falling behind our peers in virtually all areas of public investment -- roads, bridges, electrical grids, education, and more. After my trip, and after looking carefully into the evidence on the matter, I am convinced that Herbert is correct.

In this column, I will first reflect on some of the things I saw on my recent travels that confirm Mr. Herbert's dire assessment of the United States' position, relative to the rest of the relatively advanced economies in the world. I will then consider the broader policy initiatives that continue to be essential for our future prosperity, initiatives that have not been able to gain traction in U.S. policy debates for the last several decades.

My basic contention, however, is a simple one: The federal government is the only entity that has the opportunity to change the foundation on which our future prosperity will be built. If we continue to ignore the pressing needs that only the federal government can fill, then our future will be much poorer and more dangerous. And there is no better time than today to address these needs – for infrastructure improvement will address not only the United States' competitiveness, but also its strikingly high levels of unemployment and underemployment.

The Stark Contrast Between Traveling in Europe, and in the United States

Every traveler must, by definition, come into direct contact with a country's transportation infrastructure. Whether he or she is traveling by train, plane, bus, automobile, or any other mode of transportation, the traveler's experience will directly reflect the practical effects of policy choices made by a country's government in designing its public infrastructure.

It is, of course, dangerous to draw general conclusions about policy based on a few weeks of travel. Bad experiences can happen in even the best-designed systems; inferior systems might seem attractive on a good day. Even so, patterns begin to emerge; and experiences in one country can provide useful examples of alternative ways to organize and build a society.

Moreover, there is ample independent verification of the overall state of the infrastructure in the United States. The Brookings Institution's Metropolitan Policy Program, which Herbert's op-ed cited, includes a Metropolitan Infrastructure Initiative, which has assessed the state of the roads, bridges, etc., in the United States. Its findings are quite disturbing, citing conclusions ranging "from genuine concern about the condition and quality of our existing infrastructure, to difficulties and lack of choices in moving people and goods."

Similarly, earlier this year, the American Society of Civil Engineers issued a report that assessed the state of America's bridges, roads, drinking water systems, sewage treatment facilities, and so on. The engineers' overall assessment, based on an academic grading scale, was that infrastructure in the U.S. receives a grade of "D."

How does poor infrastructure show itself in day-to-day living? Take, for example, my trip from the United States to Vienna, Austria, and contrast that with my return to Washington, D.C. Arriving in Vienna, the airport was uncongested, clearing Customs took less than one minute, and I was out of the airport in a matter of minutes after that. At that point, there were clearly-marked signs for a high-speed train from the airport, which offered a mere seventeen-minute ride from the airport (on the outskirts of that nation's capital city) to the city's center. And in fact, the seventeen-minute train ride really took seventeen minutes.

From there, an array of choices for subways, trams, and buses was available. There was no need to hire a taxi, but if that had been necessary, it would have cost approximately thirty dollars to travel from the airport to my hotel on the other side of the city.

Compare this to my experience when arriving at Dulles International Airport, outside Washington, D.C. The airport was clogged with people, and information was not easy to find. Clearing Customs was a thirty-minute ordeal through a snaking line of angry travelers, even though the actual contact with a customs agent was at most a 20-second encounter. For those who wish to travel into D.C. from the airport, there is no train available. Finding the only bus service from the airport is non-intuitive (to say the least), and that bus ride does not terminate in Washington, but in Arlington, Virginia. A taxi or limo can cost up to one hundred dollars, depending upon where one goes in Washington.

Perhaps Vienna, Austria is a unique example. Austria is a small country, and its capital is not as large as ours. In my travels, however, I took flights through airports in Bilbao, Spain; Munich and Stuttgart, Germany; London; and Edinburgh, Scotland. The contrast with airports in the U.S. was stunning. Flights in Europe were on time or early. Transportation into and out of the nearby cities was inexpensive and efficient. The entire traveling experience, while never enjoyable, was at least never miserable. That's quite a contrast to far too many experiences I -- like so many others -- have endured in the United States.

The Stakes: Economic Competitiveness and Political Relevance

But other than personal inconvenience, readers may ask, why does any of this truly matter? If one wants to travel to D.C., then one puts up with it. The destination is what matters, not the journey, right?

Hardly. Tourism matters – as an extremely important economic engine in many areas, including Washington, D.C. And, even more importantly, business matters. And experiences such as those I had will directly affect the decisions that people in business make about where to locate their companies' offices, and with whom to engage in commerce.

Decisionmakers, both in the U.S. and abroad, know that our transportation networks are decades out of date and are falling apart. That is not enough to drive all business out of this country, of course, but it certainly means that many marginal decisions will cut against the interests of the United States. If we want to be internationally competitive, then we must improve our "welcome mat."

Moreover, the same decisions that will inevitably push businesses to locate in, or even relocate to, other countries threaten to change the notion that the United States is the center of it all. While some pundits claim that U.S. debt or financial policies are pushing business abroad, **infrastructure surely remains a profoundly important factor**: Is it physically possible to move around in a particular country with reasonable speed and efficiency?

We fall painfully short in that regard. And if we continue to push the world away in this respect, then it is inevitable that the world will, over the years, come to care less and less about the United States.

**This also wrecks U.S. global economic leadership**

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

U.S. President Barack Obama is expected to propose an employment stimulus package worth over $300 billion (Bloomberg) in a speech to both houses of Congress on Thursday. The plan will aim to create new jobs through a combination of tax cuts and--more contentiously--government spending on infrastructure projects. The most sweeping proposal for government investment in public works being debated around Washington is the creation of a national infrastructure bank (CNN). Such an institution would require an initial, one-time investment by the government of approximately $10 billion. Most urgently, the bank would be a means of creating jobs in the construction, manufacturing, and retail trade sectors of the economy.

With unemployment stuck above 9 percent, a plan to get fourteen million unemployed Americans back to work is a top government priority. Moreover, as the U.S. economy continues to stagnate--and fears of a global double-dip recession abound--generating jobs is seen as crucial. Investing in infrastructure, along with education and technology, is a way to tackle unemployment by addressing longstanding structural problems on "the tradable side of the economy," economist and Nobel laureate A. Michael Spence recently told CFR.

At the same time, U.S. infrastructure is undoubtedly deteriorating, undermining the foundations of the country's economy. In turn, this is weakening the ability of the United States--the world's largest economy--to **exercise economic leadership throughout the globe**. The World Economic Forum's 2011-2012 Global Competitiveness Report said the United States declined in competitiveness for the third year in a row, dropping to fifth place. The Global Competitive Index is composed of twelve pillars, including infrastructure.

"For decades, we have neglected the foundation of our economy while other countries have invested in state-of-the-art water, energy, and transportation infrastructure, wrote Michael B. Likosky, a senior fellow at New York University's Institute for Public Knowledge, in a July 12 New York Times op-ed.

**The impact is global nuclear war**

**Freidberg & Schonfeld, 8** --- \*Professor of Politics and IR at Princeton’s Woodrow Wilson School, AND \*\*senior editor of Commentary and a visiting scholar at the Witherspoon Institute in Princeton (10/21/2008, Aaron and Gabriel, “The Dangers of a Diminished America”, Wall Street Journal, http://online.wsj.com/article/SB122455074012352571.html?mod=googlenews\_wsj)

With the global financial system in serious trouble, is America's geostrategic dominance likely to diminish? If so, what would that mean?

One immediate implication of the crisis that began on Wall Street and spread across the world is that the primary instruments of U.S. foreign policy will be crimped. The next president will face an entirely new and adverse fiscal position. Estimates of this year's federal budget deficit already show that it has jumped $237 billion from last year, to $407 billion. With families and businesses hurting, there will be calls for various and expensive domestic relief programs.

In the face of this onrushing river of red ink, both Barack Obama and John McCain have been reluctant to lay out what portions of their programmatic wish list they might defer or delete. Only Joe Biden has suggested a possible reduction -- foreign aid. This would be one of the few popular cuts, but in budgetary terms it is a mere grain of sand. Still, Sen. Biden's comment hints at where we may be headed: toward a major reduction in America's world role, and perhaps even a new era of financially-induced isolationism.

Pressures to cut defense spending, and to dodge the cost of waging two wars, already intense before this crisis, are likely to mount. Despite the success of the surge, the war in Iraq remains deeply unpopular. Precipitous withdrawal -- attractive to a sizable swath of the electorate before the financial implosion -- might well become even more popular with annual war bills running in the hundreds of billions.

Protectionist sentiments are sure to grow stronger as jobs disappear in the coming slowdown. Even before our current woes, calls to save jobs by restricting imports had begun to gather support among many Democrats and some Republicans. In a prolonged recession, gale-force winds of protectionism will blow.

Then there are the dolorous consequences of a potential collapse of the world's financial architecture. For decades now, Americans have enjoyed the advantages of being at the center of that system. The worldwide use of the dollar, and the stability of our economy, among other things, made it easier for us to run huge budget deficits, as we counted on foreigners to pick up the tab by buying dollar-denominated assets as a safe haven. Will this be possible in the future?

Meanwhile, traditional foreign-policy challenges are multiplying. The threat from al Qaeda and Islamic terrorist affiliates has not been extinguished. Iran and North Korea are continuing on their bellicose paths, while Pakistan and Afghanistan are progressing smartly down the road to chaos. Russia's new militancy and China's seemingly relentless rise also give cause for concern.

If America now tries to pull back from the world stage, it will leave a dangerous power vacuum. The stabilizing effects of our presence in Asia, our continuing commitment to Europe, and our position as defender of last resort for Middle East energy sources and supply lines could all be placed at risk.

In such a scenario there are shades of the 1930s, when global trade and finance ground nearly to a halt, the peaceful democracies failed to cooperate, and aggressive powers led by the remorseless fanatics who rose up on the crest of economic disaster exploited their divisions. Today we run the risk that **rogue states may choose to become ever more reckless with their nuclear toys**, just at our moment of maximum vulnerability.

The aftershocks of the financial crisis will almost certainly rock our principal strategic competitors even harder than they will rock us. The dramatic free fall of the Russian stock market has demonstrated the fragility of a state whose economic performance hinges on high oil prices, now driven down by the global slowdown. China is perhaps even more fragile, its economic growth depending heavily on foreign investment and access to foreign markets. Both will now be constricted, inflicting economic pain and perhaps even sparking unrest in a country where political legitimacy rests on progress in the long march to prosperity.

None of this is good news if the authoritarian leaders of these countries seek to divert attention from internal travails with external adventures.

As for our democratic friends, the present crisis comes when many European nations are struggling to deal with decades of anemic growth, sclerotic governance and an impending demographic crisis. Despite its past dynamism, Japan faces similar challenges. India is still in the early stages of its emergence as a world economic and geopolitical power.

What does this all mean? There is no substitute for America on the world stage. The choice we have before us is between the potentially disastrous effects of disengagement and the stiff price tag of continued American leadership.

### 1ac Solvency

**Contention 2 is Solvency ---**

**A national bank devoted just to transportation will generate revenue to revitalize U.S. infrastructure --- it will be easy on the budget and politically palatable**

**Lovaa, 11** --- Federal Transportation Policy Director for NRDC (6/28/2011, Deron, “An Infrastructure Bank for Transportation,” <http://switchboard.nrdc.org/blogs/dlovaas/an_infrastructure_bank_for_tra.html>, JMP)

Another creative funding idea that’s getting some attention lately is a national infrastructure bank, an independent entity that would use government funding to attract major private investment in public infrastructure projects. NYU professor Michael Likosky recently convened a meeting between Treasury officials, bankers, pension funds and hedge fund managers to discuss how such a bank might work. It’s the first time this diverse group has ever shared their opinions with the government on this idea – and apparently some of them are bullish on it.

Infrastructure banks in other parts of the world have proven to be largely successful in leveraging public money. The European Investment Bank (EIB), owned and funded by the European Union, finances investments worth $470 billion using only about $50 billion in government funds. That’s a ratio of more than 9:1 in private versus public funding. The bank, which has funded huge projects like the Port of Barcelona and the TGV rail system that connects France and Spain, consistently turns a profit and has had only negligible delinquencies over the past five decades, according to economists Robert Skidelsky and Felix Martin, writing in the New York Review of Books.

Likosky, an expert on public-private partnerships and author of Obama’s Bank: Financing a Durable New Deal, has a fairly expansive vision of how a national infrastructure bank would operate – he’s talking about something on the level of the EIB that could finance investments on the order of $500 billion. Even Fareed Zakaria recently wrote about the need for a national infrastructure bank.

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

However, the concept of an infrastructure bank in and of itself shouldn’t scare anyone off, since **the size of the bank can be scaled down and still have tremendous benefits. A scaled-down infrastructure bank, devoted solely to transportation, could be more palatable to the reduced fiscal appetites of today’s Congress.**

President Obama recently proposed exactly this in his new 2011 budget. His National Infrastructure Innovation and Finance Fund (notice the absence of the word “bank”) would be housed under the Department of Transportation, and oversee $4 billion in funds over the next two years.

This is significantly smaller than the infrastructure bank he proposed last year, which was intended to be funded at $5 billion per year for five years. Yet even at this smaller scale, the bank can still be effective at leveraging public money to attract private investors for critical infrastructure projects.

An infrastructure bank for transportation would make merit-based loans for infrastructure improvements, using public funds to attract investment from the private sector. A merit-based system would make more efficient use of funds than the current, earmark-heavy funding that dominates the federal transportation program.

Through the bank, federal, state and local governments could work together with the private sector to fix crumbling roads and bridges, and create a 21st century transportation system.

Likosky envisions the role of the government in public-private partnerships as that of a “player-coach,” not dictating the rules from the sidelines (and thus being a thorn in the side of potential private investors) but being involved in the game itself. The biggest challenges, which they’ve seemed to manage pretty well over in Europe, are ensuring that the public gets a reasonable return for their investment in the end, and that non-monetary objectives rooted in the public good, such as increased accessibility and employment, or greenhouse gas reductions, are specified and required.

America’s infrastructure ranking has dropped from 6th to 23rd in the past decade, and continues to drop, according to the World Economic Forum. We need to invest in our roads, rails and bridges if we want to remain economically competitive. And with the federal budget under such pressure, it’s becoming increasingly apparent that we need a lot of private capital to do it. A scaled-down infrastructure bank might not be able to generate the trillions of dollars we need to upgrade our entire transportation network, but it will make good use of our limited public funds to vastly improve the status quo.

**A national bank will overcome failures endemic to the current system of funding transportation infrastructure --- lack of cooperation and insufficient resources make federal action necessary for 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.**

**Transportation infrastructure investment will boost economic growth --- increases jobs and attracts businesses**

**Tyson, 11** --- professor at the Haas School of Business at UC Berkeley (6/3/2011, Laura D’Andrea Tyson, NYT Blogs, “The Virtues of Investing in Transportation; Economix,” Factiva, JMP

Years of underinvesting in the nation's transportation infrastructure are apparent in congested roads, freight bottlenecks, airport delays and overcrowded or non-existent public transit operations. Yet the heated debate in Washington about how much and how fast to slash government spending is overlooking how a significant, sustained increase in infrastructure investment would create jobs and strengthen the nation's competitiveness.

Infrastructure spending, adjusted for inflation and accounting for the depreciation of existing assets, is at about the same level it was in 1968, when the economy was one-third smaller. Public investment on transportation and water infrastructure as a share of gross domestic product has fallen steadily since the 1960s and now stands at 2.4 percent, compared with 5 percent in Europe and more than 9 percent in China.

Experts differ on how much more is needed but agree the amount is substantial.

The American Society of Civil Engineers, for example, estimates that we need to spend an additional $110 billion a year to maintain the transportation infrastructure at current performance levels. The Congressional Budget Office reported in May that simply maintaining the current performance of the system would require the federal government to increase its annual spending on highways by about one-third, while state and local governments that account for about 55 percent of capital spending on the highway system would have to increase their annual spending by similar or larger amounts. Financing highway projects whose economic benefits exceed their costs would necessitate more than a doubling of federal investment on highway infrastructure from its 2010 level of $43 billion. All these estimates apply only to shortfalls in economically justifiable spending on transportation and highways; they do not include other critical infrastructure areas, like water, energy and broadband.

Government spending on infrastructure raises demand, creates jobs and increases the supply and growth potential of the economy over time. The C.B.O. says infrastructure spending is one of the most effective fiscal policies for increasing output and employment and one of the most cost-effective forms of government spending in terms of the number of jobs created per dollar of budgetary cost.

Studies indicate that each $1 billion of infrastructure spending creates 11,000 (estimate of the President's Council of Economic Advisers) to 30,000 jobs (estimate of the Department of Transportation for infrastructure spending on highways) through direct and indirect effects.

Most of these jobs are added in construction and related sectors, hard hit by the housing crisis, and most of them are relatively well paid, with wages between the 25th and the 75th percentile of the national wage distribution.

Public infrastructure enables the private sector. A modern transportation infrastructure improves private-sector productivity by reducing production and transportation costs, and facilitating trade, economies of scale and efficient production methods.

Not surprisingly, the quality of transportation infrastructure is a major factor affecting business decisions about where to locate production, and the eroding quality of infrastructure is making the United States a less attractive place to do business.

According to the 2010-11 competitiveness report of the World Economic Forum, the United States now ranks 23rd among 139 countries on the overall quality of its infrastructure -- between Spain and Chile. In 1999, the United States ranked seventh.

The Obama administration's budget request for $556 billion for the reauthorization of the surface transportation bill over the next six years is an important first step. But how the money is spent also matters. Because of political considerations, a large fraction of federal infrastructure spending currently finances projects aimed at building capacity rather than maintaining existing capacity.

Yet recent evidence indicates both that the returns on projects to expand capacity have been falling over time and that projects to maintain capacity often enjoy higher returns.

In a time of budget austerity, the allocation of scarce federal dollars for infrastructure must be guided by cost-benefit analysis -- rather than by earmarks and formula-based grants, as is currently the case. That's why the Obama administration is calling for the use of performance criteria and "race to the top" competition among state and local governments to allocate federal spending among competing projects.

That's also why both the administration and a bipartisan group led by Senators John Kerry, Democrat of Massachusetts; Kay Bailey Hutchison, Republican of Texas, and Mark Warner, Democrat of Virginia, have proposed the creation of a national infrastructure bank.

Such a bank would focus on transformative projects of national significance, like the creation of a high-speed rail system or the modernization of the air-traffic-control system. Such projects are neglected by the formula-driven processes now used to distribute federal infrastructure funds among states and regions.

The bank would also **provide greater certainty about the level of federal funds for multiyear projects** by removing those decisions from the politically volatile annual appropriations process and would select projects based on transparent cost-benefit analysis by independent experts.

**Will immediately boost employment and growth**

**Zakaria, 11** (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.

### \*\*\* Description of NIB \*\*\*

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

Today the United States invests in infrastructure at only half the level the ASCE recommends. One proposal for an innovative method to finance infrastructure is currently garnering bipartisan interest--a national infrastructure bank (NIB). An NIB would be a quasi-public agency whose function would be to use some federal funds to leverage a much larger amount of state, local, and private money which it would then provide to infrastructure projects.

An NIB could use various tools to finance infrastructure. It could sell bonds to private investors. It could be set up as a revolving loan fund, whereby an initial pool of funds is lent, and future loans made only once the earlier ones are repaid. It could even make grants for certain projects.

There are merits and drawbacks to any of these financing models. Some would make the NIB entirely self-sustaining, and so compel it to prioritize projects with a revenue stream, for instance from tolls, that would go to paying back the loan. Such a model would limit the bank's ability to choose projects with greater social benefits but less ability to repay funds quickly: it might fund construction of a toll road to a wealthy suburb rather than an upgrade to a municipal water system despite the latter's greater benefit. Other models would require more federal spending, but would give the bank greater flexibility to fund projects with less revenue potential.

### --- XT: Infrastructure Declining

**America’s transportation infrastructure is in serious decay --- worse has yet to come**

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

America, despite its wealth and strength, often seems to be falling apart. American cities have suffered a rash of recent infrastructure calamities, from the failure of the New Orleans levees to the collapse of a highway bridge in Minneapolis, to a fatal crash on Washington, DC’s (generally impressive) metro system. But just as striking are the common shortcomings. America’s civil engineers routinely give its transport structures poor marks, rating roads, rails and bridges as **deficient or functionally obsolete**. And according to a World Economic Forum study America’s infrastructure has got worse, by comparison with other countries, over the past decade. In the WEF 2010 league table America now ranks 23rd for overall infrastructure quality, between Spain and Chile. Its roads, railways, ports and air-transport infrastructure are all judged mediocre against networks in northern Europe.

America is known for its huge highways, but with few exceptions (London among them) American traffic congestion is worse than western Europe’s. Average delays in America’s largest cities exceed those in cities like Berlin and Copenhagen. Americans spend considerably more time commuting than most Europeans; only Hungarians and Romanians take longer to get to work (see chart 1). More time on lower quality roads also makes for a deadlier transport network. With some 15 deaths a year for every 100,000 people, the road fatality rate in America is 60% above the OECD average; 33,000 Americans were killed on roads in 2010.

There is little relief for the weary traveller on America’s rail system. The absence of true high-speed rail is a continuing embarrassment to the nation’s rail enthusiasts. America’s fastest and most reliable line, the north-eastern corridor’s Acela, averages a sluggish 70 miles per hour between Washington and Boston. The French TGV from Paris to Lyon, by contrast, runs at an average speed of 140mph. America’s trains aren’t just slow; they are late. Where European passenger service is punctual around 90% of the time, American short-haul service achieves just a 77% punctuality rating. Long-distance trains are even less reliable.

The Amtrak alternative

Air travel is no relief. Airport delays at hubs like Chicago and Atlanta are as bad as any in Europe. Air travel still relies on a ground-based tracking system from the 1950s, which forces planes to use inefficient routes in order to stay in contact with controllers. The system’s imprecision obliges controllers to keep more distance between air traffic, reducing the number of planes that can fly in the available space. And this is not the system’s only bottleneck. Overbooked airports frequently lead to runway congestion, forcing travellers to spend long hours stranded on the tarmac while they wait to take off or disembark. Meanwhile, security and immigration procedures in American airports drive travellers to the brink of rebellion.

And worse looms. The country’s already stressed infrastructure must handle a growing load in decades to come, thanks to America’s distinctly non-European demographics. The Census Bureau expects the population to grow by 40% over the next four decades, equivalent to the entire population of Japan.

All this is puzzling. America’s economy remains the world’s largest; its citizens are among the world’s richest. The government is not constitutionally opposed to grand public works. The country stitched its continental expanse together through two centuries of ambitious earthmoving. Almost from the beginning of the republic the federal government encouraged the building of critical canals and roadways. In the 19th century Congress provided funding for a transcontinental railway linking the east and west coasts. And between 1956 and 1992 America constructed the interstate system, among the largest public-works projects in history, which criss-crossed the continent with nearly 50,000 miles of motorways.

But modern America is stingier. Total public spending on transport and water infrastructure has fallen steadily since the 1960s and now stands at 2.4% of GDP. Europe, by contrast, invests 5% of GDP in its infrastructure, while China is racing into the future at 9%. America’s spending as a share of GDP has not come close to European levels for over 50 years. Over that time funds for both capital investments and operations and maintenance have steadily dropped (see chart 2).

Although America still builds roads with enthusiasm, according to the OECD’s International Transport Forum, it spends considerably less than Europe on maintaining them. In 2006 America spent more than twice as much per person as Britain on new construction; but Britain spent 23% more per person maintaining its roads.

America’s dependence on its cars is reinforced by a shortage of alternative forms of transport. Europe’s large economies and Japan routinely spend more than America on rail investments, in absolute not just relative terms, despite much smaller populations and land areas. America spends more building airports than Europe but its underdeveloped rail network shunts more short-haul traffic onto planes, leaving many of its airports perpetually overburdened. Plans to upgrade air-traffic-control technology to a modern satellite-guided system have faced repeated delays. The current plan is now threatened by proposed cuts to the budget of the Federal Aviation Administration.

The Congressional Budget Office estimates that America needs to spend $20 billion more a year just to maintain its infrastructure at the present, inadequate, levels. Up to $80 billion a year in additional spending could be spent on projects which would show positive economic returns. Other reports go further. In 2005 Congress established the National Surface Transportation Policy and Revenue Study Commission. In 2008 the commission reckoned that America needed at least $255 billion per year in transport spending over the next half-century to keep the system in good repair and make the needed upgrades. Current spending falls 60% short of that amount.

If they had a little money…

If Washington is spending less than it should, falling tax revenues are partly to blame. Revenue from taxes on petrol and diesel flow into trust funds that are the primary source of federal money for roads and mass transit. That flow has diminished to a drip. America’s petrol tax is low by international standards, and has not gone up since 1993 (see chart 3). While the real value of the tax has eroded, the cost of building and maintaining infrastructure has gone up. As a result, the highway trust fund no longer supports even current spending. Congress has repeatedly been forced to top up the trust fund, with $30 billion since 2008.

Other rich nations avoid these problems. The cost of car ownership in Germany is 50% higher than it is in America, thanks to higher taxes on cars and petrol and higher fees on drivers’ licences. The result is a more sustainably funded transport system. In 2006 German road fees brought in 2.6 times the money spent building and maintaining roads. American road taxes collected at the federal, state and local level covered just 72% of the money spent on highways that year, according to the Brookings Institution, a think-tank.

The federal government is responsible for only a quarter of total transport spending, but **the way it allocates funding shapes the way things are done at the state and local levels**. Unfortunately, it tends not to reward the prudent, thanks to formulas that govern over 70% of federal investment. Petrol-tax revenues, for instance, are returned to the states according to the miles of highway they contain, the distances their residents drive, and the fuel they burn. The system is awash with perverse incentives. A state using road-pricing to limit travel and congestion would be punished for its efforts with reduced funding, whereas one that built highways it could not afford to maintain would receive a larger allocation.

Formula-determined block grants to states are, at least, designed to leave important decisions to local authorities. But the formulas used to allocate the money shape infrastructure planning in a remarkably block-headed manner. Cost-benefit studies are almost entirely lacking. Federal guidelines for new construction tend to reflect politics rather than anything else. States tend to use federal money as a substitute for local spending, rather than to supplement or leverage it. The Government Accountability Office estimates that substitution has risen substantially since the 1980s, and increases particularly when states get into budget difficulties. From 1998 to 2002, a period during which economic fortunes were generally deteriorating, state and local transport investment declined by 4% while federal investment rose by 40%. State and local shrinkage is almost certainly worse now.

States can make bad planners. Big metropolitan areas—Chicago, New York and Washington among them—often sprawl across state lines. State governments frequently bicker over how (and how much) to invest. Facing tight budget constraints, New Jersey’s Republican governor, Chris Christie, recently scuttled a large project to expand the railway network into New York City. New Jersey commuter trains share a 100-year-old tunnel with Amtrak, a major bottleneck. Mr Christie’s decision was widely criticised for short-sightedness; but New Jersey faced cost overruns that in a better system should have been shared with other potential beneficiaries all along the north-eastern corridor. Regional planning could help to avoid problems like this.

### --- XT: Infrastructure Investment Declining

**Infrastructure investment declining --- public and private**

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

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

They had lemons, and they made lemonade.

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

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

Here are the facts, according to the Bureau of Economic Analysis: Government investments (in structures and in equipment) ramped up between 2007 and 2010, only to fall back to 2005 levels by early 2012. The trajectory for private-sector investments was the opposite — a collapse followed by a modest rebound — but they arrived in the same place: back at 2005 levels, some 6% lower than when the recession began.

Looking just at investments in structures (such as buildings, roads, mines, utilities and factories), private companies are investing no more today (in inflation-adjusted terms) than they were in late 1978, according to data from the BEA.

All together, public- and private-sector investments in structures are down about 20% compared with 2007, in inflation-adjusted terms. In 2007, we spent $684 billion on structures; in 2011, we spent $550 billion.

Even before the recession arrived, we were underinvesting. Investments in infrastructure as a share of the economy had declined by 20% compared with 1960, according to a study by the Congressional Research Service. One widely cited estimate from civil engineers put the infrastructure gap at more than $2 trillion.

### --- XT: Economy Declining

**Economy is weak --- risk of falling into recession**

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

The US economy added only 69,000 jobs in May – only about half of what is needed to keep up with natural population growth. The unemployment rate rose to 8.2 per cent.

In the **weakest recovery since the Great Depression**, nearly the entire reduction in unemployment since October 2009 has been accomplished through a significant drop in the percentage of adults working or looking for work. Some of these folks returned to the labour market in May; consequently, unemployment ticked up a tenth of a percentage point.

Growth slowed to 1.9 per cent in the first quarter from 3 per cent the previous period, and was largely sustained by consumers taking on more car and student loans, business investments in equipment and software, and some inventory build. The housing market is improving and that should lift second quarter residential construction a bit but overall, the economy and jobs growth should remain too slower to genuinely dent unemployment.

The May jobs report indicates growth could be even slower in the second quarter, and the economy is **dangerously close to stalling and falling into recession**.

Manufacturing added 13,000 jobs. Other big gainers were health care, wholesale trade, and transportation and warehousing.

Construction lost about 28,000 jobs, and other big losers were leisure and hospitality and state and local governments.

In other sectors, jobs gains were weak or small numbers of jobs were lost.

**Economy declining --- unemployment is increasing**

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

WASHINGTON (AP) — Five months before the elections, the uneven economic recovery is sputtering and job growth is anemic. Stock prices are down to 2011 levels and news on the European debt front is menacing.

What's a Democrat to do?

Ride it out, as President Barack Obama tried to do on Friday in the aftermath of particularly dreary economic reports. "We will come back stronger," he said in Golden Valley, Minn. "We do have better days ahead."

Or conjure fears of an even worse fate.

The Republicans' "only plan is to hand more tax breaks to millionaires, Big Oil, special interests and corporations that ship jobs overseas," said House Democratic leader Nancy Pelosi of California.

Whatever the merit of Obama's optimism or the truth of Pelosi's charge — one was challenged by Republican presidential candidate Mitt Romney, the other by GOP congressional leaders — no Democrat was claiming they can take the place of a strong economic recovery when it comes to the party's political fortunes.

Yet after 3½ years in office and uncounted battles with Republicans, it isn't obvious what type of stimulus measures might be available to Obama and his allies in Congress.

"Businesses have pulled in their horns, given the growing amount of uncertainty," said Sung Won Sohn, an economics professor at California State University. He said the administration and Congress must immediately address a "fiscal cliff" approaching at year's end. That's when tax cuts first enacted during the administration of George W. Bush are set to expire, across-the-board spending cuts are scheduled to take effect and government borrowing is due to hit the debt ceiling.

The Congressional Budget Office estimates that expiration of the tax cuts and implementation of automatic spending cuts would "represent an additional drag on the weak economic expansion." The result would be a 1.3 percent economic contraction in the first half of 2013 and "probably be judged to be a recession," it said.

It's a threat that Sohn and others cited Friday as a reason that companies are putting the brakes on hiring.

Yet Obama and Republicans have staked out dramatically different positions on tax cuts and spending reductions, and barring a change, there is no significant possibility of compromise legislation before the November elections to address any of the issues raised by Sohn.

Obama and most Democrats want to allow tax cuts expire at year's end for wealthier wages earners as a way to cut future deficits. Republicans generally oppose any tax increases. Both sides seem content to submit their disagreement to the voters this fall.

On spending, Republicans want to avoid the across-the-board reductions cemented into place last fall when the two sides failed to agree on an overall plan to attack the nation's ever-escalating debt. The GOP warns that the impact of the cuts on the Pentagon would be detrimental to the nation's security. Democrats accuse Republicans of seeking deeper reductions in social programs and are opposed.

That issue, like taxes and a possible increase in the debt limit, probably will be handled in a postelection session of Congress this fall, if not in 2013.

The short-term outlook turned gloomy late last week.

The Labor Department said the economy produced only 69,000 jobs in May, the fewest in a year. The unemployment rate rose from 8.1 percent to 8.2 percent. No president since Franklin D. Roosevelt in the Great Depression has won a new term with joblessness that high.

The construction industry cut 28,000 positions, its worst monthly performance in two years. Manufacturing activity slowed, although a measure of new orders rose to a 13-month high in a suggestion of better times ahead. Sales of new homes climbed 3.3 percent in April to the second highest level in two years, but the rate is still just half the level that economists consider healthy.

The Dow Jones industrial average dropped 200 points and closed down for the year.

### --- AT: FRB Solves Economy

**FRB out of tools to boost the economy**

**Morici, 6/11** --- economist and professor at the Smith School of Business, University of Maryland (6/11/2012, Peter, “Federal Reserve has few options as economy flirts with 'double dip' recession,” <http://www.foxnews.com/opinion/2012/06/11/federal-reserve-has-few-options-as-economy-flirts-with-double-dip/>, JMP)

The US economy is drifting toward recession, but when Federal Reserve policymakers meet next week on June 19 and 20, they will have few tools to turn things around.

Jobs creation slipped to alarmingly low levels in April and May. Wages, which were rising modestly through most of the recovery, have been virtually flat for three months. An already tough labor market for both job seekers and the employed is getting worse.

First quarter productivity was down sharply, indicating businesses have more workers than needed to meet demand and must soon lay off employees if sales don’t pick up. However, deteriorating conditions in Europe and China, and falling values for the euro and yuan against the dollar, indicate US exporters and import-competing businesses will face tough environment this summer.

In manufacturing, the bright star of the economic recovery, new orders declined the last two months, and manufacturers and service businesses, polled by the Institute of Supply Chain management, report falling prices. Businesses slashing prices to maintain sales is an ominous precursor of more layoffs.

**The Federal Reserve has already pulled all the levers that might make a difference**. Short-term interest rates—such as the overnight bank borrowing rate and one month and one year Treasury Bill rates —are already close to zero.

When the Federal Reserve Open Market Committee last met on April 25 more bond purchases to lower long-term Treasury and mortgage rates were on the table. Since then, investors moved cash from risky European government bonds to US bonds. This has pushed 30-year Treasury and mortgage rates to near record lows, **preempting the effectiveness of any additional Fed initiatives**.

A statement that the Fed intends to keep short rates near zero beyond 2014 would have little effect on investor and home buyer psychology—already, no one expects the Fed to push up interest rates in the foreseeable future.

Central bank policy can help dampen inflation when the economy overheats and lift borrowing and home sales a bit when it falters, but it can’t instigate faster growth when the president and Congress fail to address structural problems.

**FRB can’t boost growth now**

**Goldfarb, 12** --- staff writer covering the White House, focusing on President Obama's economic, financial and fiscal policy (6/11/2012, Zachary A., “With crisis rooted in Europe, U.S. less vulnerable but has less flexibility to act,” <http://www.washingtonpost.com/business/economy/with-crisis-rooted-in-europe-us-less-vulnerable-but-has-less-flexibility-to-act/2012/06/11/gJQA3GujVV_story.html>, JMP)

The Fed is also more constrained than it was in 2008. Then, it could use its principal weapon — control of an interest rate that sets the benchmark for most banks — to encourage more lending and economic activity. It also has taken a range of unconventional actions to support growth. But the Fed’s benchmark interest rate is now near zero, and its tool kit is not as effective as before.

One of the most important changes from 2008 is that the major drags on the U.S. economy come from abroad.

The world’s four major developing countries — Brazil, Russia, India and China — have also showed signs of economic weakness recently. They are growing fast but slower than many economists anticipated.

### --- AT: Economy Improving

**Economy is still in a crisis --- bolstering infrastructure investment is critical**

**Rohatyn & Slater, 12** --- special adviser to the chairman and CEO of Lazard, AND \*\*former US transportation secretary (2/20/2012, Felix Rohatyn and Rodney Slater, “America needs its own infrastructure bank,” <http://www.ft.com/intl/cms/s/0/c61b2084-5bb3-11e1-a447-00144feabdc0.html>, JMP)

America needs to invest in infrastructure. Despite signs of improvement, **our economy is still in crisis**. We could create millions of jobs by rebuilding our transport and water systems – ending the congestion that stifles our ports, airports, railroads and highways; increasing productivity; and empowering the US to compete with countries that are investing in infrastructure on a massive scale.

Infrastructure financing tools are available, providing Washington wants to use them. They could bolster investment by leveraging hundreds of billions of dollars in private and international capital.

The potential tools include a national infrastructure bank and other relatively minor legislative changes to encourage private investors off the sidelines. American mutual funds, pension funds and retail investors allocate relatively small portions of their $37,000bn in capital to new infrastructure initiatives.

Creating a national infrastructure bank is not a new idea but it finally may be gaining traction. Congresswoman Rosa DeLauro has introduced a House bill to create one, and Senators Kay Bailey Hutchison and John Kerry co-sponsored similar legislation in the Senate. President Obama also supports a such a project. So do the AFL-CIO labour group and the US Chamber of Commerce, organisations that differ sharply on many issues but unite in calling for the US to rebuild.

A national infrastructure bank could be independent and transparent. Government-owned but not government-run, it would have a bipartisan board and a staff of experts and engineers to plan projects **based on quality and public need**, not on politics. The bank would leverage public-private partnerships to maximise private funding and launch projects of regional and national significance with budgets of $100m or more.

The infrastructure bank also should have authority to finance projects by issuing bonds with maturities of up to 50 years. These long-duration bonds would align the financing of infrastructure investments with the benefits they create, and their repayment would allow the bank to be self-financing.

### --- AT: States Solving Now

**Many states are not acting**

**Puentes, 12** --- Senior Fellow and Director of the Metropolitan Infrastructure Initiative (5/22/2012, “New Federalism Already Forming,” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

Make no mistake, none of these are silver bullets, but they do highlight an important point with respect to differences among states and municipalities in the U.S. today. While some states and cities are ambitiously pursuing innovative sources of infrastructure finance—such as partnerships with private and foreign investors—**many others are not**. For example, only 24 states undertook at least one public/private partnership transportation project since 1989. Florida, California, Texas, Colorado, and Virginia alone were responsible for 56 percent of the total amount of all U.S. transportation PPP projects during this time.

### --- XT: Transportation Infrastructure Key to Economy \*\*\*

**Declining infrastructure will cost a million jobs and a trillion dollars**

**Senator Coons, 11** (11/3/2011, U.S. Senator Chris Coons (D-Del.), Targeted News Service, “In Floor Speech, Senator Coons Calls a National Infrastructure Bank a Creative Approach to Critical Investment,” Factiva, JMP)

It's a funny thing about infrastructure, how we inevitably take it for granted, whether you are running a state highway system or a county sewer system, you never know how much people miss it until it isn't working the way they expect. And, unfortunately, in cities, counties, and states across our country today, companies and communities are discovering that our aged infrastructure is imposing costs on us that we just can't bear.

The American society of civil engineers, which I have referred to before, recently released a study saying that our nation's deteriorating surface transportation infrastructure alone results in the loss of nearly a million jobs and will suppress our G.D.P. growth by nearly $1 trillion between now and 2020. That's an **enormous loss of future economic activity**. In my view, we can't put this off any further. As a country, we can't keep swerving to avoid these potholes on the path to prosperity. Eventually we're going to hit them and eventually they are going to continue to be a drag on our nation. The Rebuild America Jobs Act would fill these potholes, would patch these pipes, would lay the new runways to allow America's economy to take off.

**Improving transportation infrastructure key to strong growth**

**Slack, 11** (11/2/2011, Megan, Targeted News Service, “By the Numbers: 2 Percent,” Factiva, JMP)

WASHINGTON, Nov. 2 -- The White House issued the following blog by Megan Slack:

The United States is falling behind on investing in the roads, bridges, airports, and transit systems that keep our economy humming. We spend just 2 percent of our GDP on infrastructure projects. Europe and China invest 5 percent and 9 percent of their respective GDPs on developing infrastructure.

Functioning infrastructure provides a **critical backbone for a strong economy**. **Research shows that investments in creating, maintaining, or expanding transportation networks promote efficiency, productivity, and more rapid economic growth.**

Today, President Obama is calling on Congress to pass a piece of the American Jobs Act that will invest $50 billion in our nation's transportation infrastructure and $10 billion in a National Infrastructure Bank. Together, these initiatives will put hundreds of thousands of construction workers back on the job rebuilding our roads, rails, and runways. With 1.1 million constructions workers out of work, we can't wait to invest in our infrastructure.

### --- XT: Competitiveness Internal Link

**Failure to invest in transportation infrastructure is decking U.S. global competitiveness**

**Rendell & Ortis, 11** --- former governor of Pennsylvania, AND \*\* mayor of Pembroke Pines (8/19/2011, Ed & Frank, “Infrastructure investment boosts U.S. economy, competitiveness; Infrastructure is America's economic backbone,” <http://articles.sun-sentinel.com/2011-08-19/news/fl-infrastructure-us-competitiveness-20110819_1_infrastructure-ports-economy>, JMP)

From highways and bridges to ports and aviation, infrastructure is the economic backbone of America that allows commerce to flow and keeps our quality of life high.

However, the United States has not kept pace with our growing infrastructure needs. And when it comes to transportation policy, we are still following an agenda set more than 50 years ago when Dwight Eisenhower was president.

As proof, we need to look no further than right here in Florida, where much of the infrastructure is outdated, underfunded and badly in need of repairs and modernizations. According to the American Society of Civil Engineers, nearly one in five of Florida's bridges is structurally deficient or functionally obsolete, needlessly putting our families and commuters in harm's way.

Many of our state's road networks are so jammed with traffic that drivers in Jacksonville, Miami and Orlando annually waste more than 200 million hours and nearly 150 million gallons of fuel sitting in traffic. All of this adds up to a $3.8 billion hit to the state's economy.

The story is much the same around the rest of the country: We are living off of investments made several generations ago, and we have not reinvested in the systems needed to ensure that future generations can compete in a global market. This short-sightedness is wasting taxpayer money and time and slowing down the efficient movement of goods around the nation. For example, congestion is so bad in Chicago rail yards that it takes a freight train longer to get across the city than it does to get from Chicago to Los Angeles.

Building America's Future Educational Fund, a national and bipartisan coalition of state and local elected officials, of which we are members, recently released "Falling Apart and Falling Behind." The report lays out the economic challenges posed by our nation's ailing infrastructure, provides a comparative look at the smart investments being made by our international competitors, and suggests a series of recommendations for crafting new, innovative transportation policies.

**Our global economic competitors get it**. At a time when budgets around the world are being slashed, our competitors are wisely continuing to make robust, cutting-edge transportation infrastructure investments. And those decisions are reaping a variety of benefits for their citizens and economies.

Since 2000, China has invested $3.3 trillion in infrastructure projects. They now have six of the world's top 10 ports, while the United States has none. Shanghai's port now moves more container traffic a year than the top seven U.S. ports combined. The European Union invested over $578 billion to create a single, multi-modal network to integrate land, water and air transport networks throughout the EU. And Brazil is developing a $19.7 billion, 223-mph high-speed rail line between Sao Paulo and Rio de Janeiro, which is expected to be running by 2014.

Economists, academics and, indeed, many of our global competitors, all seem to agree: Infrastructure is an investment in our country's future that will create jobs and economic prosperity. What seems to be missing in the United States is the political will from the federal government.

Instead of educating constituents on the economic and job-creating benefits of infrastructure investment, some members of Congress offer a knee-jerk reaction to any new spending. What they fail to understand is that to **get our nation's economy back on track**, we must develop a new, long-term vision for making the type of strategic investments that are based on economics — not politics.

They must embrace such innovative and viable financing options such as creating a National Infrastructure Bank and allowing greater state and local innovations such as congestion pricing. Congress needs to pass a six-year transportation bill and invest more in mass transit, the Next Generation air traffic control system and true high-speed rail.

It's a big job, but America is up to the task. It's time we got started.

**National infrastructure bank will reverse decline in competitiveness**

**Cooper, 11** --- Senior Fellow at the Center for American Progress (11/9/2011, Donna, “Not Fixing Our Infrastructure, Not Creating Jobs; Conservatives in Congress Are to Blame for Both Dismal Outcomes,” <http://www.americanprogress.org/issues/2011/11/infrastructure_jobs.html>, JMP)

Cuts to urgently needed federal infrastructure funds are reckless on safety grounds but they are also irresponsible on economic grounds. The 2008 World Economic Forum’s Global Competitiveness Index ranked America’s infrastructure among the 10 best in the world. This year our ranking dropped to 24th, behind nearly every major European nation, Singapore, Australia, and Canada. Our ranking declined for the simple reason that we have failed to adequately invest in repairing and modernizing our infrastructure while competitors are doing just the opposite.

One reason these other countries are able to make so much progress is that they have effective public financial institutions like the proposed U.S. Infrastructure Bank—financial institutions that invest with private partners in worthy large-scale and state-of-the-art infrastructure improvements. The European Investment Bank, for instance, has $300 billion to invest in worthy large-scale public infrastructure projects.

**Key to affordable consumer goods and business global competitiveness**

**AGC, 11** (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

PART II: BENEFITS OF INFRASTRUCTURE INVESTMENTS

Not only is there a clear role for the federal government in investing in infrastructure, but there is also a clear national benefit from those investments. Much of our current economic prosperity derives from a long legacy of federal support for infrastructure. Federal infrastructure investments have protected thousands of towns and millions of acres of farmland from flooding and erosion, saving billions in costly repairs and lost productivity. Federal investments have irrigated farmlands, protected our drinking water, connected farmers to markets and closed the distances between our communities.

Federal transportation investments, for example, have given the United States what is inarguably the world’s most efficient transportation network. Our interstate highways are the backbone of our modern economy, allowing businesses to quickly and affordably ship billions of dollars worth of goods every year. These highways have facilitated the transition to today’s just-in-time economy. This has allowed employers to significantly increase their productivity by eliminating the need to stockpile large inventories. Instead, parts are delivered to factories and goods are delivered to stores only when needed. These new efficiencies, which wouldn’t be possible without our highway network, have lowered the cost of consumer goods, allowed our businesses to compete globally and supported entirely new industries like overnight express delivery and supply chain management firms.

Federal investments in aviation infrastructure have made air travel more affordable, more efficient, and safer than virtually anywhere else in the world. The U.S. has many world class airports, first rate runways and an air traffic network that safely handles tens of thousands of commercial flight operations every day. Our investments in aviation safety have led to the safest era in commercial aviation the world has ever known. Meanwhile, our investments in community and general aviation airports have connected communities and enabled business people to conveniently travel to virtually any part of the country to meet with clients, supervise factory operations or scout out new opportunities.

### --- XT: NIB => Infrastructure Investment

**\*\*\*also high-speed rail solvency card**

**Bank will raise hundreds of billions to finance infrastructure and boost competitiveness**

**Rohatyn, 10** --- special adviser to the chairman and CEO of Lazard Frères & Co. LLC (9/15/2010, Felix G., “The Case for an Infrastructure Bank; We need projects that meet national economic objectives, not local political ones,” <http://online.wsj.com/article/SB10001424052748703376504575491643198373362.html>, JMP)

President Obama has proposed a program to renew and expand America's infrastructure. Central to the president's plan is the creation of a permanent, national infrastructure bank that could leverage private capital for projects of regional and national significance. Hopefully members of Congress will make jobs and the economy their priority and support its establishment.

A national infrastructure bank could begin to reverse federal policies that treat infrastructure as a way to give states and localities resources for projects that meet local political objectives rather than national economic ones. The bank would evaluate prospective infrastructure projects on consistent terms. It would be able to negotiate with state or local sponsors of a project what their cost shares should be. The bank also could help groups of states come together for regional projects such as high-speed rail and better freight management. Such consolidation would improve project selection.

The bank also could ensure that states and localities consider all other options—from wetlands preservation to implementing tolls—before structural options are funded. It would create an avenue for private investors to put risk capital into new projects and bless their involvement with the bank's own participation. In short, it would treat infrastructure like a long-term investment, not an expense.

The American Society of Civil Engineers periodically estimates the cost of bringing our infrastructure to an acceptable level—it now exceeds $2 trillion. This is a staggering sum, but the infrastructure bank could make strides to meet it by issuing its own bonds of up to 50 years maturity and, with a conservative gearing, could initially raise $200 billion to $300 billion and become self-financing over time.

The legislation that embodies the concept of an infrastructure bank already exists in a bill that Rep. Rosa DeLauro (D., Conn.) has introduced in the House and that Sen. Chris Dodd (D., Conn.) and former Republican Sen. Chuck Hagel from Nebraska have introduced in the Senate.

In addition, Pennsylvania Gov. Ed Rendell has encouraged the rebuilding of America through an infrastructure bank. As he points out, a functioning national infrastructure is not optional—it is necessary to our economic future, global competitiveness and ability to create millions of jobs over the long term.

A number of alternatives have been suggested, including the creation of state infrastructure banks. By investing significantly in infrastructure we would act in the tradition of American leaders whose bold programs shaped our progress. President Lincoln transformed the country by beginning a transcontinental railroad during a time of war. FDR's GI Bill allowed millions of Americans to attend college and become the source of our technological and intellectual power. President Eisenhower built the interstate highway system, creating millions of jobs and a suburban economy still basic to the U.S.

Renewing our country's infrastructure will have similar impact. The infrastructure bank is an idea whose time has come.

**A national infrastructure bank will generate $500 billion in investments**

**Lemov, 12** (3/1/2012, Penelope, “A Bank for Infrastructure Funding; Legislation moving through Congress could help states and localities finance public works projects,” <http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html>, JMP)

The $5.25 billion Panama Canal expansion could be a gold mine for U.S. ports along the Gulf and the East Coast.. But first, they have a few upgrades to make if they expect to compete for the anticipated surge in trade traffic. So where will the money come from to ready these ports? And what about money to finance other major infrastructure needs? Michael Likosky, director of the Center on Law and Public Finance at New York University, sees a national infrastructure bank as one answer. As bipartisan legislation to create such a bank inches its way through Congress, I tuned into a briefing via telephone by Likosky, sponsored by RBC Capital Markets, on how such a bank might work. What follows is an edited transcript of his remarks.

How the bank will work: The bank starts with the initial capitalization of $10 billion, then moves to self-sufficiency, and does loans and loan guarantees in the sectors of water, transportation and energy. It is a multi-sector bank, designed to finance multi-sector projects so you can package water, transportation and energy together.

How the bank differs from the Transportation Infrastructure Finance and Innovation Act (TIFIA): The TIFIA program has generally been for large marquis projects. To date, it has been a 10- to 12-state program. The states that have needs for TIFIA loans generally are high population states that can sustain it. **The infrastructure bank has been conceived as a 50-state bank**, and so it has a much broader reach. It is going to be more about volume and less about doing a cluster of projects. That said, the two are complementary in that a TIFIA project can pick up support from the infrastructure bank at the same time. Including another federal agency or federal program in a TIFIA package makes the package more attractive to investors, particularly if a water or energy component gets added.

Like TIFIA, the state bank is for transportation only. The program's been around since the Clinton administration and has never taken off as a national program. That said, an expanded state infrastructure bank program could use national infrastructure bank programs to enhance its own financing.

The number of projects a national infrastructure bank could support: The estimates have been around $500 billion of deal flow [or, in other words, $500 billion in business or investment opportunities]. **That's a conservative estimate**, particularly at a time when there's a lot of uncertainty in Europe. **The U.S. is considered a jurisdiction of opportunity**. So we're likely to see an infrastructure bank leverage a lot more money than some of the estimates. When you provide a loan or a loan guarantee, and the risk assessment of the project is taken into consideration, the federal government's only going to withhold a certain amount of what it lends. So if it's a $340 million loan, that might only require withholding $34 million. With the export/import bank and international banks in the U.S., the experience has been that the amount withheld becomes smaller and smaller.

Prioritizing projects: A national infrastructure bank's purpose is to help increase state and local deal flow and private-sector deal flow. The national bank itself isn't going to be a place that has a list of priority projects. This is not a top-down institution. So what we end up with is our state and local governments beginning to move toward priority lists of projects. In many states this is happening; there is starting to be a priority list of what types of projects would be particular candidates for public-private partnerships. As the transportation bill has moved forward, we're getting a clearer idea of what gaps are going to be left in the marketplace where an infrastructure bank is going to become particularly useful.

A concrete example of a priority project that would be an infrastructure bank candidate is the expansion of the port in Spartanburg, S.C., so it can handle the larger Panama Canal ships. We're talking about a range of different sectors that are involved, both freight rail, intermodal freight rail and dredging the port, but we're also talking about other types of port build-up manufacturing. The idea is to ramp up manufacturing in the ports at the same time that the expansion happens. What the infrastructure bank would aim to do is increase the pie of available capital with the recognition that we have to achieve fairly high growth rates -- 6 percent -- in a fairly sustained way in order to handle the employment crisis. So in those areas where there's the greatest amount of economic growth possible, that's where the infrastructure bank comes in as especially useful.

Bank project financing vs. traditional tax-exempt project financing: I see them as enhancing the tax-exempt bond market by bringing in -- as the Build America Bonds did -- a new class of investors: pensions, sovereigns and insurers that don't always have the appetite or the tax profile for the tax-exempt. On another front, the bank is an enhancer of the tax-exempt bond market in that there's a slice of projects today that are more amenable to public-private partnerships or require a tax-exempt, private-activity bond enhancer or some sort of additional type of revenue source. For instance, in New York, Gov. Andrew Cuomo is talking about reinvesting in Buffalo. There's going to be a certain amount of tax-exempt bond usage to regrow Buffalo, but there's also going to be a movement to bring in other sources of financing. The tax-exempt bond market and the infrastructure bank will reinforce one another.

Facilitating public-private partnerships: The infrastructure bank is coming in to handle two main risks associated with public-private partnerships. [The main one] is closing risk. In the U.S. public-private partnership market today, it is very hard and very expensive to get to close with a project. What an infrastructure bank will do is decrease the likelihood of closure of a project because there will be an additional federal champion involved, additional federal underwriting and higher underwriting standards. The bank also has a best practices unit in it, so there'll be some technical assistance to state and local governments that often run into problems closing projects because there's not the capacity to assess bids. That's another aspect that the federal bank is meant to support.

**Will boost long-term investment on infrastructure**

**Indiviglio, 10** --- associate editor at The Atlantic from 2009 through 2011 (9/15/2010, Daniel, “Would a National Infrastructure Bank Help?” [http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/#](http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/), JMP)

At this point, many people, including former Fed Chair Alan Greenspan, argue that the stimulus spending wasn't administered as effectively as it might have been. For such an enormous amount of spending, more jobs were expected to be created. And while some, including President Obama, have proposed more stimulus spending, any further expenditures must be more effective. The question is even less whether more infrastructure jobs might be good for the economy than whether the government can be trusted to administer the associated spending. Felix Rohatyn, special advisor to the CEO of Lazard Frères & Co. LLC suggests something that might help in a Wall Street Journal op-ed today: why not create a national infrastructure bank?

At first, this might sound like a wacky socialist concept -- a bank created to spend taxpayer money on infrastructure projects. But it's a pretty practical proposal. Its purpose would be to circumvent politics so that taxpayer money could be more effectively spent on projects, instead of squandered as it so often is by Congress. Here's how Rohatyn explains it:

A national infrastructure bank could begin to reverse federal policies that treat infrastructure as a way to give states and localities resources for projects that meet local political objectives rather than national economic ones. The bank would evaluate prospective infrastructure projects on consistent terms. It would be able to negotiate with state or local sponsors of a project what their cost shares should be. The bank also could help groups of states come together for regional projects such as high-speed rail and better freight management. Such consolidation would improve project selection.

This is an important point. If Rep. Smithers of some state wants his vote contingent on his district getting a $125 million bridge to nowhere that will mostly pad the pockets of his biggest political supporters, then he often will get it. But if there was a bank in place to evaluate projects in terms of their economic effectiveness, then such pork barrel spending will be harder to get through.

A national infrastructure bank could change the way federal funds are spent on infrastructure. For example, instead of creating a $100 billion "infrastructure spending" package full of nonsense, Congress would provide $100 billion for the infrastructure bank to spend as its financial analysis dictates. It would evaluate the various projects that states say are necessary and pick those which would create the most jobs and do the most to strengthen the nation's infrastructure while controlling costs.

Rohatyn goes on:

The bank also could ensure that states and localities consider all other options--from wetlands preservation to implementing tolls--before structural options are funded. It would create an avenue for private investors to put risk capital into new projects and bless their involvement with the bank's own participation. In short, **it would treat infrastructure like a long-term investment**, not an expense.

In other words, it might also help make even valuable infrastructure projects cost taxpayers less if there are ways for private investors to be involved. Of course, they will also care more about economic viability than the average politician would.

**Bank will boost infrastructure investment**

**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)

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 the condition of our infrastructure is generally declining, especially in metropolitan areas. There is also growing concern that the infrastructure that exists today is woefully obsolete, geared more for a prior generation than for the challenges of the 21st century.

The federal government spends about $65 billion each year on infrastructure—transportation, energy, water and environmental protection [1]. While the figure is not negligible, the investment in infrastructure is only 2.2 percent of total federal spending. More than three-quarters of this spending consists of transportation grants to state and local governments ($50.4 billion) [2].

While most of the attention has been on increasing funding for projects, there are also renewed calls to improve **the way the federal government invests in infrastructure**. Today, the federal government generally does not select projects on a merit basis, is biased against maintenance, and involves little long term planning. In this context, **there is interest in a new federal entity for funding and financing infrastructure projects through a national infrastructure bank**.

Mr. Chairman, I believe that while a national infrastructure bank 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 and regional importance [3].

Background

A national infrastructure bank (NIB) is a targeted mechanism of 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. The creation of such a special financing entity for infrastructure has been discussed in policy circles for at least 20 years.

Across the Atlantic, the European Investment Bank (EIB) has been functioning successfully for the last 50 years, playing a major role in connecting the European Union across national borders. The EIB has nearly $300 billion in subscribed capital by all the 27 European Union member countries. In 2009, the EIB disbursed over $70 billion, mainly on transportation, energy and global loans [4]. While not trying to maximize profit, EIB functions as a bank, not as a grant-making mechanism. The EIB raises funds from capital markets and lends them at higher rates, keeping its operations financially sustainable. It offers debt instruments, such as loans and debt guarantees, and technical assistance.

While it may take different forms, NIB proposals in the U.S. generally envisage an entity that improves the federal investment process in infrastructure assets that meet some measure of significance **and accelerates the investments in such projects** [5]. The focus is on multi-jurisdictional or multi-modal projects with regional or national impact.

**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)

Conclusion

A more competitive U.S. economy needs a better infrastructure system. In a time of limited resources, **improving the federal investment process should be a priority over finding ways to merely increase the amount of funding for infrastructure.**

If designed and implemented appropriately, a national infrastructure bank would be a targeted mechanism to deal with new federal infrastructure spending. An NIB would provide a better project selection process for neglected federal investment in infrastructure, such as capital projects across jurisdictions and state borders, but also there would be more rigorous evaluation of projects across different types of infrastructure.

Yet an NIB is not a silver bullet for dealing with infrastructure reform, either. It would not overhaul the current federal investment, but be limited only to new projects funded through its mechanism. In the end, an NIB should be thought of as a precision tool and not a blunt instrument.

### --- XT: NIB => More Effective Infrastructure Projects

**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.

### Infrastructure Investment => Construction Employment

**Infrastructure investment will boost construction employment**

**Laing, 6/1** (Keith, 6/1/2012, “Despite bleak jobs report, transportation sector sees gains,” <http://thehill.com/blogs/transportation-report/labor-employment/230459-amid-bleak-jobs-report-transportation-employment-rose-by-36000>, JMP)

The Associated General Contractors of America noted that the number of construction jobs had declined by 28,000 in May. They also argued Friday that Congress agreeing on a transportation bill would be helpful to their industry.

“Getting a highway and transit bill passed would certainly help counter any possible backslide in construction employment,” AGCA CEO Stephen Sandherr said in statement. “While the overall economy will need to be much stronger before private sector construction activity and employment begins to approach pre-recession levels, investments in infrastructure will certainly help put more construction workers back on the job.”

### Transportation Only NIB Solvency

**A transportation-only infrastructure bank will fund big multi-state projects**

**Schulz, 10** (5/19/2010, John D., Contributing Editor, “Has the time come for a U.S. Infrastructure Bank?” <http://www.logisticsmgmt.com/article/has_the_time_come_for_a_u.s._infrastructure_bank/>, JMP)

Robert Poole, director of transportation policy at the Los Angeles-based Reason Foundation, a libertarian-leaning think tank, said the nation suffers from both insufficient and poorly targeted infrastructure investments. **“Multi-state projects are particularly hard to fund under the current system,”** Poole said. “Large, billion-dollar, multi-state, multi-modal projects would be particularly attractive to funding through infrastructure bank funding.”

But Poole is opposed to using general U.S. funds for transport projects. Rather, he said, they should be funded by user funds, not federal grants. All projects should be merit-based, which could be difficult in a town where all 538 members of Congress are used to bringing home some bacon to their districts and states. “There may be a niche market role for a narrow transportation-only infrastructure bank,” Poole said. “But a broader infrastructure bank may be too ambitious to try and achieve a multi-modal, grant-and-loan-based bank, which I think might fail,” he added.

### Increased Employment Key to Recovery

**Boosting employment is key to reverse economic decline**

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

U.S. chief executive officers are turning more pessimistic about a second-half recovery as rising unemployment and Europe’s debt turmoil threaten domestic growth prospects.

CEOs from General Motors Co. (GM) (GM) to Hewlett-Packard Co. (HPQ) (HPQ) to Manpower Inc. say they are concerned about the health of the U.S. economy. While economists predict a continuing expansion this year and next, executives see a mounting number of obstacles that could clip growth.

U.S. employers added the fewest number of workers to their payrolls in a year last month, while companies including Tiffany & Co. (TIF) (TIF) and mattress maker Tempur-Pedic International Inc. (TPX) (TPX) cut their full-year forecasts. European policy makers are also struggling to resolve a crisis that has tipped at least eight of the 17 euro-area economies into recession. The U.S. presidential election is another area of concern, CEOs said.

“There are so many uncertainties,” said Jeffrey Joerres, CEO of Manpower (MAN) (MAN), the Milwaukee-based provider of temporary workers. “If these uncertainties keep stacking up and none get resolved, we’ll see a hiring pause rather than the current slowdown.”

After a 1.7 percent expansion last year, U.S. gross domestic product may increase by 2.2 percent in 2012 and by 2.4 percent in 2013, the median of 70 economists surveyed from June 1 to June 5 shows. The estimates are down 0.1 percentage point from those issued last month.

No Better

CEOs see jobs as a key driver of growth, even as they keep a lid on their own spending and hiring. Supervalu Inc. (SVU) (SVU)’s Albertsons grocery store chain said this week it will cut as many as 2,500 jobs. Hewlett-Packard has announced the biggest round of job cuts out of any U.S. company this year, at 27,000, according to data compiled by Bloomberg.

“The economy seems to be just sort of bouncing along,” Hewlett-Packard CEO Meg Whitman said in an interview this week. “It doesn’t seem to be getting significantly better.”

Employment concerns, coupled with sinking housing prices, have made U.S. consumers reluctant to undertake big-ticket home renovations, said Lowe’s Cos. Chairman and CEO Robert Niblock. Lowe’s, the second-biggest U.S. home-improvement retailer after Home Depot Inc. (HD) (HD), is eliminating more than 500 corporate positions through voluntary buyouts this year after cutting 1,700 store management jobs in 2011.

‘Sufficiently Cautious’

“From a macroeconomics and jobs standpoint, we are trying to be sufficiently cautious in our outlook,” Niblock told reporters after the company’s annual shareholder meeting on June 1. “It’s always, ‘Well, the second half of the year or next year is going to be better.’”

That sentiment may be fading. Lowe’s reduced its full-year earnings (LOW) forecast last month and was joined this week by Tempur- Pedic, the mattress maker that plunged a record 49 percent after lowering profit and revenue predictions for 2012. Tiffany last month also cut its full-year profit and sales forecasts after revenue at its flagship store fell, hurt by cuts to Wall Street bonuses and fewer European tourists.

The Standard & Poor’s 500 Index has declined almost 7 percent from a four-year high on April 2.

The May jobs report, which showed the U.S. unemployment rate rose to 8.2 percent from 8.1 percent a month earlier, “cemented our point of view that this is a low-growth environment,” Carol Tome, chief financial officer of Home Depot, said in an interview on June 6.

General Motors CEO Dan Akerson said last month that he’s “guardedly optimistic” about the economy. GM, the largest U.S. automaker, led five of the six biggest car companies last week in reporting U.S. monthly sales gains that trailed analysts’ estimates as incentive offers failed to draw enough buyers.

‘It’s Fragile’

“It’s fragile,” Akerson said about the economy in a May 14 interview in New York. “When people have confidence that they’ll have a job and that their homes are safe and whatnot, they tend to spend more and that tends to drive demand.”

While last month’s unemployment rate has fallen from a peak of 10 percent in October 2009, consumers and companies are still restrained. Randall Stephenson, CEO of AT&T Inc. (T) (T), the largest U.S. phone company, said last month that telecommunications spending by large companies is focused on operating more efficiently, not expanding.

The real driver is businesses “hiring and putting people on payroll,” Stephenson said in a May 10 interview. “We’re still not seeing that.”

Bob Evans Farms Inc. said this week it would increase so- called value offerings at its namesake restaurant chain, which already sells 10 meals for less than $20 each.

“We’re hitting value hard and we don’t see that changing anytime soon,” CEO Steven Davis said on a June 6 conference call.

### AT: Only Solves Long Term

**This is a short term solution to the economy**

**Kondracke, 10** (9/23/2010, Morton M., Roll Call, “The American Dream Is Still Alive, but in Peril,” Factiva, JMP)

The median income of American families in 2009 was $49,777, below what it was in 1997.

The story of America is that, except during recessions, incomes rise. The median family income was $40,108 in 1967. It was $43,758 in 1977; $47,071 in 1987 and $49,309 in 1997. It got up to $52,338 in 1999. It's been falling back ever since.

Americans are an optimistic people and they have always had a right to be. They still are -- but less so.

A Pew Research Center poll this year found that 64 percent of Americans pronounced themselves optimistic about their family's life, 61 percent about America's future and 56 percent about the U.S. economy over the next 40 years. But those numbers are down from 81 percent, 70 percent and 64 percent in 1999.

Short-term attitudes are much more downbeat. A Gallup poll this month showed that 84 percent think we're still in a recession and 47 percent think it's not improving.

Instead of figuring out together what to do, politicians would rather blame each other and stick to their ideologies.

Democrats want more government-funded stimulus packages and continued tax cuts for the middle class even though the national debt is nearing 100 percent of GDP, the highest since World War II.

Republicans want to extend tax cuts for everyone -- especially the wealthy -- even though the census numbers show that income disparities are as great as they've been since the 1920s, and growing. Cutting domestic spending would add to the woes of those at the bottom.

So what to do? There ought to be both long-term and short-term solutions. One (relatively) short-term step might be creation of a national infrastructure bank that would use its lending authority to encourage private investment in roads, railways, air traffic control and waterways.

The American Society of Civil Engineers estimates that the country needs to spend $2 trillion to bring its infrastructure up to acceptable standards. Governments can't afford such outlays, but well-structured bank loans might unleash the trillions that private companies are sitting on -- and reduce the unemployment rate.

### AT: No Resources / Private Capital for Investment

**Private capital exists for infrastructure**

**Snyder, 11** --- Streetsblog's Capitol Hill editor (10/7/2011, Tanya, “Does the Elusive Infrastructure Bank Already Exist?” <http://dc.streetsblog.org/2011/10/07/does-the-infrastructure-bank-of-our-dreams-already-exist/>, JMP)

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.”

Sperling tried to shrug off questioning about why the president was caught blindsided by skepticism of the plan from within his own party. “There aren’t many times, in my experience, where you send up a bill and they just take it exactly as it is,” he said. “I think that there is overwhelming Democratic support in the House and the Senate, and I think you’ll see overwhelming support when Senator Reid takes this to a vote.”

“The debate about how we fund it is something we should get by rather quickly so we don’t continue to fall behind and **send the signal that there are better places to invest than America**,” said Daryl Dulaney of Siemens. “That’s a sad reality that we’re facing.”

**National bank will ensure investment capital**

**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)

Filling the capital structure of infrastructure projects. Although the United States has the deepest capital markets in the world, those markets are not always providing the full array of investment capital needed—especially for large infrastructure projects with certain credit profiles. This 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.

**An infrastructure bank generates necessary resources**

**Puentes, 11** --- Senior Fellow at Brookings (4/5/2011, Robert, “Infrastructure Investment and U.S. Competitiveness,” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, JMP)

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.

### AT: Spending / Economy Disads

**Won’t add to the deficit**

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

**\*\*\*Alan Krueger, assistant secretary for economic policy and chief economist at the Department of the Treasury**

Funding questions

Much of the hearing centered on how to pay for the bank and ensure that none of the projects needed government help or would add to the deficit. Krueger said the first key was that regulators would ensure that every project had both "national significance" and a solid budget plan.

Robert Wolf, chairman and CEO of investment bank UBS Americas, said the NIB could also focus on projects with a possible return, such as user fees. That would give the private lenders more security and would help keep the projects afloat, he said. Pennsylvania Gov. Ed Rendell (D) testified that projects would not be backed with federal credit, although he said governments could offer "availability payments" to incentivize more private lenders.

Rendell said the NIB was just a "linchpin" in a larger need for more infrastructure spending, though he noted it was a creative way to finance work that is desperately needed.

"Many detractors of a national infrastructure bank say that we cannot afford to do this. I say we cannot afford not to do it," Rendell said. "I would like to know what successful company in the United States has grown itself without investing money back into its business. ... Companies will leave our shores and we will import more than we export. That cannot be the way of our future."

**The spending is inevitable --- net better to invest in infrastructure now to boost economy**

**Frank, 6/2** --- economics professor at the Johnson Graduate School of Management at Cornell (6/2/2012, Robert H., “Repairing Roads Can End All Kinds of Gridlock,” <http://www.nytimes.com/2012/06/03/business/road-repairs-can-end-political-gridlock-economic-view.html>, JMP)

DEMOCRATS and Republicans share less common ground than at any point in living memory, and they are especially divided about our still-ailing economy. When Democrats propose additional economic stimulus, Republicans call for more cuts in government spending and regulation. And even though the effects of the Great Recession are still with us, political gridlock seems set to continue.

Yet recent public statements by both President Obama and his probable Republican challenger, Mitt Romney, suggest a way forward. The president has long advocated infrastructure investment as a way to put Americans back to work. For his part, Mr. Romney recently warned that government spending cuts would “slow down the economy,” so he, too, has acknowledged the clear link between spending and employment.

Both men should thus be willing to take the one politically feasible step that could help mend the economy quickly: an accelerated program of infrastructure repairs. People in both parties already agree that these improvements are needed — even apart from their impact on employment.

In its 2009 assessment of the nation’s roads, bridges and other infrastructure, the American Society of Civil Engineers identified more than $2 trillion in long-overdue repairs. Of course, when maintenance is postponed, its cost rises rapidly. If Interstate highway repairs are delayed even briefly, damage from heavy trucks and winter weather can cause costs to rise several fold. According to the American Association of State Highway and Transportation Officials, substandard roads also cause $335 in annual damage per vehicle on the road. Still more troubling, those roads cause many easily preventable deaths and injuries. What could possibly justify further delay?

Some people object to the additional government debt that infrastructure repairs would require. As austerity proponents like to say, governments can’t spend beyond their means indefinitely, any more than businesses or families can. It’s a fair statement if we’re talking about the long run. But in the short run, it’s utterly false. When prudent investment opportunities arise, families, businesses, and governments can and should spend more than they take in.

Consider an indebted family that must decide whether to borrow $5,000 to install additional insulation in its attic, a project that would reduce its utility bills by an average of $100 a month and require loan payments of $50 a month. In the short run, obviously, the project would increase the family’s indebtedness. But can there be any doubt that the family would be better off, in both the short and the long run, by going ahead with it? Even while making payments on the loan, it would have $50 more each month. And once the loan was paid off, it would have $100 a month more. What possible argument could be offered against this project?

The same logic applies to overdue infrastructure investments. Yes, paying for them requires more government debt. And while austerity advocates fret that such projects will impoverish our grandchildren, they concede that the investments can’t be postponed indefinitely, and that they’ll become much more expensive the longer we wait.

Our lingering economic doldrums reinforce the case. Many skilled people who can do these jobs are unemployed today. If we wait, we’ll have to bid them away from other useful work. And with much of the world still in a downturn, the required materials are cheap. If we wait, they’ll become more costly. Annual interest rates on 10-year Treasury notes have fallen below 1.5 percent. Those rates will also be higher if we wait. So it’s actually our failure to undertake these projects that’s saddling our grandchildren with gratuitously larger debt.

By itself, the savings from accelerating infrastructure repairs won’t be enough to balance government budgets. But debt is a long-run problem, and as the budget surpluses of the late 1990s remind us, the American economy at full employment can generate more than enough revenue to pay the government’s bills.

Allowing our economic sluggishness to continue will burden our future in several other ways. Recent graduates, for example, have had to begin their careers in the toughest labor market since the Great Depression. Their slow start will mean lower incomes for a lifetime. Because businesses are not investing at normal levels — why build new factories if you can already produce more than consumers want to buy? — the nation’s future capital stock will be smaller. And that means slower growth in productivity and wages. Widespread unemployment and lagging wages have also meant higher poverty rates and more children with inadequate nutrition. In each case, the effect is to reduce future tax receipts, pushing government budgets further into the red.

The most important single step toward a brighter future is to repair our economy as soon as possible. And **one of the surest ways to do so is a large and immediate infrastructure refurbishment program.**

This path would not require Republicans to concede the merits of traditional Keynesian stimulus policy. Nor would it require them to abandon their concerns about the national debt. In short, the philosophical foundation for an agreement is already firmly in place.

If it doesn’t happen, the coming political campaign will provide a golden opportunity to learn why. At the inevitable town hall meetings, voters who are tired of gridlock should ask candidates when they think that long-overdue infrastructure repairs should begin. The only defensible answer is “Right now!” Candidates who counsel further delay should be pressed to explain why.

**National bank mechanism will save money over current infrastructure methods**

**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.

Correcting the maintenance bias. The mere establishment of an NIB would not correct for the problem of deferred maintenance. However, through the selection process, it could address the current bias by imposing maintenance requirements to recipients including adequately funded maintenance reserve accounts and periodic inspections of asset integrity.

Better delivery of infrastructure projects. An NIB could require that projects be delivered via the 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. 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.

**The bank will only approve projects that have likely revenue streams to ensure repayment**

**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)

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.

**Bank will solve billions in inefficiencies and costs of not acting are greater**

**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)

It’s too expensive.

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.

**Maintenance is cheaper than repairs later**

**AGC, 11** (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

Perhaps counter intuitively, regular federal investments in infrastructure also save taxpayers money. That is because it costs a lot less to maintain infrastructure than it does to repair it. Either we can make regular investments in maintaining the quality and integrity of our existing infrastructure, or we can make significantly larger investments in repairing infrastructure once it is broken. In addition to having to pay more to repair that infrastructure, Americans are likely to bear the burden of lost or damaged lives and lost economic opportunity that inevitably come when vital pieces of infrastructure fail.

### --- AT: Econ Impact Turns the Case

**National bank will boost infrastructure even during economic decline**

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

In any case, a national infrastructure bank would make an important contribution to upgrading and expanding the country's infrastructure. It would boost the overall level of infrastructure spending. By leveraging private investment, it could continue to fund infrastructure projects even during recessions. Plus, it would make infrastructure spending more equitable since it would raise funds from a geographically distributed population, then target those funds toward the areas of greatest need.

### AT: Obama Good

**Bipartisan support for the national bank**

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

A Bipartisan Issue

Coalition member Robert Puentes, senior fellow in the Brookings Institution’s Metropolitan Policy Program, believes the NIB is “no silver bullet, but if appropriately designed and with sufficient political autonomy, it could improve the efficiency and effectiveness of future federal infrastructure projects of national significance.”

Puentes says such a result is possible because the issue of efficient funding is a bipartisan issue. “I don’t want to be naive,” he says, “but the key elements of a national infrastructure bank span political ideologies.” He cites such overriding principles as the need for a better project selection process and more accountability for funds expended, as well as the need to maintain existing infrastructure and deliver projects more efficiently.

“These are not Republican or Democratic issues. So substantively, there is nothing that should prevent action,” Puentes says.

**Popular with public and avoids Republican concerns**

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

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

Rendell optimistic about chances

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

"This is something I think there's strong citizen support for and in and of itself it doesn't cost anything," Rendell said. "I think it would be an easy thing to pass during lame duck. Now the Republicans have said they don't want to pass anything with deficit implications or tax implications and I think this could escape both those categorizations."

Rendell is the co-chairman of Building America's Future, a bipartisan group committed to pushing sustainable, smart-growth infrastructure.

**Can be housed in the ExIm Bank or the OPIC --- overcomes setup challenges**

**Crooks & Quadt, 12** --- vice president and in principal at Booz Allen Hamilton (4/20/2012, Ed Crooks and Michelle Quadt, “Rethinking Infrastructure Funding,” <http://gov.aol.com/2012/04/20/rethinking-infrastructure-funding/>, JMP)

Creating a NIB will not be easy. **But much of the challenge can be mitigated** by increasing funding for an existing program with a long-term vision of reforming the system, rather than setting up a new government agency which would be much more costly and less effective.

Both the U.S. Export-Import Bank and the Overseas Private Investment Corporation (OPIC) have experience in infrastructure lending, internal project screening and approval processes and staff of investment professionals experienced in project finance and related due diligence. Both have a proven track record of being successful in leveraging private investment for large projects, albeit in emerging markets. Housing the NIB under one of those institutions could help jumpstart the U.S-focused infrastructure credit program in a shorter period of time and potentially with a better public reception than setting up a brand new agency.

### AT: Obama Good --- LaHood Pushes

**LaHood empirically pushes the plan**

**Wolfe, 12** (5/13/2012, Kathryn A. Wolfe, “Nation's potholes need a big fix,” <http://www.politico.com/news/stories/0512/76254.html>, JMP)

The nation’s population is growing at a steady pace, yet infrastructure investments lag. The lifelines of commerce — roads, bridges, runways, ports — are showing their age, and in this era of fiscal austerity it may be a long time before they get rebuilt.

As Transportation Secretary Ray LaHood likes to say, the nation is “one big pothole.”

While Congress may come to terms in conference on patching up the nation’s transportation wounds, there’s no realistic long-term fix waiting in the wings. The problem — as is the case throughout all modes of transportation — comes down to money. The most plausible possibilities to address the deep shortfalls in gasoline tax revenues that fuel the system won’t happen anytime soon. People are driving less or in more efficient cars — and raising the gas tax is a nonstarter in Washington.

The best-case scenario would be little more than a temporary reprieve, leaving Congress until January to start addressing the problem again. And many believe the administration — whoever is in office — will have to lead the way.

“The aspiration is to get a bill that carries us through the end of the next fiscal year, and then in writing hopefully a new multiyear bill in the next administration,” said James Burnley, former transportation secretary under Ronald Reagan, now a partner with Venable. “If the secretary of transportation is willing and able to provide this kind of leadership, it could make a big difference.”

If President Barack Obama retains the White House, his administration will have to step up its involvement in the legislative details of the transportation bill, which some have criticized as lacking.

Obama’s first substantive policy decision related to the transportation bill after taking office was to push for an 18-month extension instead of getting behind then-House Transportation and Infrastructure Committee Chairman Jim Oberstar’s bill. And though the administration has sketched out the bones of a plan in its past few budgets, it has failed to submit a full legislative proposal for the transportation bill.

“I think the administration does need to be one of the key leaders in this. It’s fair to say they haven’t really exerted that kind of effort to this point,” said Jack Basso, director of program finance and management at the American Association of State Highway and Transportation Officials. “Any bills I’ve dealt with … the administration was always a key player in there and had to be to bring parties together.”

A Department of Transportation spokesman countered the criticism by saying that **LaHood has “led the call for a long-term, bipartisan transportation bill.”**

“For almost two years now, in official hearings and at public events across the country, he has repeatedly called on Congress to pass the president’s transportation budget proposal — a legislative blueprint that supports our specific transportation priorities and is fully paid for,” the agency said.

### --- XT: Bipartisan Support

**Transportation is bipartisan**

**Fifield, 11** (8/1/2011, Anna, “US: Obstacles to progress,” <http://www.ft.com/intl/cms/s/0/01ff75ec-bc6c-11e0-acb6-00144feabdc0.html#axzz1x8QG4Ame>, JMP)

Infrastructure should be a promising area for bipartisan compromise, says Ryan McConaghy of the Third Way, a left-leaning think-tank. “For the left it’s a job creator with immediate effects, like FDR’s New Deal or Eisenhower’s highway system. And the business community supports it because it makes investment decisions more attractive.”

Both the labour unions and the Chamber of Commerce, seldom on the same side of an issue, support greater infrastructure spending. The chamber has criticised Mr Mica’s $230bn bill for being too small.

### 2ac States CP

**A federal bank creates a mechanism to finance national projects that transcend state and metro boundaries --- State infrastructure bank procedures make them ineffective**

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

The focus on infrastructure in President Obama’s jobs speech was much-anticipated and necessary. While much the attention is on increasing funding for fixing roads and bridges, the president also reiterated the call to improve the way the federal government invests in infrastructure. (“No more earmarks. No more boondoggles. No more bridges to nowhere.”) He also called for the kind of transformative infrastructure investments that made the U.S. an economic superpower. One way to do that is through a national infrastructure bank.

A quasipublic entity like the Tennessee Valley Authority or Amtrak, the bank would make loans to fund transportation projects that were important to the nation as a whole. It would have to not only further policy goals, as a federal agency would, but also demand from project sponsors the same assurances and rate of return that a bank would. While not a panacea, if appropriately designed and with sufficient political autonomy, it could improve both the efficiency and effectiveness of future infrastructure projects of truly national significance.

That last part is important. Today we do not really have a mechanism to focus on investments that truly **matter to the nation as a whole or that transcend state and metro boundaries**. Think global ports to boost American exports, long-haul transmission lines for renewable energy, or a build-out of electric vehicle recharging infrastructure.

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

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

The problem is that, rather, than bringing the tough, merit-based approach, SIBs generally do not filter projects through a competitive application process. A better approach would be for states to make their SIBs more strategic and more nimble than a typical appropriation process and as a **complement to existing state, metro, and federal transportation funding and financing**. Projects should be evaluated according to strict return on investment criteria, not selected with an eye towards spreading funding evenly across the state.

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.

The bottom line is that **either/or debates about a national or state infrastructure bank is a false choice. Both are needed but for different reasons.**

**Federal bank is key to multi-jurisdictional projects --- States and local governments can’t effectively coordinate**

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

The Potential of a National Infrastructure Bank

If correctly structured, an NIB may introduce a federal investment process that requires and rewards performance, with clear accountability from both recipients and the federal government. There are several advantages:

Better selection process. At its heart, an NIB is about better decisionmaking of infrastructure projects. The bank would lend or grant money on a project basis, after some type of benefit/cost analysis. 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 largely 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. **The NIB would provide a mechanism to catalyze intergovernmental 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.

**State procedures undercut their financing programs**

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

State-Funded SIBs

Several states—Kansas, Ohio, Georgia, Florida and Virginia—have established SIBs using only state funds. This also allows them to do projects “off the highway,” including helping local governments pay for 100-percent local projects. For example, Ohio’s state-funded SIB is authorized to fund “any public or private transportation project as determined by the director of transportation,” including public transit, aviation, rail, tunnels or parkways.30 Kansas found that its federally-funded SIB couldn’t fund the projects that its rural population needed. “We can cover huge projects or a small community,” said the manager of the state-funded Kansas Transportation Revolving Fund.31 The Ohio state-funded SIB manager notes that her institution “has assisted every transportation mode except a water project since its creation.”32 However, even with a state-funded SIB, selection criteria or requirements for local matching dollars can stunt interest in the financing program; for example, Georgia’s requirement that only projects that can be funded by the motor fuels tax can qualify33 means that in the spring of 2011, three years after establishing its SIB, Georgia had made only one loan and had more than $30 million in transportation funds sitting idle.34 In order for a state-funded SIB to consider the greatest number of projects, advocates may want to recommend enabling legislation that blends a variety of funding sources to ensure flexibility.

**A federal bank key to spur public-private partnerships necessary to solve**

**Tyson, 11** --- professor at the Haas School of Business at Berkeley (6/3/2011, Laura D’Andrea Tyson, NYT Blogs, “The Virtues of Investing in Transportation; Economix,” Factiva, JMP

That's also why both the administration and a bipartisan group led by Senators John Kerry, Democrat of Massachusetts; Kay Bailey Hutchison, Republican of Texas, and Mark Warner, Democrat of Virginia, have proposed the creation of a national infrastructure bank.

Such a bank would focus on transformative projects of national significance, like the creation of a high-speed rail system or the modernization of the air-traffic-control system. Such projects are neglected by the formula-driven processes now used to distribute federal infrastructure funds among states and regions.

The bank would also provide greater certainty about the level of federal funds for multiyear projects by removing those decisions from the politically volatile annual appropriations process and would select projects based on transparent cost-benefit analysis by independent experts.

The bank would be granted authority to create partnerships with private investors on individual projects, and these would increase the funds available and foster greater efficiency in project selection, operation and maintenance. Such partnerships -- common in Europe and other parts of the world -- often result in earlier completion of projects, lower costs and better maintenance of infrastructure compared with investments made solely by public entities.

Despite rapid growth in the last decade, such partnerships are still rare in the United States. Why? **Because infrastructure decisions are fragmented, with states, cities and municipalities owning their own assets and applying their own political and economic criteria to potential deals with private investors. Several states do not have legislation authorizing partnerships and no guidelines exist for how decisions will be made.**

One obstacle may be gone: Representative James Oberstar, Democrat of Minnesota and the previous chairman of the House Transportation and Infrastructure Committee, opposed these partnerships and urged state and local officials to avoid them. He lost his seat in 2010, and Representative John Mica, Republican of Florida, who now heads the committee, supports the partnership concept. Improving infrastructure investment decisions through cost-benefit analysis and public-private partnerships is one way to realize larger returns on scarce investment dollars.

**States are at borrowing limits**

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

Democrats support infrastructure bank — reluctantly

Democrats agreed that TIFIA should be expanded but said that it should be a complement, not a replacement, for the I-bank. Democratic support for the bank was sometimes tepid, though. Even Senate EPW Chair Barbara Boxer has been known to support expanding TIFIA instead of an infrastructure bank. At the hearing this month, Rep. Peter DeFazio, top Democrat on the Highways and Transit Subcommittee, confessed:

Before Wall Street destroyed the economy, I had said, well, I really don’t see why we need an infrastructure bank. Most of the states have good credit and they can go out and borrow on their own at very good rates.

But that isn’t the case anymore. The states need guarantees. They need help. **Many are against their borrowing limits**. And most of the banks, who were generously bailed out by Congress, aren’t lending. And credit bond markets are tight. So an infrastructure bank could be more useful for the states in that circumstance.

**State deficits make a national bank necessary**

**Leach, 11** (1/31/2011, Peter T., Journal of Commerce Online, “Infrastructure Pandemic,” Factiva, JMP)

**\*\*\* CG/LA is a Washington, D.C.-based infrastructure consulting firm**

The lack of public sector leadership is particularly acute in the United States. CG/LA asked infrastructure experts around the world to rate the leadership capabilities of their countries in infrastructure. “The U.S. does not rate well,” Anderson said.

As a result, public sector infrastructure spending in the U.S. fell from 3 percent of GDP in 1980 to the 1.3 percent range by 2009. In 1980, approximately 70 percent of investment in infrastructure derived from the federal government, but by 2009, that figure had been reversed, with states funding the bulk of investment.

By 2010, **46 states were operating at a deficit, making it unlikely they can shoulder the burden**. CG/LA questioned whether the Obama administration wants to facilitate infrastructure development or whether there is an ideological bias against investment. To remedy this, CG/LA called for creation of a National Infrastructure Bank.

**A national program can enhance State banks**

**Lemov, 12** (3/1/2012, Penelope, “A Bank for Infrastructure Funding; Legislation moving through Congress could help states and localities finance public works projects,” <http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html>, JMP)

Like TIFIA, the state bank is for transportation only. The program's been around since the Clinton administration and has never taken off as a national program. That said, an expanded state infrastructure bank program could use national infrastructure bank programs to enhance its own financing.

**State and local efforts alone aren’t enough --- they want federal efforts**

**Corless, 12** --- Campaign Director, Transportation for America (5/23/2012, James, “Local Voters Need a Partner,” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

As the prompt suggests, local governments, businesses and voters are indeed feeling urgency about the state of our infrastructure amid the confusion emanating from Washington. As if to demonstrate just how serious they are about the issue, citizens across the political spectrum are voting to spend their money on transportation – despite an ongoing a fiscal crisis and the anti-government rhetoric that permeates political discourse.

Absent strong federal leadership, states, cities and local communities are indeed stepping out on their own, raising funds from innovative sources, and doing what they can to make it happen.

But left to shoulder the burden entirely alone, these communities’ noble efforts won’t be enough to meet the challenges we’re facing. These communities are stepping forward, **but in the hopes that the federal government will take the next step with them and support them along the way.**

The role for the federal government in transportation is indeed changing, evolving from being the driving factor that it was during the interstate era to being more of a partner in helping localities meet their changing needs. And their needs are a national concern, because they bear on whether Americans have a safe, reliable way to get to work, and whether goods can get to market. No developed nation in the world leaves these matters of basic infrastructure entirely to chance.

But there seems little doubt that, for the foreseeable future, federal resources will be constrained, and that makes it more imperative than ever that we set goals for the investment, and measure progress toward those goals. That’s why provisions to do that in the Senate’s bipartisan transportation bill, MAP-21 bill are so important.

It’s time we figure out what matters most, and what will get the best bang for the buck.

Local communities raising money for transportation are following a tried-and-true blueprint that rewards accountability and specificity: When they know what transportation dollars are going to buy — this new transit line, that new busway, this new bridge project — and who is accountable for implementation, measures to fund those projects pass close to 70 percent of the time.

Such was the case with the transit-funding Measure R in Los Angeles, which earned a two-thirds majority vote. Having passed the tax, Los Angeles is now seeking federal help with low-cost loans that can build 30 years worth of projects in 10. Local bootstraps are great for getting off the ground, but they only get you so far up the ladder if the federal rung is missing.

**These innovators aren’t pressing for “devolution,” they’re simply looking for a dance partner.**

### 2ac States CP --- States Won’t Fund Public Transit Projects

**State banks will choose projects based on rate of return --- won’t fund public transit**

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

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

**This focus prevents solvency**

**Snyder, 10** --- Streetsblog's Capitol Hill editor (12/7/2010, Tanya, “Would an Infrastructure Bank Have the Power to Reform Transportation?” <http://dc.streetsblog.org/2010/12/07/would-an-infrastructure-bank-have-the-power-to-reform-transportation/>, JMP)

Return on Investment

A singular focus on a high rate of return, however, could weaken the impact of a National Infrastructure Bank. Rep. Rosa DeLauro (D-CT) has advocated for a NIB with grantmaking authority to cover projects that won’t necessarily make sufficient revenue to be able to pay down a loan.

A proposal, not yet released but expected to be introduced in Congress next year, would establish a bank with no grantmaking authority, removing one of the best aspects of a potential bank.

“Not every project of regional and national significance is going to generate a return that justifies a financially rational loan for the bank to make,” says Scott Thomasson, an expert in infrastructure finance from the Progressive Policy Institute**. “There are projects that are worth doing as a nation where the benefits aren’t going to be repaid financially. They’re going to be enjoyed in other forms” like improving public health, easing traffic congestion, or reducing emissions.**

Thomasson worries that **a narrowly structured bank, following a traditional bank model, won’t address compelling projects that can’t capture user fees or other financing streams.**

### --- XT: Multi-jurisdictional Projects

**National bank key to finance projects across multiple jurisdictions**

**Rendell, 11** --- former Governor of Pennsylvania and as Co-Chair of Building America`s Future (5/17/2011, Ed, Financial Market Regulatory Wire, “BUILDING AMERICA`S FUTURE EDUCATIONAL FUND CO-CHAIR ED RENDELL PREPARED TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE HEARING ON FINANCING 21ST CENTURY INFRASTRUCTURE, AS RELEASED BY THE COMMITTEE - NEWS EVENT,” Factiva, JMP)

As it is obvious that existing revenue sources and methods are inadequate to address our vast infrastructure needs, Building America`s Future believes that a National Infrastructure Bank can be part of the solution. A properly constructed Bank will take the politics out of the equation and invest in projects based on merit and help to finance critical projects of regional or national significance.

**Right now, if multiple states wanted to complete a project crossing multiple jurisdictions or infrastructure sectors, there is no singular place to which they can apply for financial assistance. A National Infrastructure Bank can fill that void** by leveraging dollars from states and local governments as well as the private sector, focusing on projects of regional or national significance, and subjecting all requests to a benefit-cost analysis. Clear accountability and transparency requirements would be part of the process.

**National transportation-only bank necessary to fund multi-state projects**

**Schulz, 10** (5/19/2010, John D., Contributing Editor, “Has the time come for a U.S. Infrastructure Bank?” <http://www.logisticsmgmt.com/article/has_the_time_come_for_a_u.s._infrastructure_bank/>, JMP)

Robert Poole, director of transportation policy at the Los Angeles-based Reason Foundation, a libertarian-leaning think tank, said the nation suffers from both insufficient and poorly targeted infrastructure investments. **“Multi-state projects are particularly hard to fund under the current system,”** Poole said. “Large, billion-dollar, multi-state, multi-modal projects would be particularly attractive to funding through infrastructure bank funding.”

But Poole is opposed to using general U.S. funds for transport projects. Rather, he said, they should be funded by user funds, not federal grants. All projects should be merit-based, which could be difficult in a town where all 538 members of Congress are used to bringing home some bacon to their districts and states. “There may be a niche market role for a narrow transportation-only infrastructure bank,” Poole said. “But a broader infrastructure bank may be too ambitious to try and achieve a multi-modal, grant-and-loan-based bank, which I think might fail,” he added.

**National bank key to coordinate projects across state lines**

**Hinton, 11** (6/17/2011, Christopher, MarketWatch, “How to fix crumbling U.S. roads, rails and airways; Falling tax revenue is hurting U.S. shipping and prosperity,” Factiva, JMP)

Instead, a more likely solution could be the development of more public-private partnerships, these people said.

“If you’ve got the right deal worked out, the private sector can do things better than the public sector,” said Timothy James, a research professor at the W.P. Carey School of Business at Arizona State University.

The Obama administration has latched onto the idea and has been promoting the formation of a National Infrastructure Bank that would leverage private-sector lending with public financing and coordinate projects across state lines.

**National bank overcomes jurisdictional barriers**

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

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

In general terms, creation of a NIB would have two major advantages. First, it would remove Federal infrastructure funding from the six-year reauthorization cycle which is causing so many delays and problems right now. Also, moving those investment decisions outside the Congressional authorization process would eliminate the hodgepodge of pork-barrel projects larded into reauthorization bills needed to attract votes, but adding little to national transportation efficiency. Instead, a NIB could fund projects based on overall merit and bring accountability to infrastructure investment.

Today, the Federal government collects fuel taxes to fund highway and other infrastructure projects, but it actually has little control over those projects. More than three-quarters of those funds are distributed as grants to states or local governments. Yet the Federal government has little direct control over the projects funded or how they might fit into national goals such as congestion reduction. Worse, the current highway funding mechanism actually discourages preventive maintenance. That money can only be used for major maintenance projects, in effect giving states an incentive to ignore preventive maintenance until the situation deteriorates enough to qualify for Federal funds.

Insulated from Congressional influences, a NIB could choose infrastructure projects based on merit, **focusing on those that cross state lines and other jurisdictional barriers** to satisfy regional and national transportation needs. Such power to choose projects would also allow it to enforce performance standards and give us clearer accountability for the way our infrastructure money is spent.

The European Investment Bank has filled just such a role for over fifty years, helping build an effective transportation network that spans many national borders. It could work here, as well.

### --- XT: Federal Efforts Needed

**Federal role remains central --- combination with states is best**

**Frankel, 12** --- Visiting Scholar, Bipartisan Policy Center (5/22/2012, “Defining and Allocating Roles,” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

Whatever the outcome of the current Congressional process on authoriziing federal surface transportation programs, the longer-term trend is clear: the federal share of transportation investment is, at best, stagnating and, at worst, declining. These circumstances reverse a trend of half a century or more of growing federal surface transportation funding. It is evident that a greater portion of this funding and investment burden will now fall on states and localities.

But that is not the same thing, as devolution. There remains an important, if still inadequately defined, federal role in transportation. There are national goals and national purposes in transportation, and some projects are clearly national (to greater or lesser degrees) in scope and impact. There is, however, no clear line between these national, state, and local interests. Most "mega" projects involve a mix of interests: CREATE in Chicago has obvious local and Illinois benefits, but this program of rail and grade crossing improvements is probably most significant, in terms of the national benefits that it would generate.

Similarly, the ARC project (the proposed trans-Hudson River commuter rail tunnel), cancelled by Governor Christie after decades of planning and the initiation of construction, would have offered enormous benefits to the citizens and business firms of New Jersey and to the economy of the entire New York City region, but there were, and remain, strong reasons for a substanital federal role in this project, because of the impact of economic growth in the New York City region on national well-being and prosperity.

As Rob Puentes has noted, this is not an "either-or" situation, one of national versus state or local goals. Many programs and projects will involve all these interests, in varying measures and degrees, and the sources of funding should reflect this mix of purposes. What this debate demonstrates, however, is the need to define national goals more precisely, to reform the institutions that plan and program capital investments in the transportation sector, and to focus on performance and outcomes. These reforms are more urgent than ever, in the context of shrinking resources and the need to invest wisely in the more beneficial programs and projects.

### --- XT: National Bank Helps State Banks

**A national bank can support State structures**

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

**\*\*\*Danielle Martin, program manager of the Kansas Transportation Revolving Fund**

Still, Kansas' Martin said, a national bank that used the state programs as a reliable model would do plenty of good, especially if it supported the existing state banks.

"It's just a win, I think, for taxpayers," Martin said. "Here's a $25 million investment of taxpayer money and you're able to improve over $135 million in road projects. That's a good return on investment for the taxpayers."

### --- SIBs Funded With Fuel Taxes

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

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

Challenges to Establishing a State Infrastructure Bank

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

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

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

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

### --- AT: Federal Modeling

**No federal modeling**

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

At the state and local level transport budgets will remain tight while unemployment is high. With luck, this pressure could spark a wave of innovative planning focused on improving the return on infrastructure spending. The question in Washington, apart from how to escape the city on traffic-choked Friday afternoons, is whether political leaders are capable of building on these ideas. **The early signs are not encouraging**.

### AT: TIFIA CPs

**Infrastructure bank comparatively better than TIFIA funding process**

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

Scott Thomasson of the Progressive Policy Institute testified at the transportation committee hearing that an infrastructure bank was needed, in part, because TIFIA is understaffed and outsources much of its work to people with greater expertise. The first step toward creating an effective infrastructure bank would be “hiring the financial professionals that TIFIA lacks,” he said.

That could help, but it’s not the strongest argument for creating a brand new entity. After all, if TIFIA just “beefed up” as many recommend, it could have that expertise in-house.

The clincher

A more persuasive argument for the necessity of an I-bank came this month from USDOT Under Secretary for Policy Roy Kienitz, who said at an infrastructure forum sponsored by the Washington Post that one problem with TIFIA funding – aside from the fact that it’s far too low – is that it’s released six weeks at a time, making it hard to do long-term planning.

But that’s not all. Kienitz’s answer to why TIFIA isn’t a substitute for an infrastructure bank was so dead-on and coherent it’s worth printing in its entirety.

One of the advantages of some more infrastructure-bank-like system is that some of the places that are innovating, at least some of them, are places like Denver, Salt Lake, LA, Seattle. In the transit world, what the federal government does is it says “show me the minimum operable segment for the transit line which you are currently considering.” And what communities want to do is say, “I have a future 25 years from now that looks very different than today and here’s all the pieces and parts. Here’s what I want to do with my freeways, here’s my HOT lanes, here’s my light rail, here’s my streetcar, here’s my traffic flow improvements. It all works together. I want to raise an amount of money to do this plan; who do I talk to in Washington?”

And the answer is, blecch, we don’t know how to do that. We’re sliced up into our own little slices.

One of the things that the infrastructure bank, or something like the infrastructure bank, can do is enter into long-term relationships with people who have decade-plus-long plans, about the pieces and the parts of that plan. They’re trying to finance a plan. **What Washington knows how to do is finance a segment of a project**. And that’s a conversation that needs to change.

The current TIFIA process does not allow us to do that. With more money, we could do more segments of more projects, and that would be a good thing. But I don’t think that’s the ultimate goal.

**TIFIA is too narrow and a combination of both is best**

**Lemov, 12** (3/1/2012, Penelope, “A Bank for Infrastructure Funding; Legislation moving through Congress could help states and localities finance public works projects,” <http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html>, JMP)

The $5.25 billion Panama Canal expansion could be a gold mine for U.S. ports along the Gulf and the East Coast.. But first, they have a few upgrades to make if they expect to compete for the anticipated surge in trade traffic. So where will the money come from to ready these ports? And what about money to finance other major infrastructure needs? Michael Likosky, director of the Center on Law and Public Finance at New York University, sees a national infrastructure bank as one answer. As bipartisan legislation to create such a bank inches its way through Congress, I tuned into a briefing via telephone by Likosky, sponsored by RBC Capital Markets, on how such a bank might work. What follows is an edited transcript of his remarks.

How the bank will work: The bank starts with the initial capitalization of $10 billion, then moves to self-sufficiency, and does loans and loan guarantees in the sectors of water, transportation and energy. It is a multi-sector bank, designed to finance multi-sector projects so you can package water, transportation and energy together.

How the bank differs from the Transportation Infrastructure Finance and Innovation Act (TIFIA): The TIFIA program has generally been for large marquis projects. To date, it has been a 10- to 12-state program. The states that have needs for TIFIA loans generally are high population states that can sustain it. The infrastructure bank has been conceived as a 50-state bank, and so it has a much broader reach. It is going to be more about volume and less about doing a cluster of projects. That said, the two are complementary in that a TIFIA project can pick up support from the infrastructure bank at the same time. Including another federal agency or federal program in a TIFIA package makes the package more attractive to investors, particularly if a water or energy component gets added.

### --- XT: NIB Superior to TIFIA

**A national bank is superior to the current TIFIA process**

**Snyder, 10** --- Streetsblog's Capitol Hill editor (12/7/2010, Tanya, “Would an Infrastructure Bank Have the Power to Reform Transportation?” <http://dc.streetsblog.org/2010/12/07/would-an-infrastructure-bank-have-the-power-to-reform-transportation/>, JMP)

Our report yesterday on transportation financing may have left you with a few more questions. We started with a look at TIFIA, which provides credit assistance for infrastructure projects. Many observers see the program as limited by its position inside the DOT and its opaque decision-making process.

But what about a National Infrastructure Bank, you ask? Transportation reformers are pushing — along with President Obama — for one to be established. Would such a bank be a more effective way to finance infrastructure projects than the TIFIA program? And would it lead the country to build better, more sustainable transportation systems?

Unburying Infrastructure Financing

In his testimony before Congress in May, Robert Puentes of the Brookings Institution’s Metropolitan Policy Program said a National Infrastructure Bank would lead to:

A better selection process with fewer federal dollars going to wasteful projects

More accountability for funding recipients

A focus on maintenance and fix-it-first for highway projects

Better delivery of infrastructure projects

But when asked why the choice of financing mechanism has an impact on outcomes, he admitted that, mainly, “it matters because of the ability to move the stupid bill through.”

He also said two factors would help a National Infrastructure Bank achieve better outcomes.

First, Puentes says a NIB should be independent, instead of being “buried” within the DOT. He recommends a semi-autonomous structure like the Tennessee Valley Authority or the Export-Import Bank.

Second, it should be more transparent, combining the development policy goals of the federal government with the focus on good investment returns of a bank.

### AT: Market CPs

**Even a leading libertarian supports a transportation only infrastructure bank**

**Schulz, 10** (5/19/2010, John D., Contributing Editor, “Has the time come for a U.S. Infrastructure Bank?” <http://www.logisticsmgmt.com/article/has_the_time_come_for_a_u.s._infrastructure_bank/>, JMP)

Robert Poole, director of transportation policy at the Los Angeles-based Reason Foundation, a libertarian-leaning think tank, said the nation suffers from both insufficient and poorly targeted infrastructure investments. **“Multi-state projects are particularly hard to fund under the current system,”** Poole said. “Large, billion-dollar, multi-state, multi-modal projects would be particularly attractive to funding through infrastructure bank funding.”

But Poole is opposed to using general U.S. funds for transport projects. Rather, he said, they should be funded by user funds, not federal grants. All projects should be merit-based, which could be difficult in a town where all 538 members of Congress are used to bringing home some bacon to their districts and states. “There may be a niche market role for a narrow transportation-only infrastructure bank,” Poole said. “But a broader infrastructure bank may be too ambitious to try and achieve a multi-modal, grant-and-loan-based bank, which I think might fail,” he added.

**Public assistance is needed --- private companies don’t have a financial incentive to act alone**

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

Infrastructure improvements also have so-called positive externalities: their social benefits are greater than the financial gains earned by the parties who fund them. Improving roads, bridges, and transit systems can increase productivity, lower the cost of maintaining cars and buses, and reduce carbon emissions. Energy investments can increase productivity, and if directed toward energy efficiency and renewables, can also promote environmental sustainability. Investments in water systems lead to better health and lower health care costs.

Private companies cannot reap financial rewards from all of these indirect benefits. For instance, a private rail company could not feasibly charge a fee to everyone who enjoys less-congested roads or cleaner air thanks to a new rail line. So infrastructure projects have traditionally been publicly funded, primarily at the local level with some state and federal assistance.

**Private sector won’t act independently --- national infrastructure bank key to spur effective public-private partnerships**

**Hinton, 11** (6/17/2011, Christopher, MarketWatch, “How to fix crumbling U.S. roads, rails and airways; Falling tax revenue is hurting U.S. shipping and prosperity,” Factiva, JMP)

Instead, a more likely solution could be the development of more public-private partnerships, these people said.

“If you’ve got the right deal worked out, the private sector can do things better than the public sector,” said Timothy James, a research professor at the W.P. Carey School of Business at Arizona State University.

The Obama administration has latched onto the idea and has been promoting the formation of a National Infrastructure Bank that would leverage private-sector lending with public financing and coordinate projects across state lines.

The strategy won’t guarantee a return for everything. Rail, for example, though it can help to relieve traffic congestion in high-population regions and reduce pollution, is rarely profitable. Even in Europe and Asia, where passenger rail is generally popular, rail is typically subsidized by local governments.

Highways, however, have benefited. In France, vast stretches of “autoroutes” are toll roads maintained by private operators that get paid based on performance.

And so far they have done much better than anyone had expected, James said. So well, in fact, that when the leasing contracts were up six years ago and the highways were to be returned to the public, the government decided to leave them in the private sector.

But there are plenty of bad examples as well. In California, South Bay Expressway LP filed for bankruptcy last year after operating a nine-mile tollway in San Diego County for just three years. The company blamed the poor economy and “lackluster” financial performance, but essentially it promised to manage the roadways too cheaply and failed, James said.

Some U.S. cities are also experimenting with public-private partnerships, such as Austin, Indianapolis and Chicago.

The worst solution is to do nothing, James said, and to assume private industry will simply step in and take over. Infrastructure is capital intensive, and sometimes it’s needed to serve marginal communities that will never provide the payments needed for a good return on investment.

“In Arizona, they think if they keep lowering their business taxes it will attract business, but its not true,” James said. “It’s that they don’t have the infrastructure here to support the global businesses they want to attract.”

If America’s prosperity depends on its roadways and transportation system, the future looks bleak.|103

### AT: Topicality “Increase”

**Will increase the total amount of infrastructure investment**

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

In any case, a national infrastructure bank would make an important contribution to upgrading and expanding the country's infrastructure. It would boost the overall level of infrastructure spending. By leveraging private investment, it could continue to fund infrastructure projects even during recessions. Plus, it would make infrastructure spending more equitable since it would raise funds from a geographically distributed population, then target those funds toward the areas of greatest need.

### AT: Topicality “It’s Transportation Infrastructure Investment”

**The plan expands federal transportation infrastructure investment**

**\*\*\*Note --- the 1ac Lovaa evidence says the National Infrastructure Innovation and Finance Fund is a transportation only infrastructure bank**

**Voorhees, 10** (2/1/2010, Josh, “White House Budget Seeks $4B for Transportation Infrastructure Bank,” <http://www.nytimes.com/gwire/2010/02/01/01greenwire-white-house-budget-seeks-4b-for-transportation-i-444.html>, JMP)

President Obama's proposed fiscal 2011 budget would create a national infrastructure bank to fund major transportation projects and provide an additional $1 billion for high-speed rail projects.

As expected, the request for overall spending on the two largest federal ground transportation programs, highways and transit, remained relatively constant from the previous year. The federal highway program would receive a $200 million bump to $41.3 billion, and transit investment would climb roughly $70 million to $10.8 billion.

The infrastructure bank -- called a National Infrastructure Innovation and Finance Fund -- would be used to expand existing federal transportation investments by providing direct federal funding and seed money for large-scale capital project grants that "provide a significant economic benefit to the nation or a region."

Obama requested $4 billion to launch the bank, $2.6 billion of which would be handed out in grants or loans during fiscal 2011. Roughly $270 million would be used for administrative, planning and project analysis costs, with the remaining carried over to the next year.

"The National Infrastructure Innovation and Finance Fund will establish a new direction in federal infrastructure investment that emphasizes demonstrable merit and analytical measures of performance," the budget states.

Obama requested $5 billion to launch the bank last year, but appropriators balked at providing the cash until Congress first passed legislation that would officially create the bank. During his presidential campaign in the summer of 2008, Obama called for a total of $60 billion over 10 years for the bank.

A number of transportation advocates -- including Pennsylvania Gov. Ed Rendell (D), the Center for National Policy and the American Association of State Highway and Transportation Officials -- have pushed lawmakers to launch the infrastructure fund. Senate Banking Chairman Chris Dodd (D-Conn.) has said that creating it will be one of his top priorities this year, his last before he retires from the Senate (E&ENews PM, Jan. 20).

## NIB Neg

### 1nc Economy Adv

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Economic crisis won’t cause war**

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

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

**Europe and China make the impact inevitable**

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

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

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

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

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

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

**Little benefit before 2017**

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

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

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

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

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

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

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

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

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

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

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

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

### --- XT: Won’t Boost Jobs / Growth

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**No benefits for at least a year**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Europe triggering business uncertainty**

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

European Concerns

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

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

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

### Politics --- 1nc Link

**Plan will cost political capital**

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

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

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

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

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

### Politics --- 2nc Link Block

**Passage requires presidential push**

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

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

Rendell optimistic about chances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Gets tied to Solyndra --- generating controversy**

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

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

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

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

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

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

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

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

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

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

**There is Republican opposition**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**No support in the House**

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

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

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

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

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

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

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

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

**Unpopular --- fiscal climate**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Obama empirically does push**

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

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

**Presidential involvement and capital key to passage --- empirics**

**Wolfe, 12** (5/13/2012, Kathryn A. Wolfe, “Nation's potholes need a big fix,” <http://www.politico.com/news/stories/0512/76254.html>, JMP)

The nation’s population is growing at a steady pace, yet infrastructure investments lag. The lifelines of commerce — roads, bridges, runways, ports — are showing their age, and in this era of fiscal austerity it may be a long time before they get rebuilt.

As Transportation Secretary Ray LaHood likes to say, the nation is “one big pothole.”

While Congress may come to terms in conference on patching up the nation’s transportation wounds, there’s no realistic long-term fix waiting in the wings. The problem — as is the case throughout all modes of transportation — comes down to money. The most plausible possibilities to address the deep shortfalls in gasoline tax revenues that fuel the system won’t happen anytime soon. People are driving less or in more efficient cars — and raising the gas tax is a nonstarter in Washington.

The best-case scenario would be little more than a temporary reprieve, leaving Congress until January to start addressing the problem again. And many believe the administration — whoever is in office — will have to lead the way.

“The aspiration is to get a bill that carries us through the end of the next fiscal year, and then in writing hopefully a new multiyear bill in the next administration,” said James Burnley, former transportation secretary under Ronald Reagan, now a partner with Venable. “If the secretary of transportation is willing and able to provide this kind of leadership, it could make a big difference.”

If President Barack Obama retains the White House, his administration will have to step up its involvement in the legislative details of the transportation bill, which some have criticized as lacking.

Obama’s first substantive policy decision related to the transportation bill after taking office was to push for an 18-month extension instead of getting behind then-House Transportation and Infrastructure Committee Chairman Jim Oberstar’s bill. And though the administration has sketched out the bones of a plan in its past few budgets, it has failed to submit a full legislative proposal for the transportation bill.

“I think the administration does need to be one of the key leaders in this. It’s fair to say they haven’t really exerted that kind of effort to this point,” said Jack Basso, director of program finance and management at the American Association of State Highway and Transportation Officials. “Any bills I’ve dealt with … **the administration was always a key player in there and had to be to bring parties together**.”

### Politics --- Link Turns the Case

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

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

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

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

### Spending DA Links

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

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

Other Considerations

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

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

### --- Econ Impact Turns the Case

**Economic decline reduces infrastructure funding**

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

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

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

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

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

They had lemons, and they made lemonade.

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

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

### TIFIA CP --- 1nc

**Text:**

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

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

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

C. TIF1A Offers Significant Advantages That Can Be Realized Today

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

1. Use Our Existing Tools

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

2. Turn the Backlog into Blueprints - Now

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

3. Focus on Transportation

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

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

4. Create Jobs

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

### TIFIA CP --- 2nc Solvency

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

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

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

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

A. The Evolution of Federal Infrastructure Funding.

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

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

B. The Evolution Is Already Underway.

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

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

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

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

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

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

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

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

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

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

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

### TIFIA CP --- Politics NB

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

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

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

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

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

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

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

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

**Massive congressional support for expanding TIFIA**

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

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

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

“Is TIFIA the first perfect federal program?”

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

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

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

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

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

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

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

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

### TIFIA CP --- Competition / Description

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

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

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

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

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

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

### TIFIA CP --- List of Necessary Reforms

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

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

D. IVIodernize the TIFIA Process

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

1. Size TIFIA to Meet Demand

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

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

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

2. Refine TIFIA Based on its 12-Year History

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

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

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

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

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

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

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

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

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

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

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

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

Today, I want to emphasize several points -

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

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

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

Understanding the Fundamental Difference Between Funding and Financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conclusions

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

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

### T “Increase”

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

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

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

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

## States CP Supplement

### 1nc States CP

**Text:**

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

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

**The counterplan ensures effective state infrastructure banks**

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

Creating SIBs That Work

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

Tips for Advocates

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

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

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

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

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

**States can operate in cooperation with the private sector to fund infrastructure --- federal requirements drive up costs and cause delays**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Infrastructure Bank Solvency

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

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

National vs. state level

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

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

Even some of the recipients of state money agree.

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

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

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

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

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

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

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

State Infrastructure Banks: Widespread but Uneven in Practice

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

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

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

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

### AT: Permutation

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

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

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

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

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

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

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

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

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

**Federal labor requirements drive up costs**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### AT: Solvency Deficits

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

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

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

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

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

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

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

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

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

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

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

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

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

### AT: Multi-State Projects

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

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

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

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

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

### AT: Funding

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

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

State and Local Strategies for Transportation Funding

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

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

### AT: Federal Government Funds State Banks

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

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

Federally-Funded SIBs Versus State-Funded SIBs

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

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

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

Challenges to Establishing a State Infrastructure Bank

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

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

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

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