# State Infrastructure Banks CP – GDI

[State Infrastructure Banks Counterplan 1NC 3](#_Toc327105628)

[Possible Mechanism – Nationalize Medicaid 5](#_Toc327105629)

[Solvency 6](#_Toc327105630)

[Solvency – 2NC 7](#_Toc327105631)

[Rollback – 2NC 9](#_Toc327105632)

[Solvency – General 10](#_Toc327105633)

[Solvency – States Solve Best/USFG Fails 11](#_Toc327105634)

[Solvency – Flexibility 13](#_Toc327105635)

[Solvency – Empirical Example 14](#_Toc327105636)

[Solvency – High Speed Rail 15](#_Toc327105637)

[Solvency – Highways 16](#_Toc327105638)

[2NC Blocks 17](#_Toc327105639)

[AT: States Lack Financing 18](#_Toc327105640)

[AT: No Solvency – Expertise 19](#_Toc327105641)

[AT: No Solvency – Coordination 20](#_Toc327105642)

[Politics NB 21](#_Toc327105643)

[Infrastructure Bank – Popular 22](#_Toc327105644)

[Counterplan Avoids Politics – High Speed Rail Specific 23](#_Toc327105645)

[Federal Funding Links 24](#_Toc327105646)

[Tradeoff NB 25](#_Toc327105647)

[CP Avoids DA 26](#_Toc327105648)

[Private Investment NB 27](#_Toc327105649)

[Link – 2NC 28](#_Toc327105650)

[AT: Perm 30](#_Toc327105651)

## Main

### State Infrastructure Banks Counterplan 1NC

#### The United States federal government should establish state infrastructure banks in order to invest in a national high-speed rail project.

#### State infrastructure banks solve the aff, avoids politics, and stimulates private investment

Freemark, 12 (Yonah, Urban Leaders Fellow, sponsored by the Rockefeller Foundation, “How to Pay for America's Infrastructure”, The Atlantic, http://www.theatlanticcities.com/politics/2012/01/solution-americas-infrastructure-woes/845/)

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. A review of the current work of state infrastructure banks, though, raises the question of whether state governments are ready to significantly expand their infrastructure banks. Consider the experience of five state infrastructure banks in Florida, Ohio, Oregon, Pennsylvania, and Texas. Total investments have ranged from $60 million in Oregon to $1.1 billion in Florida, which are about a decade old on average. In the case of Pennsylvania, which has had a bank since 1998 and loaned a total of $132 million in 13 years, a $1 billion allocation from Washington such as has been suggested by Senator Wyden would represent a rapid eight-fold increase in spending. The limited funding from state infrastructure banks thus far results from a confluence of supply and demand. One example - Pennsylvania’s bank currently receives up to $30 million annually from the state budget, according to the agency. Hugh McGowan, the manager of the state bank, says that "it is a very popular program" but that annual applications had never reached $30 million. In most states studied, the vast majority of infrastructure bank funds has gone to roads projects, indicating that the commitment of the federal government to multi-modality - 20 percent of federal surface transportation spending generally goes to public transit - has not been followed through in the states. Texas has loaned virtually none of its $477 million total to transit, while Ohio, Oregon, and Pennsylvania have devoted just two to four percent of their funding to bus and rail improvement projects. Only Florida stands out, with 11 percent of its loans going to transit, thanks to major investments in projects like the SunRail commuter line. McGowan, of the Pennsylvania bank, said that "there are no maximums or minimums" for the types of projects approved, one problem might be that few transit agencies apply for aid. In Ohio, Ohio Department of Transportation Press Secretary Steve Faulkner agreed. "**Any type** of transportation project is eligible for state infrastructure bank funding" he says. "So, the number of transit loans is a direct result of the corresponding number of transit applications received." The state infrastructure banks are making sound financial choices when it comes to the projects they sponsor. Kane, of Florida, told me that the state’s program had never "experienced any default on repayments." Ohio’s Faulkner said "all loans - with the exception of two - were repaid." In both cases, the defaulter was a private developer.

#### SIB private investment is key to US competiveness

TNS, 11 (Targeted News Service, “Taking Matters in Their Own Hands: States Can Create Infrastructure Jobs, Despite Federal Funding Slowdown”, December 19, lexis)

States and cities are struggling to repair crumbling roads, paralyzing traffic congestion, unsafe water systems and poorly maintained public buildings, even as they face diminishing infrastructure funding from the federal government. With an estimated $2.2 trillion needed for infrastructure investment over the next five years in the United States, lawmakers are looking for innovative new ways to finance improvements. A new briefing paper from the National Employment Law Project explores an underused state financing mechanism and highlights best practices and ideas for lawmakers and community activists seeking innovative strategies to fund infrastructure improvements. "State infrastructure banks, if done right, can be a valuable tool for funding projects that will improve our communities and **put people to work**. Creating institutions in our states that can take on our transportation challenges now, while borrowing **is inexpensive** and repair rather than replacement is still an option, is just common sense. Making the effort to prioritize projects that will do the most good by limiting pollution, increasing mobility and **employing those in our hardest hit communities** means that we're not only fixing today's problems, but preparing for a vibrant and competitive economy in the future," said Christine Owens, executive director of the National Employment Law Project. Just last week, New York State's governor announced plans for a state-level infrastructure bank to finance critical public projects. The new NELP report, published as a complement to its larger recovery agenda, outlines the history of state infrastructure banks, explains federal funding and oversight of these banks, and highlights best practices from the states for project selection, community engagement and revenue enhancement. "Infrastructure is experienced as a local issue, whether it's being stuck in traffic trying to get to work or depending on clean water when we turn on the kitchen tap. But all too often under current funding structures, local leaders and community members don't determine how infrastructure money is spent. We need flexible, accountable and transparent state institutions to be responsive to local needs," said Owens. While two-thirds of US states have legislation authorizing a state infrastructure bank, only five states account for more than 87 percent of federally-funded state infrastructure bank lending. The briefing paper also delineates the differences between federally-funded and state-funded state infrastructure banks, both in terms of the types of projects they can finance and the regulatory framework they operate within. Throughout the paper, NELP highlights legislative language and on-the-ground practices that promote fiscal responsibility and public accountability for advocates and lawmakers who seek to create or improve their own state's infrastructure bank. Owens continued, "Americans continue to face the twin crises of unemployment and the declining quality of our public assets. Infrastructure spending can create **millions of quality jobs** even as it supports local businesses and maintains a high standard of living. The many examples **of successful state infrastructure banks** demonstrate that state and local lawmakers don't have to wait for Washington, DC, to get these projects moving."

#### Competitiveness is key to hegemony

Segal, 4 (Adam, Senior Fellow in China Studies – Council on Foreign Relations, “Is America Losing Its Edge?”, Foreign Affairs, November / December, Lexis)

The United States' global primacy depends in large part on its ability to develop new technologies and industries faster than anyone else. For the last five decades, U.S. scientific innovation and technological entrepreneurship have ensured the country's economic prosperity and military power. It was Americans who invented and commercialized the semiconductor, the personal computer, and the Internet; other countries merely followed the U.S. lead. Today, however, this technological edge-so long taken for granted-may be slipping, and the most serious challenge is coming from Asia. Through competitive tax policies, increased investment in research and development (R&D), and preferential policies for science and technology (S&T) personnel, Asian governments are improving the quality of their science and ensuring the exploitation of future innovations. The percentage of patents issued to and science journal articles published by scientists in China, Singapore, South Korea, and Taiwan is rising. Indian companies are quickly becoming the second-largest producers of application services in the world, developing, supplying, and managing database and other types of software for clients around the world. South Korea has rapidly eaten away at the U.S. advantage in the manufacture of computer chips and telecommunications software. And even China has made impressive gains in advanced technologies such as lasers, biotechnology, and advanced materials used in semiconductors, aerospace, and many other types of manufacturing. Although the United States' technical dominance remains solid, the globalization of research and development is exerting considerable pressures on the American system. Indeed, as the United States is learning, globalization cuts both ways: it is both a potent catalyst of U.S. technological innovation and a significant threat to it. The United States will never be able to prevent rivals from developing new technologies; it can remain dominant only by continuing to innovate faster than everyone else. But this won't be easy; to keep its privileged position in the world, the United States must get better at fostering technological entrepreneurship at home.

#### Hegemony prevents nuclear war

**Khalilzad, 95** (Zalmay – sixteen years younger than the above card, Losing The Moment? Washington Quarterly, Vol 18, No 2, p. 84)

Under the third option, the United States would seek to retain global leadership and to preclude the rise of a global rival or a return to multipolarity for the indefinite future. On balance, this is the best long-term guiding principle and vision. Such a vision is desirable not as an end in itself, but because a world in which the United States exercises leadership would have tremendous advantages. First, the global environment would be more open and more receptive to American values -- democracy, free markets, and the rule of law. Second, such a world would have a better chance of dealing cooperatively with the world's major problems, such as nuclear proliferation, threats of regional hegemony by renegade states, and low-level conflicts. Finally, U.S. leadership would help preclude the rise of another hostile global rival, enabling the United States and the world to avoid another global cold or hot war and all the attendant dangers, including a **global nuclear exchange**. U.S. leadership would therefore be more conducive to global stability than a bipolar or a multipolar balance of power system.

### Possible Mechanism – Nationalize Medicaid

#### Nationalizing Medicaid solves state funding

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

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

## Solvency

### Solvency – 2NC

#### Multiple warrants why SIBs solve the entire affirmative - -

#### 1. Comparatively more efficient and faster than federal projects

Gifford, 10 (Jonathan L., Dean in the School of Public Policy at George Mason University, and the director of the Master's in Transportation Policy, Operations and Logistics program, “State Infrastructure Banks: A Virginia Perspective”, George Mason University School of Public Policy, November 24, http://papers.ssrn.com/sol3/papers.cfm?abstract\_id=1714466)

One variant type of SIB is a "state-only" SIB that receives capitalization and/or ongoing revenue only from the state and not from the federal government. If the SIB lends for projects that receive no federal funding, then federal "strings" - such as labor, environmental, and "Buy America" requirements do not attach. The absence of such strings can reduce project costs considerably, as well as speeding project completion. Moreover, a SIB can also accelerate project delivery by providing **timely funding**. Federal funding and credit sources **can add months or even years to a project** because the federal administrative process can be very slow, and **sometimes political**. A project's costs can increase significantly while it waits for federal approval. While delay does not always increase project costs, unanticipated changes in project financing and uncertain processes for securing funding can create unnecessary barriers to project delivery.

#### 2. Built in evaluation process means there’s a vested interest to have a successful project

Slone, 11 (Sean, Senior Transportation Policy Analyst at The Council of State Governments, “State Infrastructure Banks”, Knowledge Center, July 5, http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks)

When transportation projects are financed in a traditional way, funds from a state department of transportation or the federal Highway Trust Fund are spent and two types of risk are assumed. Projects are at risk of delay as state officials wait for the state or federal funds to become available, which may increase the costs and delay the project’s benefits. Secondly, states face the risk that a poorly selected project will fail to produce social or economic benefits and tie up scarce capital resources that could have gone to other potentially more successful projects. Both of those risks are diminished with state infrastructure bank financing. First, projects don’t have to wait for funding and delays and cost overruns are avoided. Secondly, a state infrastructure bank has a built-in project evaluation process. Projects are assessed based on their financial viability, which provides a level of economic discipline that is not always present with traditional state project funding. **Better, more benefit-producing projects can be the result**.4

#### That turns the case – only state control solves

Edwards and DeHaven, 10 (Chris, director of tax policy studies at Cato, and Tad, budget analyst on federal and state budget issues for the Cato Institute, “Privatize Transportation Spending”, Cato Institute, June 17, http://www.cato.org/publications/commentary/privatize-transportation-spending)

Rising federal control over transportation has resulted in the **political misallocation of funds, bureaucratic mismanagement and costly one-size-fits-all regulations of the states.** The solution is to devolve most of DOT's activities back to state governments and the private sector. We should follow the lead of other nations that have turned to the private sector to fund their highways, airports, air traffic control and other infrastructure. The first reform is to abolish federal highway aid to the states and related gasoline taxes. Highway aid is tilted toward states with powerful politicians, not necessarily to the states that are most in need. It also often goes to boondoggle projects like Alaska's "Bridge to Nowhere." Furthermore, federal highway aid comes with costly regulations like the Davis-Bacon labor rules, which raise state highway costs. For their part, the states should seek out private funding for their highways. Virginia is adding toll lanes on the Capitol Beltway that are partly privately financed, and Virginia is also home to the Dulles Greenway, a 14-mile private highway in operation since 1995. Ending federal subsidies would accelerate the trend toward such innovative projects. Another DOT reform is to end subsidies to urban transit systems. Federal aid favors light rail and subways, which are much more expensive than city buses. Rail systems are sexy, but they eat up funds that could be used for more flexible and efficient bus services. Ending federal aid would prompt local governments to make more cost-effective transit decisions. There is no reason why, for example, that cities couldn't reintroduce private-sector transit, which was the norm in U.S. cities before the 1960s. To government planners, intercity high-speed rail is even sexier than urban rail systems. The DOT is currently dishing out $8 billion for high-speed rail projects across the country, as authorized in the 2009 stimulus bill. Most people think that the French and Japanese fast trains are cool, but they don't realize that the price tag is enormous. For us to build a nationwide system of bullet-style trains would cost up to $1 trillion. The truth about high-speed trains is that even in densely-populated Japan and Europe, they are money losers, while carrying few passengers compared to cars, airlines and buses. The fantasy of high-speed rail in America should be killed before it becomes a huge financial drain on our already broke government. Through its ownership of Amtrak, the federal government also subsidizes slow trains. The government has dumped almost $40 billion into the company since it was created in 1971. Amtrak has a poor on-time record, its infrastructure is in bad shape, and it carries only a tiny fraction of intercity passengers. Politicians prevent Amtrak from making cost-effective decisions regarding its routes, workforce polices, capital investment and other aspects of business. Amtrak should be privatized to save taxpayer money and give the firm the flexibility it needs to operate efficiently. A final area in DOT to make budget savings is aviation. Federal aid to airports should be ended and local governments encouraged to privatize their airports and operate without subsidies. In recent decades, dozens of airports have been privatized in major cities such as Amsterdam, Auckland, Frankfurt, London, Melbourne, Sydney and Vienna. Air traffic control (ATC) can also be privatized. The DOT's Federal Aviation Administration has a terrible record in implementing new technologies in a timely and cost-effective manner. Many nations have moved toward a commercialized ATC structure, and the results have been very positive. Canada privatized its ATC system in 1996 in the form of a nonprofit corporation. The company, NavCanada, has a very good record on both safety and innovation. Moving to a Canadian-style ATC system would help solve the FAA's chronic management and funding problems, and allow our aviation infrastructure to meet rising aviation demand. There are few advantages in funding transportation infrastructure from Washington, but many disadvantages. America should study the market-based transportation reforms of other countries and use the best ideas to revitalize our infrastructure while ending taxpayer subsidies.

#### 3. Studies prove effectiveness

Yusuf and Liu, 8 (Juita-Elena, assistant professor in the Department of Urban Studies and Public Administration at Old Dominion University, and Gao, Ph.D. candidate at the Martin School of Public Policy and Administration, University of Kentucky, “State Infrastructure Banks and Intergovernmental Subsidies for Local Transportation Investment”, Public Budgeting & Finance, Volume 28, Issue 4, pages 71–89, Winter 2008, Ebsco)

SIBs were developed to serve as a ﬁnancing mechanism through which federal and state governments can provide localities with access to **lower cost borrowing**. This study provides evidence that they are **successful in achieving this purpose**. By making below market loans to local governments, SIBs are able to provide indirect subsidies to the localities receiving loans. The empirical analysis of loans made by the Ohio SIB suggests that, for most local level transportation projects, SIB ﬁnancing represents potentially **signiﬁcant cost savings** over debt ﬁnancing through the municipal bond market.

### Rollback – 2NC

#### Long term nature of infrastructure projects means they’re subject to political rollback – only the counterplan has sustainable solvency

Stringer, 11 (Scott M., Manhattan Borough President - Steven L. Newman Real Estate Institute, Baruch College, CUNY, “Banking on the Future: A New Paradigm For Rebuilding Our Nation’s Infrastructure”, Research Publication, Spring, http://www.baruch.cuny.edu/realestate/pdf/H7656\_BaruchBankingFutureWhtPaper.pdf)  
Of all the challenges facing New York and the nation, few are as pressing as the dire condition of our roads, bridges and other transportation infrastructure. The tally of unmet needs locally is long and getting longer – deteriorating roads from Buffalo to Long Island; a New York City energy grid that teeters on the brink during heat waves; a slow-speed rail system that is failing to keep pace with the rest of the world; and vital bridges like the Tappan Zee that are in desperate need of repair. And yet, as former Lieutenant Governor Richard Ravitch pointed out in a November 17, 2010 report, New York State “has no credible strategy for meeting future needs” when it comes to repairing and upgrading its public infrastructure. The stakes, Ravitch added, could not be higher: “Avoiding this obligation means surrendering any plausible chance for a prosperous future for New York.” One promising solution to address these looming infrastructure needs – and to assure a more prosperous future -- is the establishment of a national, regional or state infrastructure bank. Infrastructure banks use government dollars in the form of loans, tax credits, insurance, guarantees, bonds or direct subsidies to leverage much larger sums of private capital to invest in public works. The results are carefully structured public private partnerships (P3’s) that harness a combination of private lending and public financing to produce public goods that are national or regional priorities. The infrastructure bank model offers several key advantages. In particular, it enables a merit-based system of project selection. Projects are judged based on their ability to do the greatest good for the greatest number of people, regardless of geographical or political boundaries. A national, regional or state infrastructure bank would supplement the current system of Congressional funding streams for infrastructure mega-projects, not replace it. But by **insulating certain projects from the** ebb and flow of politics, an infrastructure bank could provide a stable investment environment for the private sector and guard against fluctuations in funding due to political factors. The decision by New Jersey Governor Chris Christie to cancel the proposed ARC tunnel under the Hudson River – and forgo more than $3 billion in federal transportation funding – is a recent example of a major infrastructure project that was **undone by a change in administrations.** This approach to infrastructure – using small amounts of government money to leverage substantial sums of private sector money to achieve important social objectives – has worked successfully internationally for decades. But the idea has never gained any real traction in the White House – until now.

### Solvency – General

#### SIB’s quick initial capital means they can quickly initiate infrastructural projects

Christman and Riordan, 11 (Anastasia, Senior Policy analyst at the National Employment Law Project, and Christine, Policy Analyst at the National Employment Law Project, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation”, National Employment Law Project, Briefing Paper, December, http://www.nelp.org/page/-/Job\_Creation/State\_Infrastructure\_Banks.pdf?nocdn=1)

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.

### Solvency – States Solve Best/USFG Fails

#### State based solutions solve best – local input

Christman and Riordan, 11 (Anastasia, Senior Policy analyst at the National Employment Law Project, and Christine, Policy Analyst at the National Employment Law Project, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation”, National Employment Law Project, Briefing Paper, December, http://www.nelp.org/page/-/Job\_Creation/State\_Infrastructure\_Banks.pdf?nocdn=1)

Getting stalled-out in D.C. doesn’t mean advocates for better financing for infrastructure have to sit on their hands. Indeed, in state houses across the country, lawmakers are having robust debates about infrastructure projects, and several cities have taken bold moves to identify innovative infrastructure funding mechanisms. 3 The fact is that infrastructure is a profoundly local issue and is a key determinant of a community’s standard of living. 4 As former Pennsylvania Governor Ed Rendell noted in a U.S. Congressional hearing on infrastructure, “Visible or not, properly functioning infrastructure provides us with the reliability and predictability that we as Americans have come to expect from modern daily life.” 5 Everyday Americans feel the effects of deteriorating physical assets close to home in the form of traffic delays, unsafe drinking water, inadequate public transportation and unpredictable electrical power. Local lawmakers recognize this: in a 2011 survey, more than three-quarters of U.S. mayors identified the need to prioritize maintenance of current roads and streets over building new highways, and almost half indicated a need to grow public transit capacity. 6 State and local governments and their constituents already carry much of the burden of funding these critical resources. Nationally, “transportation” is typically the third-largest state expenditure after “education” and “public welfare.” 7 Since the Cold War era, local governments have invested more than $1.25 trillion in water and sewer investments. 8 As the National Conference of State Legislatures has pointed out, “Local governments—including counties, townships and municipalities—provide approximately 30 percent of total surface transportation funding and own 77 percent of the nation’s roadway miles.” 9 Yet, federal funding streams through the National Surface Transportation Act or the Federal Highway Trust Fund send money to the states without requirements to consider the infrastructure needs of cities and metropolitan areas. As a 2008 policy brief from the National Conference of Mayors noted, “[O]f the more than $42 billion annually flowing to states for surface transportation investment, only six percent of available funds are directed to decision-makers in the nation’s metropolitan areas.” 10 Unfortunately, traditional sources of state funding aren’t doing the job. Through 2010, nineteen U.S. states cut transportation funding, 11 and in 2011 another six states followed suit. 12 **To truly address the infrastructure shortcomings** that affect our communities most acutely, we need state-level solutions that include input from local lawmakers and local constituents.

#### Federal transportation policy fails – bureaucratic mismanagement

Edwards and DeHaven, 10 (Chris, director of tax policy studies at Cato, and Tad, budget analyst on federal and state budget issues for the Cato Institute, “Privatize Transportation Spending”, Cato Institute, June 17, http://www.cato.org/publications/commentary/privatize-transportation-spending)

Rising federal control over transportation has resulted in the **political misallocation of funds, bureaucratic mismanagement and costly one-size-fits-all regulations of the states.** The solution is to devolve most of DOT's activities back to state governments and the private sector. We should follow the lead of other nations that have turned to the private sector to fund their highways, airports, air traffic control and other infrastructure. The first reform is to abolish federal highway aid to the states and related gasoline taxes. Highway aid is tilted toward states with powerful politicians, not necessarily to the states that are most in need. It also often goes to boondoggle projects like Alaska's "Bridge to Nowhere." Furthermore, federal highway aid comes with costly regulations like the Davis-Bacon labor rules, which raise state highway costs. For their part, the states should seek out private funding for their highways. Virginia is adding toll lanes on the Capitol Beltway that are partly privately financed, and Virginia is also home to the Dulles Greenway, a 14-mile private highway in operation since 1995. Ending federal subsidies would accelerate the trend toward such innovative projects. Another DOT reform is to end subsidies to urban transit systems. Federal aid favors light rail and subways, which are much more expensive than city buses. Rail systems are sexy, but they eat up funds that could be used for more flexible and efficient bus services. Ending federal aid would prompt local governments to make more cost-effective transit decisions. There is no reason why, for example, that cities couldn't reintroduce private-sector transit, which was the norm in U.S. cities before the 1960s. To government planners, intercity high-speed rail is even sexier than urban rail systems. The DOT is currently dishing out $8 billion for high-speed rail projects across the country, as authorized in the 2009 stimulus bill. Most people think that the French and Japanese fast trains are cool, but they don't realize that the price tag is enormous. For us to build a nationwide system of bullet-style trains would cost up to $1 trillion. The truth about high-speed trains is that even in densely-populated Japan and Europe, they are money losers, while carrying few passengers compared to cars, airlines and buses. The fantasy of high-speed rail in America should be killed before it becomes a huge financial drain on our already broke government. Through its ownership of Amtrak, the federal government also subsidizes slow trains. The government has dumped almost $40 billion into the company since it was created in 1971. Amtrak has a poor on-time record, its infrastructure is in bad shape, and it carries only a tiny fraction of intercity passengers. Politicians prevent Amtrak from making cost-effective decisions regarding its routes, workforce polices, capital investment and other aspects of business. Amtrak should be privatized to save taxpayer money and give the firm the flexibility it needs to operate efficiently. A final area in DOT to make budget savings is aviation. Federal aid to airports should be ended and local governments encouraged to privatize their airports and operate without subsidies. In recent decades, dozens of airports have been privatized in major cities such as Amsterdam, Auckland, Frankfurt, London, Melbourne, Sydney and Vienna. Air traffic control (ATC) can also be privatized. The DOT's Federal Aviation Administration has a terrible record in implementing new technologies in a timely and cost-effective manner. Many nations have moved toward a commercialized ATC structure, and the results have been very positive. Canada privatized its ATC system in 1996 in the form of a nonprofit corporation. The company, NavCanada, has a very good record on both safety and innovation. Moving to a Canadian-style ATC system would help solve the FAA's chronic management and funding problems, and allow our aviation infrastructure to meet rising aviation demand. There are few advantages in funding transportation infrastructure from Washington, but many disadvantages. America should study the market-based transportation reforms of other countries and use the best ideas to revitalize our infrastructure while ending taxpayer subsidies.

### Solvency – Flexibility

#### SIBs solve the case better – more flexibility to tailor needs

Yusuf and Liu, 8 (Juita-Elena, assistant professor in the Department of Urban Studies and Public Administration at Old Dominion University, and Gao, Ph.D. candidate at the Martin School of Public Policy and Administration, University of Kentucky, “State Infrastructure Banks and Intergovernmental Subsidies for Local Transportation Investment”, Public Budgeting & Finance, Volume 28, Issue 4, pages 71–89, Winter 2008, Ebsco)

Under their cooperative agreements with the federal government, states have fairly wide discretion in operating their SIB programs. The authorizing federal legislation establishes basic requirements and an overall operating framework for SIBs, but states have the ﬂexibility **to tailor their SIBs to meet their speciﬁc transportation needs**. The states establish the application criteria, loan terms including interest rates, and management structure of their SIB loan programs. However, federal requirements dictate that interest rates be set at or below prevailing rates offered by the U.S. capital markets. Beyond this requirement, the states are free to adopt any methodology to establish a benchmark U.S. capital market interest rate and subsequently the SIB interest rate.

### Solvency – Empirical Example

#### Infrastructure banks have empirically worked in Europe

Economist, 11 (“Life in the slow lane”, April 28, http://www.economist.com/node/18620944)

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.

### Solvency – High Speed Rail

#### SIBs are a key mechanism to fund high speed rail

Stringer, 11 (Scott M., Manhattan Borough President - Steven L. Newman Real Estate Institute, Baruch College, CUNY , “Banking on the Future: A New Paradigm For Rebuilding Our Nation’s Infrastructure”, The Steven L. Newman Real Estate Institute, http://www.baruch.cuny.edu/realestate/events/bankingonthefuture.html)

In recent years the United States has watched from the sidelines as developed and emerging nations rapidly invest in high speed rail, clean energy and other crucial infrastructure. Beyond questions of global competitiveness, substantial infrastructure investment holds the promise of millions of new jobs and multiplier effects that will benefit the entire economy. It is clear that the time has come for the creation of national, regional or state infrastructure banks. Amid uncertainty about how to manage a growing federal deficit, national, regional and state infrastructure banks are key ways to help finance U.S. infrastructure objectives, on top of federal transportation funding. This is especially true in an era of sustained fiscal duress in state and municipal government sectors which shoulder some three quarters of public infrastructure spending. Forward-thinking proposals on national, regional and state infrastructure banks have already been advanced by President Obama, Congressman Steve Israel, and others. "Banking on The Future: A New Paradigm for Rebuilding Our Nation's Infrastructure" will broadly examine the infrastructure bank concept, followed by focused discussions on infrastructure of the future, private and pension investments for the public good as well as the issues of the labor force and jobs creation.

#### State infrastructure banks solve high speed rail

Anand, 11 (Anika, “Bank plan would help build bridges, boost jobs”, MSNBC, 7/6 http://www.msnbc.msn.com/id/43606379/ns/business-eye\_on\_the\_economy/t/bank-plan-would-help-build-bridges-boost-jobs/#.T6xxu7PWa8A)

Advocates offer a **laundry list of benefits** for an “Ibank.” At the top of the list, they tout the bank’s political independence. The bank would be an independent government entity but would have strong congressional oversight. Bank board members and the CEO would be appointed by the president and confirmed by the Senate. Kerry says this structure would help eliminate pork-barrel earmark projects. If, for example, private investors wanted to invest in a project, under the BUILD Act they could partner with regional governments and present a proposal to the bank. The bank would assess the worthiness of the project based on factors like the public’s demand and support, and the project's ability to generate enough revenue to pay back public and private investors. The bank could offer a loan for up to 50 percent of the project’s cost, with the project sponsors funding the rest. The bank would also help draft a contract for the public-private partnership and ensure the government would be repaid over a fixed amount of time. If the Ibank funded something like the high-speed rail project, it would become another investor alongside a state government, a private equity firm or another bank. The project sponsors' loans would be repaid by generating revenue from sources such as passenger tickets, freight shipments, state dedicated taxes.

### Solvency – Highways

#### State level solutions for highways are superior – top down federal funding is inefficient and crushes innovation

Roth, 10 (Gabriel, civil engineer and transportation economist, currently a research fellow at the Independent Institute, “Federal Highway Funding”, June, http://www.downsizinggovernment.org/transportation/highway-funding)

With the devolution of highway financing and control to the states, **successful innovations** in one state would be copied in other states. And without federal subsidies, state governments would have stronger incentives to ensure that funds were spent efficiently. An additional advantage is that highway financing would be more transparent without the complex federal trust fund. Citizens could better understand how their transportation dollars were being spent. The time is ripe for repeal of the current central planning approach to highway financing. Given more autonomy, state governments and the private sector would have the power and flexibility to meet the huge challenges ahead that America faces in highway infrastructure.

## 2NC Blocks

### AT: States Lack Financing

#### Doesn’t take out solvency – SIBs draw financing from state, local, and private sources

GAO, 96 (Government Accountability Office, “State Infrastructure Banks: A Mechanism to Expand Federal Transportation Financing”, October, http://www.gpo.gov/fdsys/pkg/GAOREPORTS-RCED-97-9/pdf/GAOREPORTS-RCED-97-9.pdf)

Some states also told us that in addition to completing individual projects faster, a SIB may provide the flexibility to complete a financial package for worthwhile projects that may be lower on the state’s priority list because of their cost, demographic reasons, or political changes in priorities. For example, a major new road may simply be too costly to build, given that many small competing projects could be built with the same state funding. But if the project is financed in part from other sources, such as a local community and private investors, less state funds are needed, which in turn, may permit a state to fund more roads on its priority list.

### AT: No Solvency – Expertise

#### SIB’s have expertise – they have project flexibility that allows them to tackle big projects

Christman and Riordan, 11 (Anastasia, Senior Policy analyst at the National Employment Law Project, and Christine, Policy Analyst at the National Employment Law Project, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation”, National Employment Law Project, Briefing Paper, December, http://www.nelp.org/page/-/Job\_Creation/State\_Infrastructure\_Banks.pdf?nocdn=1)

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 qualify 33 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.

### AT: No Solvency – Coordination

#### Doesn’t take out solvency – states can jointly coordinate infrastructure banks

Beimborn, 99 (Dr. Edward, former director of the Center for Urban Transportation Studies at UW-Milwauke, “An Overview: Land Use and Economic Development in Statewide Transportation Planning”, June, http://www4.uwm.edu/cuts/lu/lu-7.pdf)

A state usually needs new legislation to create an SIB, which designates authority over the financial management of the funds. 1 In addition, there may be specific legal or administrative barriers to SIB implementation that must be addressed. The legal needs of SIB customers are also considerations. FHWA recommends that enabling legislation be as flexible as possible, and it has written model legislation to guide states. SIB’s can be housed entirely within the state DOT, be **jointly administered by two** or more **state agencies** or be administered by an independent agency.

## Politics NB

### Infrastructure Bank – Popular

#### State empowerment of transportation infrastructure is popular

Nichols and Holeywell, 11 (Russell, and Ryan, Staff Writers at Governing, “Six Ideas for Fixing the Nation's Infrastructure Problems”, Governing, June, http://www.governing.com/topics/transportation-infrastructure/six-ideas-for-fixing-the-nations-infrastructure-problems.html)

States pay for about two-thirds of surface transportation spending. With less money available from the feds, their portion may need to grow -- an increasingly familiar storyline in all areas of funding right now. Given that dynamic, states and localities are asking for more flexibility on how they can spend federal dollars and are endorsing plans that would allow the federal government to leverage the limited funds that are available. One idea that has received **bipartisan support** is a plan known as America Fast Forward. It’s a proposal to expand a federal program of the Transportation Infrastructure Finance and Innovation Act (TIFIA) that provides low-interest loans for transportation projects. The proposal’s biggest cheerleader is Los Angeles Mayor Antonio Villaraigosa. In 2008, Angelinos approved a sales-tax hike for a set of highway and transit projects; but rather than funneling that revenue into new projects outright, Villaraigosa’s goal is to use the money to pay debt on a federal transportation loan. An upfront loan would allow the city to complete its projects rapidly while using the proceeds of its 30-year sales-tax hike to pay it back over time. Currently TIFIA isn’t big enough to accommodate such large-scale plans, which is why Los Angeles has backed a national push to expand the program from $122 million annually to $375 million, and to raise its cap from 33 percent of project costs to 49 percent. “It’s an idea that’s different from a grant program,” says L.A. Deputy Mayor for Transportation Jaime de la Vega. “We’re coming to the table with money and saying we need a partnership. It’s not a handout.” Other options that would grant more power to states have been gaining traction in D.C., including creating an infrastructure bank, expanding public-private partnerships and allowing tolling on interstate highways (an idea LaHood has said he’s open to). However, flexibility can be a double-edged sword, cautions Leslie Wollack, program director for infrastructure and sustainability at the National League of Cities. “If flexibility means a state doesn’t want to spend any [of its own] money on transportation enhancement or transit or to collaborate on what’s going on at the local level, then we see that as a problem.”

### Counterplan Avoids Politics – High Speed Rail Specific

#### Federal funding of high speed rail saps Obama’s capital – only funding through state infrastructure banks is popular

Anand, 11 (Anika, “Bank plan would help build bridges, boost jobs”, MSNBC, 7/6 http://www.msnbc.msn.com/id/43606379/ns/business-eye\_on\_the\_economy/t/bank-plan-would-help-build-bridges-boost-jobs/#.T6xxu7PWa8A)

High-speed rail

High-speed rail has become something of a lightning rod issue. President Barack Obama has proposed spending $53 billion over six years to build high-speed rail lines in busy corridors across the country, an idea endorsed as recently as two weeks ago by the United States Conference of Mayors. House Republicans have criticized the plan, saying **private investment, not government spending**, should be used to build the rail systems, Reuters reported. America is one of the last industrialized countries in the world without high-speed rail and will only get it built through public-private partnerships such as those encouraged by a national infrastructure bank, said Andy Kunz, the president of the US High-Speed Rail Association. The group has been pushing for a 17,000-mile national high-speed rail network run on electricity to be completed by 2030. “Nearly every country in the world has come to us and said they have money to invest in our high-speed rail system in the U.S.,” he said. Kunz said a national infrastructure bank would simplify the process of building a rail network because it would simplify the steps and the number of people needed to approve it. "The bank would focus on the project as the number one issue, rather than constituents and politics as the number one focus," he said. Opponents of the BUILD Act question this supposed political neutrality. One skeptic is Rep. John Mica, R-Fla., chairman of the House Transportation and Infrastructure Committee, whose support of the bill is considered critical. “The Senate proposal empowers Washington decision-making and administrative earmarks,” he wrote in an e-mail. “We plan to give states more authority and take approval out of federal hands by empowering state infrastructure banks.”

### Federal Funding Links

#### Federal infrastructure funding sparks major battles – saps capital

Cooper, 97 (Mary H., staff writer for the CQ Researcher, “Transportation Policy: Should non-highway programs get more funding?”, CQ Researcher, July 4, 1997 • Volume 7, Issue 25, http://photo.pds.org:5012/cqresearcher/document.php?id=cqresrre1997070400)

It's the focus of a major fight in Congress this year, but it sounds more like a refreshing summer drink than multibillion-dollar legislation pitting highway interests against advocates of alternative transportation. The 1991 Intermodal Surface Transportation Efficiency Act - better known as ISTEA - is a massive, $157 billion, six-year authorization measure that runs out on Sept. 30. The complex law spells out how much federal money will be used to build and maintain highways, bridges, railways, transit systems, bike paths and walkways. How this money should be allocated among these different transportation modes, at a time when Congress is **struggling to balance the budget**, is turning into one of the year's most contentious legislative debates.

## Tradeoff NB

### CP Avoids DA

#### Shifting responsibility to states prevents draining the HTF

Poole and Moore, 10 (Robert W. Jr., director of transportation studies at the Reason Public Policy Institute, and Adrian T., Executive Director of the Reason Public Policy Institute, “Restoring Trust in the Highway Trust Fund”, Reason Foundation, Policy Study 386, August, http://reason.org/files/restoring\_highway\_trust\_fund.pdf)

Congress could dramatically increase funding to reduce the very large backlog of cost-effective highway projects via two changes: (1) shifting non-highway programs either to general revenues or to the states, and (2) narrowing the federal Highway Trust Fund’s focus to rebuilding and modernizing the Interstate system, both urban and inter-city. This Interstate 2.0 approach would increase federal investment in the nation’s most important arteries by nearly $10 billion per year. Refocusing the federal gas tax on rebuilding and modernizing these vital roadways would restore the kind of trust in the Highway Trust Fund that was present during its early years. Making this change is also probably the best hope we have for gaining political support, not for all-purpose transportation tax increases, but for significantly improving the performance of the nation’s most critically important highway infrastructure.

## Private Investment NB

### Link – 2NC

#### Traditional federal projects fail – infrastructure banks are key to stimulate private investment

Crooks and Quadt, 4/20 (Ed, vice president of Booz Allen Hamilton, and Michelle, Senior Associate of Booz Allen Hamilton“Rethinking Infrastructure Funding”, AOL Government, <http://gov.aol.com/2012/04/20/rethinking-infrastructure-funding/>)

For quite some time now, Americans have been hearing about the dire state of infrastructure in the US. It's clear that traditional sources of funding new projects and repairs are struggling to keep the nation's infrastructure from falling apart, let alone thrive. What isn't as clear is how to fix it. Innovation Innovation At NIH: Donald Lindberg, Senior Statesman For Medicine And Computers Formula grants distributed through the Highway Trust Fund have long been the preferred way to fund infrastructure. But the inefficiency of earmarks and the decrease in revenues from the gas tax are posing significant challenges for this funding model. At the same time, cities and states have assumed a growing role in infrastructure funding but are now getting squeezed with the financial crisis. Bond issuances, once a boon for raising plentiful funding infrastructure have seen a sharp decline recently due to three main factors: restrictions on new debt for hard-pressed municipalities, credit rating downgrades which have increased the cost of borrowing, and the collapse in 2009 of the monoline bond insurers which have made bonds both riskier for investors and more expensive for issuers. Further funding pressure will come from a growing population, changes in technology and the need to remain competitive in the global economy. We need to reimagine infrastructure funding, moving away from earmarks and specific formula grants and towards an approach that looks at long-term infrastructure needs across sectors and maximizes the sources of funding that can be used to finance qualified projects. Here are two clear steps to get us there. Break Free from the Siloed Infrastructure Funding Maze and Red Tape Currently, public funding for infrastructure comes from a maze of programs, each with specific objectives and policies. As a result, it's difficult to finance intermodal projects where transit funding needs to come from the Federal Transit Administration (FTA), airport funding needs to come from the Federal Aviation Administration (FAA), and other funding needs to come from other sources. This maze of rules and policies makes it challenging to combine sources of funding for complex projects. As a consequence, there are currently no public financing mechanisms that look at infrastructure at the regional level or across sectors. A more unified strategic approach to modernizing the nation's infrastructure would allow a public vision of the country's infrastructure and its competitiveness as a whole, taking advantage of potential economies of scale. Other deep-seated issues that need to be addressed to fully reform the U.S. infrastructure sector include the fact that project development is hampered by a long permitting process and the regulatory uncertainty it creates, which can discourage private investment. In addition, the current funding system is underpinned by red tape in the form of unnecessary tax regulations to fund trust funds and state and federal programs that give preferential treatment to some investment vehicles. Private funding is becoming increasingly important for U.S infrastructure, particularly transportation, as 31 states and one territory have now passed legislation enabling public-private partnerships (P3) for infrastructure projects. P3 is attractive because the private sector can more easily access large amounts of capital upfront **than public entities,** which have to go through annual budget processes. As a result, it can help get projects completed faster than traditional public processes. On the other hand, the public sector can help ensure that infrastructure projects have a source of long term debt and better financing terms. One way to help solve these challenges is to create a National Infrastructure Bank (NIB) designed to leverage but not crowd out private capital. This is similar to what the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the U.S. Export-Import Bank are doing for their more limited mandates. The role of the NIB should be to close the funding gap and enable creditworthy projects to receive private funding. Key features of the NIB should therefore include long repayment schedules and large lending limits, which are more difficult for private lenders to provide. A good example of where the NIB could complement private funding is the water sector – projects tend to have lower returns on investment than other sectors, so low interest rate financing for part of the capital costs can help improve the attractiveness of projects for private investors. In order to avoid the perception of excessive public spending and waste, the NIB should be structured and behave as an independently governed, self-sustaining financial institution, which bases its lending decisions on pure economic and financial criteria. This implies providing loans and guarantees but no grants and using a thorough financial due diligence process that focuses on risk. Transparent processes such as Value for Money (used by the UK Treasury and Australian states) can be used to justify investment and communicate the benefits of infrastructure investment to the general public. A portfolio approach can be used to ensure that the bank invests across all sectors and prioritizes projects accordingly. In addition, the NIB should carry over some of the principles from TIFIA that force discipline (e.g. cannot fund more than 33% of project cost, must have other senior debt, senior debt must be investment grade) to ensure it's not taking excessive financial risks and that its funding is complemented by the private sector. 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. Getting the Job Done As our nation's infrastructure continues to deteriorate, one look at the massive intermodal infrastructure projects being completed around the globe makes it clear the US can and should do better. We know the challenges we face. It's well understood that infrastructure is vital to our country's future. Now it's about putting the underlying structures in place that can effectively marshal and direct the necessary resources to fun infrastructure projects. By breaking free from the siloed funding maze and red tape and by leveraging new forms of ownership and operation through the creation of an efficient National Infrastructure Bank we can get the job done right.

#### SIBs are key to stimulate private investment in US infrastructure – federal projects don’t solve

GAO, 96 (Government Accountability Office, “State Infrastructure Banks: A Mechanism to Expand Federal Transportation Financing”, October, http://www.gpo.gov/fdsys/pkg/GAOREPORTS-RCED-97-9/pdf/GAOREPORTS-RCED-97-9.pdf)

Ten of the states we surveyed viewed SIBs’ ability to attract private funds as providing some or great benefit. Private investment has not traditionally been involved in transportation projects because of the general lack of authority **under federal law** and because of some states’ legislative and constitutional restrictions on giving or lending state funds to private entities to build and operate roads. A SIB may increase private investment by reducing the risk to the private investors. Credit enhancements, such as a loan guarantee, would help to ensure that federal and/or state funds committed to the project will be there when the bills come due. Members of the infrastructure finance community told us that one common fear among investors is that the political commitment and funds planned for a given project will not materialize because of competing state priorities. Even a relatively small government investment could increase the private sector’s confidence. For example, California officials believe that state SIB investments of only 10 percent equity in some projects will give private lenders and investors the confidence to participate in funding the remaining 90 percent of the cost. Private investment can help close the gap for transportation needs that may otherwise go unmet or be forestalled for years. For instance, Oklahoma’s SIB application explained that there are a number of growth industries in the state, all of which require enhanced transportation. For example, the southeast quadrant, the state’s poorest quadrant, supports a growing food-processing industry and is experiencing an influx of hog farms, feed plants, and poultry-processing facilities. But further industry development depends on substantial improvements to the rural transportation network. State officials view a SIB as a vehicle to help facilitate private investment from businesses that would benefit from an improved transportation network.

### AT: Perm

#### Perm doesn’t solve – federal funds crowd out any hope of private investment – infrastructure banks solve

Infrastructure USA, 11 (“The Beneﬁts of Private Investment in Infrastructure”, August, http://www.infrastructureusa.org/wp-content/uploads/2011/09/private\_investment\_in\_infrastructure\_update\_august1.pdf)

Places such as Australia, Canada, the EU, and the United Kingdom already rely on private investment and have successfully executed hundreds of privately-financed infrastructure projects to drive economic growth while protecting the public interest. • **The** United States **needs to act before private funds are diverted elsewhere**. In general, the U.S. is considered a safe and stable place to invest money and private capital will flow here if it is welcome. However, there could be disruption to this flow if states use stimulus money to crowd out private investment or displace private capital **by** solely **using traditional government procurement processes and public money to complete infrastructure projects**. • If states solely rely on federal funds for all “shovel ready” projects, it could take several years to develop a replacement roster of economically attractive projects for the private sector. In the meantime, the government will have forfeited the potential to use private capital and save its money for other competing stimulus needs. In authorizing a new transportation bill, the federal government can utilize the private sector to more effectively address employment and infrastructure demands utilizing two key policy levers: - Programmatic Changes: • Reform and expand TIFIA by increasing the total TIFIA authorization and the percentage of each project TIFIA can fund. • Utilize existing discretionary resources(eg. TIGER 3) to leverage additional private investment. • Create a permanent $3-5 billion dollar/year competitive discretionary grant program that is based on merit rather than earmarks. • Require a value-for-money analysis for large projects. • Create a performance pilot to test process streamlining and authorize up to 3 states to participate. - Regulatory Changes: • Expand flexibility for states to implement direct user fees on Federal-aid highways. • Enhance State Infrastructure Bank resources. • Require private investment through PPPs before federal transportation grant money is awarded to states. • Set targets to reduce Pre-Construction approval timelines. - Tax Code Changes: • Reform and expand the use of Private Activity Bonds (PABS) for infrastructure projects. • Permanently remove the Alternative Minimum Tax (AMT) applicability and state and federal cap allocation. • Make a taxable bond option available for PABS or reissue the Build America Bonds (BABs) program and include projects with private sector investment. • Add Infrastructure Assets to existing REIT Rules. • Create a National Infrastructure Bank (NIB) that is authorized to lend at favorable terms to both the public and private sectors for qualified infrastructure projects.

#### More evidence -

#### Federal infrastructure projects crowd out private investment

Elmendorf, 9 (Douglas W., director of the Congressional Budget Office, economist with experience throughout the federal government, “Letter to Honorable Judd Gregg Ranking Member Committee on the Budget”, Congressional Budget Office, Feb 4, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/96xx/doc9619/gregg.pdf)

Most of the budgetary effects of the Senate legislation occur over the next few years. Even if the fiscal stimulus persisted, however, the short-run effects on output that operate by increasing demand for goods and services would eventually fade away. In the long run, the economy produces close to its potential output on average, and that potential level is determined by the stock of productive capital, the supply of labor, and productivity. Short-run stimulative policies can affect long-run output by influencing those three factors, although such effects would generally be smaller than the short-run impact of those policies on demand. In contrast to its positive near-term macroeconomic effects, the Senate legislation would reduce output slightly in the long run, CBO estimates, as would other similar proposals. The principal channel for this effect is that the legislation would result in an increase in government debt. To the extent that people hold their wealth as government bonds rather than in a form that can be used to finance private investment, the increased debt would tend to reduce the stock of productive capital. In economic parlance, **the debt would “**crowd out**” private investment**. (Crowding out is unlikely to occur in the short run under current conditions, because most firms are lowering investment in response to reduced demand, which stimulus can offset in part.) CBO’s basic assumption is that, in the long run, each dollar of additional debt crowds out about a third of a dollar’s worth of private domestic capital (with the remainder of the rise in debt offset by increases in private saving and inflows of foreign capital). Because of uncertainty about the degree of crowding out, however, CBO has incorporated both more and less crowding out into its range of estimates of the long-run effects of the Senate legislation.