##  Sales Tax DA

### 2AC Shell

#### Sales tax is normal means – 33 states use it for transportation purposes

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” [**http://escholarship.org/uc/item/2gp4m4xq#page-1**](http://escholarship.org/uc/item/2gp4m4xq#page-1), p. 24)

An important result of the tax revolts of the

1970s has been a shift in local ﬁnance away

from property taxes and toward sales taxes

(Krmenec 1991; Advisory Commission on

Intergovernmental Relations 1989). This has

been particularly true in transportation,

where the sales tax has emerged as one of the

most signiﬁcant and politically feasible rev-

enue options for metropolitan areas seeking

to ﬁnance major new infrastructure projects.

Thirty-three states have authorized local

option sales taxes for transportation purpos-

es (or for more general purposes that may

include transportation).

#### Sales tax hurts growth and consumer spending – tax experts and businesses agree

Fitzgerald, ’11 (Alison, October 14, Business Week, Cain Sales Tax Would Hurt Consumer Spending For Some Years,” http://www.businessweek.com/news/2011-10-14/cain-s-sales-tax-would-hurt-consumer-spending-for-some-years-.html

Republican presidential candidate Herman Cain’s plan to create a national sales tax would hurt retailers, threaten economic growth and shift the tax burden onto the middle class and poor, tax experts and business groups said.

Cain’s so-called 9-9-9 plan, which would replace the current tax code with a system of three separate taxes of 9 percent each, has boosted his popularity among voters. The former chief executive officer of Godfather’s Pizza has surged in polls in recent weeks, and a Wall Street Journal/NBC News poll released this week put him in the lead.

Tax experts and business groups interviewed yesterday don’t like his tax plan as much as voters. They said it would shift the burden to middle-income and poor families and would hurt sales across the economy, at least in the short term.

“There will be a noticeable decline in consumer spending for some years,” said Rachelle Bernstein, vice president of the National Retail Federation, based in Washington, in an interview. “We know that that has an impact on consumer spending and GDP.”

Consumer spending accounts for about 70 percent of the U.S. gross domestic product.

### Sales Tax Is Normal Means - General

#### Sales tax is normal means – majority of states have shifted to using earmarked sales taxes for transportation

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” [**http://escholarship.org/uc/item/2gp4m4xq#page-1**](http://escholarship.org/uc/item/2gp4m4xq#page-1), p.20)

Local option taxes have become the levers

by which communities ensure that favored

but expensive projects are built, yet their

adoption and implementation typically occur

outside the traditional metropolitan plan-

ning process. The overall effect of these taxes

is to shift transportation decision making

away from planning bureaucracies and

toward mechanisms of direct democracy–

and away from metropolitan-level agencies

and toward elected local governments. Fur-

thermore, in most states these taxes shift

transportation ﬁnance away from the user

fee and trust fund model, and toward ear-

marked taxes, particularly on retail sales.

#### Sales tax is normal means – state transportation financing has shifted to earmarking sales taxes for projects

Hannay & Wachs, ’07 – respectively Master’s Degree Candidate Institute of Transportation Studies, UC Berkeley and Director of the Institute of Tranportation Studies, UC Berkeley (Robert and Martin, Transportation, Volume 34, “Factors Influencing Support for Local Transportation Sales Tax Measures,” p. 18)

Over several decades, a trend in transportation ﬁnance has emerged in the United

States that is gradually shifting the ﬁnancial base of the nation’s transportation

system. Local governments across the country are adopting sales tax measures

earmarked for transportation projects. These ‘‘Local Transportation Sales Taxes’’

(LTSTs), are shifting transportation ﬁnance away from reliance on user fees, such as fuel taxes, and increasingly toward general taxes. Much has been written about

LTSTs but many questions remain regarding factors affecting public support of

LTSTs, and the long-term viability of paying for transportation projects with sales

tax revenue. This paper analyzes the voting outcomes of three recent transportation sales tax measures in Sonoma County, California. Both qualitative and quantitative methods are used to interpret the support for these measures.

#### Sales tax is normal means – it’s where states traditionally turn for new funds

**Hill, 09**- an activist and Ph.D. in economics (Marianne, “State Budget Blues Looking for Funds in All the Wrong Places,” Dollars & Sense magazine, Dollars & Sense, a non-profit publisher that produces economic news and analysis, http://www.dollarsandsense.org/archives/2009/1109hill.html)RC

The growing demands on the states are not taken into account by the GAO study, by the way, which only considers the cost of maintaining current service levels. The future scenario for state budgets, then, is likely to be more dire than the GAO predicts. Even with health care reform and improvements in revenue collection and program efficiency, the states will need new revenue sources, better aligned with their income bases, to carry out their vital role in the economy. Traditionally, states have turned to the sales tax when seeking additional funds. The sales tax is the largest single revenue source for state and local budgets, accounting for a third of tax receipts. Statewide sales tax rates range from a low of 0% in the five states with no general sales tax to 7.25% in California. Recent expansions of the sales tax include the increased taxation of services and of Internet sales. This reliance on the sales tax is increasingly a liability, however, since the most rapidly expanding industries are in services that are often not subject to the sales tax, such as health care, education. and financial services (credit cards, loans, etc.). A few states are now taxing gross receipts of all businesses to capture service industries, but economists are generally appalled: firms with high input costs but low profit margins can be crippled by a tax on receipts rather than on income net of costs.

#### Sales tax is normal means – unique characteristics make it appealing for transportation projects

Hannay & Wachs, ’07 – respectively Master’s Degree Candidate Institute of Transportation Studies, UC Berkeley and Director of the Institute of Tranportation Studies, UC Berkeley (Robert and Martin, Transportation, Volume 34, “Factors Influencing Support for Local Transportation Sales Tax Measures,” p. 20)

The popularity of local transportation sales taxes can be partly attributed to some of the unique characteristics that separate them from other tax instruments. Their

popularity is likely explained by four characteristics (Crabbe et al. 2002). First, they

are approved directly by voters. Second, the funds are spent on projects within the

local jurisdiction, thereby promoting the sense that those who pay directly beneﬁt

from the tax. Third, most LTSTs expire after a certain time period unless they are

renewed by voters. And fourth, most measures provide a speciﬁc list of projects to be ﬁnanced by the tax increase. In addition, the sales tax revenue can be leveraged to obtain matching state and federal funding for many projects. To many, the broad tax base is also a positive aspect of these measures. Because a sales tax is charged in many more transactions, a small sales tax rate increase can produce the same

revenue stream as a much greater per gallon fuel tax increase (Wachs 2003).

In addition, The Surface Transportation Policy Project (2002) cites the popularity of transit projects as contributing to the trend of passing LTSTs.

**Sales tax is normal means – states rely on local government entities for new transportation investment**

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” [**http://escholarship.org/uc/item/2gp4m4xq#page-1**](http://escholarship.org/uc/item/2gp4m4xq#page-1), p. 20)

While the user fee model still accurately

describes the bulk of transportation funding

in the US, in many states, it no longer

describes how the largest and most signiﬁ-

cant new investments are ﬁnanced. Gradual,

but important, changes have been occurring

in transportation ﬁnance over the last two

decades. With the completion and matura-

tion of the nation’s vast highway network,

the ongoing costs of system maintenance and

repair have been steadily rising. And while

fuel taxes and other user fees continue to

provide a large proportion of funds, revenues

from these sources have failed to keep pace

with growing costs and expenditures (Tay-

lor 1995; Adams et al. 2001). As a result, the

availability of transportation trust fund rev-

enues for major new initiatives has become

scarce, and in many states local governments

are once again taking a lead role in trans-

portation ﬁnance and project implementa-

tion. Cities, counties, and transit districts are

increasingly turning to “local option trans-

portation taxes” to fund new transportation

investments. The most visible examples of

these in recent years have been voter-

approved sales taxes to fund new rail transit

projects. But local option taxes come in

many forms, and are used for a wide range

of purposes around the country.

studies of their use around the country were

conducted by the US Advisory Commission

on Intergovernmental Relations (1988,

1989), and more recently by the National

Conference of State Legislators (Mackey

1997). These studies focused on the public

ﬁnance issues raised by local taxation, but

tended not to examine in detail how their

revenues were used.

### Sales Tax is Normal Means - Railways

#### Sales tax is normal means – it’s been used repeatedly for rail projects

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” **<http://escholarship.org/uc/item/2gp4m4xq#page-1>**, p. 26)

One of the most visible contributions of

local option sales taxes has been the funding

of various rail transit projects around the

country. Voters in Atlanta, Charlotte, Dallas,

Denver, Houston, Los Angeles, Phoenix,

Sacramento, Salt Lake City, Seattle, San

Diego, San Francisco, San Jose, and St. Louis

have approved sales taxes for new rail proj-

ects. Other areas that have so far been unsuc-

cessful at winning approval for sales tax-

ﬁnanced light rail projects include Austin,

Kansas City, Miami, San Antonio, and cer-

tain suburbs of Portland and San Francisco.

In some rapidly growing metropolitan areas,

including San Jose and Phoenix, sales taxes

that once funded only highways are being

replaced with sales taxes that fund new tran-

sit projects.

**Sales tax is normal means – public transit was the first to use this method for transportation projects**

Hannay & Wachs, ’07 – respectively Master’s Degree Candidate Institute of Transportation Studies, UC Berkeley and Director of the Institute of Tranportation Studies, UC Berkeley (Robert and Martin, Transportation, Volume 34, “Factors Influencing Support for Local Transportation Sales Tax Measures,” p. 19)

Like many states, California experienced transportation ﬁnance problems as fuel

tax revenues failed to keep pace with the increasing cost of providing new capacity.

Public transit districts were the ﬁrst to adopt sales tax increases to ﬁnance trans-

portation projects (Crabbe et al. 2002). In the early 1980s, local governments at-

tempted to augment their transportation revenue with modest local fuel tax

increases, but none succeeded in mustering the two-thirds majority of voters re-

quired for approval. The fuel tax was increased at the state level in the early 1990s, but it has not been raised since (Crabbe et al. 2002). During the mid-1980s the state legislature began authorizing the creation of county transportation authorities,giving them the power to place transportation sales tax measures on the ballot. These measures required only a simple majority to pass. Seventeen counties adopted transportation sales taxes by 1990 (Crabbe et al. 2002). The deluge of successful local transportation sales tax measures in California was short lived. A two-thirds voter majority requirement, adopted statewide in 1986, effectively slowed the pas- sage of LTSTs, though recently a number of measures have been successful at the polls. Seven county transportation sales tax measures were approved in California in 2004. Among the counties that passed measures in that year, Marin and Sonoma adopted LTSTs for the ﬁrst time, while the rest ‘‘renewed’’ their measures for additional years. Though difﬁcult, the task of mustering majorities of two-thirds in favor of LTSTs has proven possible for some county transportation authorities.

### Definition of LOTT

#### LOTT means a local tax earmarked for transportation purposes

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” [**http://escholarship.org/uc/item/2gp4m4xq#page-1**](http://escholarship.org/uc/item/2gp4m4xq#page-1), p. 21)

We deﬁned a “local option transportation

tax” (LOTT) as a tax that varies within a

state, with revenues controlled at the local or

regional level, and earmarked for transporta-

tion-related purposes. This broad deﬁnition

includes taxes regardless of how they were

established, as long as they are not uniform

statewide and do not fund state programs.

It is consistent with other studies of local

option taxation, such as Mackey (1997).2

### Sales Tax Hurts the Economy

#### Sales tax has a long-run negative effect on growth – study based on 20 years of data proves

Ojede & Yamarik, August ’12 – Professors of Economics at California State University, Long Beach (Andrew & Steven, Economic Letters, “Tax Policy and State Economic Growth: The Long-run and Short-run of It,” Vol. 116, No. 2, p. 161, [doi:10.1016/j.econlet.2012.02.023](http://dx.doi.org/10.1016/j.econlet.2012.02.023))

This paper uses a pooled mean group (PMG) estimator to evaluate the effects of tax policy on state-level growth. We find that property and sales tax rates have negative effects on long-run income growth, while income tax rates have no impact. This paper examines the impact of different taxes on state economic growth. We use data from 48 states in the US from 1968–2008. We use the pooled mean group to estimate short-run and long-run coefficients. The results indicates that sales and property taxes have a long-run effect on growth.

#### Sales tax particularly hurts states – counsel for National Conference of State Legislatures says

Fitzgerald, ’11 (Alison, October 14, Business Week, Cain Sales Tax Would Hurt Consumer Spending For Some Years,” http://www.businessweek.com/news/2011-10-14/cain-s-sales-tax-would-hurt-consumer-spending-for-some-years-.html

Impact on States

Michael Bird, federal affairs counsel for the National Conference of State Legislatures in Washington, said the sales tax, on top of what state and local governments already levy, could make it difficult for them to adjust their tax rates.

“Would the 9 cents create a ceiling, or would states say, now we have to lower our costs because the cost of goods and services are higher than a lot of people are comfortable with?” Bird asked. “It’s hard to say.”

#### Sales tax hurts housing – housing economist says

Fitzgerald, ’11 (Alison, October 14, Business Week, Cain Sales Tax Would Hurt Consumer Spending For Some Years,” http://www.businessweek.com/news/2011-10-14/cain-s-sales-tax-would-hurt-consumer-spending-for-some-years-.html

Robert Dietz, an economist at the National Association of Home Builders, said new homes sales would see a double tax increase. The house itself would be subject to the 9 percent retail sales tax, and then buyers would have to pay tax on the interest on their mortgage, as opposed to now when they can deduct that interest from their income.

“Layering a new tax on top of the sale of a newly constructed home would certainly be bad for the housing market,” he said. Each new home creates the equivalent of three full-time jobs for a year, he said.

### Sales Tax Hurts Transportation Efficiency

#### Sales tax is regressive and leads to inefficient use of public transportation

Hannay & Wachs, ’07 – respectively Master’s Degree Candidate Institute of Transportation Studies, UC Berkeley and Director of the Institute of Tranportation Studies, UC Berkeley (Robert and Martin, Transportation, Volume 34, “Factors Influencing Support for Local Transportation Sales Tax Measures,” p. 20)

A number of criticisms of LTSTs are discussed in the literature. These measures

are gradually shifting the transportation ﬁnancial base from reliance on user fees to reliance on general taxes paid by the public at large, and this shift has equity con- sequences. Both fuel taxes and sales taxes are regressive, but funding transportation projects through sales taxes exaggerates regressivity by requiring even non-users to help pay for transport investments (Wachs 2003). The efﬁciency beneﬁts of user fees are also eroded as the proportion of funding from general taxes grows. When users pay roughly in proportion to their use, they are motivated to make more efﬁcient use of the transportation system.

#### Sales tax hurts user fee system that encourages efficiency

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” <http://escholarship.org/uc/item/2gp4m4xq#page-1>, o. 28)

Overall, we found a pronounced shift

toward the increased use of sales taxes, while

user fees showed little increase (and may

have declined in real terms). This shift is sig-

niﬁcant, given the declining availability of

federal and state funding for new capital

projects. Indirectly, this shift is causing ero-

sion in the historical commitment to user fees

as the basis of the American transportation

ﬁnance system.

### **Sales Tax Fails in Recession**

#### Sales tax is the worst sources of revenue – states that rely on this tax have been hit hardest in the recession

**Macdonald**, 12/9/**11**- member of the Coalition of New Hampshire taxpayers(Steve, “CIGARETTE TAX NEW HAMPSHIRE SIN TAXES TAX CUTS TAXES: Making ‘Cents’ To Democrats,”http://granitegrok.com/blog/2011/12/making-cents-to-democratshttp://granitegrok.com/blog/2011/12/making-cents-to-democrats)RC

Only a progressive would rely on more revenue from something they want to get rid of. Increasing the tax on a declining market will only accelerate the unreliability of the revenue stream. That creates the opportunity for bigger budget holes that must then be filled on the fly. (Everyone recall the Democrat tradition of last day of session, post-midnight, budget balancing circus of tent taxes, LLC tax, fee increases, and screw holding hearings–we need revenue now taxes!?) No one in New Hampshire will question that indictment because it describes the entire budget and revenue process nightmare we underwent during the entire brief–but still far too lengthy–Democrat party monopoly on power in New Hampshire. But they will deny their own incompetence and continue to pine for those unreliable taxes. Sales and income taxes, another giant check box on the left wing to-do list, are probably the worst sources of revenue because they are so volatile. Dips in the economy erode employment and commerce first. Rising unemployment creates increased need for state revenue and adds increased burdens on the lefts utopian welfare state, which now finds itself trying to feed the very people that were just feeding it. Such is the complete and total failure of the role of government in progressive economic theory. This is why states that rely on sales and income taxes are in such bad shape these days and have suffered the most during ‘The Great Recession. The people who used to give them tax dollars have not only stopped but immediately jumped to the debit side of the spreadsheet at the same time because that is what the Democrats have trained them to do. So these states find themselves buried in debt, and cutting off people suddenly in need; slashing services and public workers because the state has taxed itself into a corner. Cigarette taxes have become an unreliable source of revenue. It only makes sense from a budget perspective to rely on them less and less moving forward. Raising the tax is simply the wrong direction to be headed.

#### Sales taxes fail – decline sharply during recession

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” <http://escholarship.org/uc/item/2gp4m4xq#page-1>, p. 26)

On the downside, sales taxes can pose major rev-

enue stability risks, since retail sales can

decline more sharply than gasoline con-

sumption during a recession.

## Neg Answers

### AT Normal Means

#### Normal means includes more mechanisms – gas tax, infrastructure banks, audits, user fees

####

Sione, 7/31/12 – CSG Senior Transportation Policy Analyst (Sean, Council of State Governments (CSG), “Financing Alternatives,” http://www.csg.org/pubs/capitolideas/Mar\_Apr\_2012/financingalternatives.aspx )

States across the country are looking at innovative ways to fund transportation projects. Here are 15 states to watch as 2012 proceeds.

 **Arkansas:** Voters will decide in November whether to approve a constitutional amendment that would raise the state’s 6 percent sales tax to 6.5 percent to fund a $1.8 billion program to connect the state with four-lane highways.

 **California**: Some are saying it’s long past time for a gas tax increase there. The state hasn’t raised the tax since 1994 and is looking at a $300 billion deficit between what the state needs to address infrastructure needs and what it expects to bring in.

 **Colorado**: State and regional transportation officials are considering asking voters to approve new taxes in 2012 to improve roads and help complete the FasTracks rail lines in Denver. The state hasn’t raised its gas tax in nearly 20 years.

 **Florida**: The state Department of Transportation is seeking more authority from state lawmakers to expand the use of toll roads. It would like to use the money for new road or bridge projects or for adding tolled express lanes to some major highways.

 **Georgia**: Officials will ask voters to decide on a series of regional referenda to fund transportation projects with a 1 percent sales tax. Two things to watch: Whether the state’s public education campaigns to inform voters about the specific projects they would be funding will convince voters; and whether those opposing the tax increases can gain any traction. Will voters vote to raise taxes if they know exactly which local and regional projects their tax money is funding? Many states will be watching the outcome in Georgia very closely.

 **Iowa**: Gov. Terry Branstad’s Transportation 2020 Citizen Advisory Commission recommended raising from 5 to 6 percent the registration fees for new vehicles—the same as the state sales tax, and establishing a new user fee for hybrid vehicles. Estimates show the recommendations could generate between $184 million and $320 million in new revenue for transportation needs. A competing plan includes a phased-in gas tax increase of 5 cents per gallon beginning Jan. 1, 2013, and another nickel increase on Jan. 1, 2014.

 **Maryland**: Gov. Martin O’Malley and Senate President Thomas V. “Mike” Miller will likely push for a 15-cent gas tax increase proposed by a blue ribbon commission. The state hasn’t raised its gas tax in 20 years and the increase would give Maryland the highest gas tax in the nation. But O’Malley has said a one-time hike likely won’t be enough to solve the state’s long-term funding problems, so he also supports another commission recommendation: indexing the tax rate to inflation. The commission also proposed a 50 percent increase in car registration fees and higher titling taxes. Some Maryland lawmakers question whether additional revenues are needed at all, arguing that state officials in recent years have shifted millions in dedicated transportation funds to other projects.

 **Michigan**: Gov. Rick Snyder put forward a plan to restructure the state gas tax as a percentage of the price of fuel and allow municipalities to raise vehicle licensing fees. Republican Sen. Howard Walker of Traverse City has proposed repealing the state’s 19 cents per gallon gas tax, but adding to the 6 percent sales tax, with proceeds going to the Michigan Transportation Fund. Walker’s argument is that everyone benefits from the roads, not just those who use them. But that may be anathema to anyone who supports a user pays/user benefits model in transportation funding.

 **Missouri:** The state Department of Transportation is said to be exploring the possibility of doubling the state gas tax over 10 years to help pay for a widening of Interstate 70 between St. Louis and Kansas City. But without adjusting the tax to account for inflation and without additional funding sources—such as tolling revenue or another tax increase of some kind--the gas tax increase by itself could fund truck-only lanes on I-70 but little else during that decade. Gov. Jay Nixon has said tolling is not in his short-term plans. Tolling on I-70 would require special federal permission since it is an existing interstate.

 **New Jersey:** Gov. Chris Christie has declined to consider a gas tax increase, but he wants the legislature’s permission to borrow several billion dollars to fund road and bridge projects.

 **New York:** Gov. Andrew Cuomo wants to overhaul the state’s tax system and use public-private partnerships  to fix infrastructure. He also wants to create an infrastructure fund to finance the repair and development of highways, bridges and major construction projects. Two Republican senators—Charles Fuschillo and Marty Golden—also are calling for a law to allow the state to utilize public-private partnerships to help finance road and bridge improvements. They’ve sponsored Senate Bill 5445, which gives the state the authority that 31 other states and Puerto Rico already have.

 **Oklahoma:** Gov. Mary Fallin has a plan to fix all 706 structurally deficient bridges in the state highway system by 2019. She’s asking the legislature to increase the amount of state revenue set aside for road and bridge repairs by $15 million a year and raise the road and bridge maintenance cap for the eight-year period to $550 million. She expects that with expected growth in state revenue from anticipated increases in economic activity; no tax, toll or fee increases will be necessary.

 **Pennsylvania**: Three House Democrats have called for passage of legislation to fund mass transit systems and highway and bridge repairs. They have called for raising driver fees, uncapping the wholesale tax on gasoline and increasing fines in an effort to raise $2.7 billion for transportation.

 **Virginia**: Gov. Bob McDonnell and Transportation Secretary Sean Connaughton have pursued a number of different strategies in the past couple of years—from creating an office of public-private partnerships to revamping the state infrastructure bank to using audits to turn up unused transportation funds. Despite everything, Connaughton said Virginia will be out of state money to build new roads by 2017. One of the major initiatives lawmakers in Richmond will consider this year is whether to incrementally increase the portion of the state sales tax dedicated to transportation to .75 percent from .5 percent over the next eight years. That’s expected to generate $110 million in new transportation funding for maintenance. McDonnell also wants to increase to 75 percent the share of year-end surpluses diverted to transportation, dedicate portions of tax revenue growth attributable to transportation infrastructure projects back to transportation (a version of tax increment financing or TIF), and dedicate to transportation the first 1 percent in revenue growth over 5 percent each year. The TIF proposal would be somewhat unique and innovative since it is something normally done at the local level to pay debt service on infrastructure.

 **Washington**: A task force appointed by Gov. Chris Gregoire recommended that the state raise $20 billion during the next 10 years to fund the transportation system. Revenue options likely to be considered include adding 15 to 20 cents per gallon to the state’s 37.5-cent fuel tax rate, which could raise between $3.3 billion and $4.7 billion. Also being considered: a 10 percent increase in the gross vehicle weight fee for trucks, $100 fees for electric vehicles, a statewide motor vehicle excise tax and a vehicle miles traveled tax. Washington likely will do more tolling too, although maybe not right away. Voters in November nixed a ballot initiative that would have severely limited the use of tolls. Any package of revenue options will likely go to the voters; lawmakers need a two-thirds majority to pass taxes but only a simple majority to send a tax package to voters. A survey sought by the governor’s task force found 59 percent would support increasing transportation taxes and fees to fund infrastructure.

### Sales Tax Generates Revenue

#### **Sales tax solves – currently increasing tax receipts**

Reuters 12

(NYC and NY counties see slower Q2 growth in sales tax revenue, July 16, 2012. http://in.reuters.com/article/2012/07/16/newyork-taxes-idINL2E8IDL0O20120716)//DHirsch

Westchester County, another wealthy hub that also sends commuters south to Manhattan, has seen next to no growth in **its** sales tax revenue. Collections rose 0.19 percent in the second quarter of 2012 versus a year ago. The equivalent 2011 gain was 0.37 percent. But the 2010 increase in the second quarter over the 2009 second quarter was a more robust 11.60 percent.

"The sales tax revenue figures reflect the sluggish, inconsistent nature of the overall economy," Senior Advisor Ned McCormack said by email. "Despite the recent dip, the county still hopes to hit its budget target of 3 percent growth in sales tax collections for 2012."

Nassau County, which lies just east of New York City, chalked up a 4.36 percent gain in second quarter sales tax collections versus a year-ago.

"These strong sales tax receipts indicate a growing economy," said Brian Nevin, a spokesman for Republican County Executive Edward Mangano.

The latest result was an improvement over the 1.89 percent decline in the second quarter of 2011 versus a year earlier. But once again, the 2010 second quarter result, when compared with the second quarter of 2009, was strikingly stronger: up 10.47 percent.

Suffolk County, located on the eastern half of Long Island, collected 3.54 percent more in sales taxes in the 2012 second quarter than a year earlier. Still, that was off the 4.95 percent rise seen in the 2011 second quarter versus the year-ago, though it was about even with the 4.92 percent gain seen in the 2010 second quarter over the 2009 second quarter.

### Sales Tax Popular/Fair

#### Sales tax is popular and perceived as fair – despite being regressive

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” <http://escholarship.org/uc/item/2gp4m4xq#page-1>, p. 24)

The sales tax is strongly regressive, par-

ticularly in states that tax groceries and

other nondiscretionary purchases, such as

Georgia, Missouri, and other Southeastern

states (Ettlinger et al. 1996). Despite this

problem, the public’s perception of the sales

tax tends to be quite the opposite. A key

strength of the sales tax is its horizontal

equity: individuals of comparable means pay

roughly the same amount of tax. This con-

tributes to a sense of “fairness,” particularly

where sales taxes are used to ﬁnance trans-

portation plans that include a mix of modes.

Transit riders, bicyclists, and pedestrians are

perceived to get a “free ride” when gas taxes

are used to fund projects that beneﬁt them,

because they have not paid these taxes.

Under a sales tax, all users of the transporta-

tion system contribute.

#### Sales taxes are fair – better reflection of the ability to pay

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” <http://escholarship.org/uc/item/2gp4m4xq#page-1>, p. 25)

Another “fairness” argument raised by

some conservative groups is that sales taxes

are inherently equitable because expendi-

tures are a better reﬂection of ability to pay

than income or wealth. This viewpoint

appears to be held by a large segment of the

population: in annual surveys conducted

between 1972 and 1991, respondents consis-

tently considered income and property taxes

more unfair than the sales tax (Advisory

Commission on Intergovernmental Relations

1991).

## Education Tradeoff DA

### 2AC Shell

#### Social services budget cuts are normal means – Constitutional requirements and bond rating agencies mandate

**Friedman, 09**- Ph.D., Economics from Harvard University (Gerald, “The Economic Crisis in the States,” the November/December 2009 issue of Dollars & Sense magazine, Dollars & Sense, a non-profit publisher that produces economic news and analysis, http://www.dollarsandsense.org/about4.html)RC

In recent recessions, state and local governments have been among the few sources of economic stability and employment growth. This is why the recent fall in government employment, including a loss of 37,000 local government jobs in September 2009, has alarmed, even shocked, observers. But without serious action, a sharp drop in government employment, with a loss of a million jobs or more, is what we can expect over the next year. This has implications for the economy as a whole and also for the well-being of large parts of the American public who depend on state and local government services. Two intrinsic features of the American system of government come together to threaten a social disaster: the limited capacity of state and local governments to spend beyond their immediate revenues even in the harshest economic crises, and our peculiar federal system in which education and social services are largely funded by local and state authorities rather than by the federal government, with its deep pockets and ability to spend beyond its revenues as needed to maintain existing services. When tax revenues fall and demands for services rise during an economic downturn, the federal government sells bonds to cover its expenses, bonds often paid for with money printed by the Federal Reserve. States cannot do this. In 49 states, state constitutions requires a balanced budget, a requirement further enforced by bond-rating agencies and financial institutions, which threaten to lower the rating and raise the interest rate on bonds issued by states facing declining revenues and rising spending. Together, constitutional requirements and the pressure of bond-raters require that state governments respond to economic recessions and declines in revenue with budget cuts. This makes state and local spending pro-cyclical, moving up or down with the economy, reinforcing downturns rather than acting counter-cyclically to ameliorate economic recessions. Not only is pro-cyclical spending by states and localities bad macroeconomic policy, but a peculiar feature of American federalism ensures that reducing spending during economic downturns is especially hard on investments in infrastructure, human capital, and the welfare of needy Americans. This is because problematic funding of states and local governments parallels a division of labor in the American system. With its deep pockets and elastic spending, the federal government is responsible for the military and for a few special programs, notably retirement pensions and health care for the elderly. States and localities, with rigid restrictions on spending, are responsible for education, local infrastructure, and social services. Federal spending, for example, accounts for only 8% of education spending in the United States, compared with nearly 83% from states and localities. When economic circumstances drive down tax revenues and increase the need for services, there is always money for the federally-funded military; but states and localities have to scramble to coordinate spending cuts and tax increases to balance budgets. They reduce social services, hitting the poor and middle-class, the young, the needy, and the disabled, just when the need for services is greatest.

#### Education funding is key to GDP and long-term growth – research proves

Epstein, ’11 – Senior Editor, Education Analyst for Center for American Progress (Diana, 8/8, Center for American Progress, “Investing in Education Powers U.S. Competitiveness: Education Funding Must Be Preserved,”)http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CFEQFjAA&url=http%3A%2F%2Fwww.americanprogress.org%2Fissues%2F2011%2F09%2Fpdf%2Feducation\_competitiveness.pdf&ei=OPvxT7rPHIqw6wH2x8n8BQ&usg=AFQjCNEvjztqUMldbJm3sIwo\_psnAJ7alA&sig2=aEC9qDt7Si4ctbaZZCUkrA)

Research shows that investment in education is essential for our country’s short- and long-term economic growth. **A recent report by McKinsey & Company estimates that** bringing lower-performing states up to the national average between 1983 and 1998 would have added $425 billion to $710 billion to our 2008 GDP.14 Closing the racial/ ￼￼￼ethnic and income achievement gaps between 1983 and 1998 would have also added to our GDP. The estimates are that closing the racial/ethnic gap would have added $310 bil- lion to $525 billion by 2008 and closing the income achievement gap would have added between $400 billion and $670 billion to our 2008 GDP.15 Continuing to tolerate these achievement gaps is tantamount to accepting a chronic, self-induced economic recession. Closing the international achievement gap between 1983 and 1998 would have added $1.3 trillion to $2.3 trillion to our 2008 GDP. Another study found that increasing students’ scores on the PISA test by 25 points—one-fourth of a standard deviation— between 2010 and 2030 would result in economic gains for OECD countries. U.S. stu- dents currently rank below the students from many OECD countries on this test, but if the United States and other countries improved by this amount, the payoff to the United States would be more than $40 trillion by 2090.16

### Education Cuts Are Normal Means

#### Social service budget cuts are normal means – federalism creates the need for draconian cuts in recession

**Friedman, 09**- Ph.D., Economics from Harvard University (Gerald, “The Economic Crisis in the States,” the November/December 2009 issue of Dollars & Sense magazine, Dollars & Sense, a non-profit publisher that produces economic news and analysis, http://www.dollarsandsense.org/about4.html)RC

The crisis facing the states has just begun and threatens to get worse, much worse. Special circumstances delayed the collapse of state and local government services in the current crisis. While state tax revenues are running more than 10% below last year’s level, and hav e already fallen to the 2005 level, most states have been able to balance their budgets without draconian cuts because of two special circumstances. First, heading into the recession, 41 states had “rainy day” funds with an average balance of nearly 3% of revenue. These funds, mostly exhausted now, helped to cushion the initial decline in revenue. Second, the federal government came to the rescue with the American Recovery and Reinvestment Act (ARRA). Under the ARRA, the “Obama Stimulus” program, the federal government in effect shared its elastic borrowing capacity with states by granting them nearly $100 billion in immediate fiscal relief with another $230 billion in supplemental and competitive grants. Rainy day funds and ARRA allowed most states to balance their budgets in the past two fiscal years with cuts of “only” $168 billion. Unfortunately, both the rainy day funds and the ARRA will be exhausted long before the recovery of state and local revenues. Under an optimistic forecast, the combination of declining revenues, rising demand for services, and the withdrawal of ARRA aid will force states to cut as much as 4% of their spending each fiscal year through 2013; if the economic recovery slows the cuts will have to be as much as 8% of spending. Even this forecast may be too optimistic. A recent report by the Center on Budget and Policy Priorities finds that revenue shortfalls in the current fiscal year are forcing 26 states to reopen their budgets and cut an additional $16 billion, or 4%. In the current fiscal year, 48 states have already reduced spending or increased revenues by $178 billion, or 26%, the largest budget gap on record. In the next fiscal year, 2011, budget gaps are projected to be $80 billion for 35 states, or 14%, and this total is likely to grow to over $180 billion as revenues continue to deteriorate. Deficits of this magnitude will require further state and local spending cuts and revenue enhancements made even more punishing than previous rounds because of the exhaustion of rainy-day funds and ARRA aid. Ironically, by reducing employment and spending, cuts of these magnitudes will slow any recovery, making the less-optimistic forecast more likely. The division of labor in American federalism creates the fiscal pressure causing these draconian budget cuts and places them squarely on the infrastructure investments and education and social services financed at the state and local levels.

#### Social service budget cuts are normal means – must match needs and revenues

**Friedman, 09- Ph.D**., Economics from Harvard University (Gerald, “The Economic Crisis in the States,” the November/December 2009 issue of Dollars & Sense magazine, Dollars & Sense, a non-profit publisher that produces economic news and analysis, http://www.dollarsandsense.org/about4.html)RC

The mismatch of needs and revenues on the state and local level threatens social services and endangers needed investments in health, in transportation, in green technology, and elsewhere. If we allow this to happen, cuts in state and local spending will chase the economy down the hill to economic recession or worse. All of us, including the needy, the poor, the young, the disabled, and the sick will pay the price. Building on the ARRA program, we can insist on a renewed program of federal support for states and localities. This would avoid the worst effects of the current crisis but it would be better to eliminate the problem, the standing threat of local fiscal failure to essential programs of social insurance and investment, with a renewed revenue sharing program which would place a floor under state revenues. Even better would be to fund these programs with federal dollars, spreading the umbrella of the federal government’s elastic revenue stream over them so as to give all Americans equal access to schooling and social services, regardless of what states they live in. In this way, we would give education, health care, the environment, and other services the same fiscal priority we now give the military. For two centuries, racists used a “states’ rights” to block national programs. By dismantling segregation, the Civil Rights movement eliminated this obstacle. We now have the opportunity to bring Lincoln’s “new birth of freedom” to all Americans by moving our federal system away from the shadow of states’ rights and, as the late Hubert Humphrey said, to “walk forthrightly into the bright sunshine of human rights.” It is only our political failure that leaves infrastructure, social services, and education on the chopping block to be decimated by state and local budget balancers who are bound to match expanding spending needs with shrinking revenues.

### Education Funding Uniquely Vulnerable

#### Education is uniquely vulnerable to cuts – accounts for the majority of states’ general revenue spending

**Jensen and Dills**, 5/14/**12,-** Jensen is a county reporter and Dills is the health and education reporter at the Napa Valley Register (Peter Jensen and Isabelle Dills, “Worsening state budget threatens Napa schools, services,” Napa Valley Register, Daily newspaper web site serving Napa Valley, May 14, 2012 8:31 pm , http://napavalleyregister.com/news/local/worsening-state-budget-threatens-napa-schools-services/article\_83f62014-9e3e-11e1-9f5c-0019bb2963f4.html)RC

Napa Valley Unified School District officials were still calculating the impact of the revised budget on Monday. When Brown released his initial budget proposal in January, officials said Napa Valley Unified could face a mid-year cut of up to $450 per student and a gaping budget shortfall of $8.6 million. The impacts of those cuts would be widespread, affecting everything from transportation to counseling services. Napa’s state Assemblyman Michael Allen, D-Santa Rosa, said he favored the governor’s tax initiative. “Closing the remaining deficit will require more difficult cuts, especially if we cannot offset those cuts with additional revenue,” Allen said in a news release. “For these reasons, I support the governor’s proposal to bring in more revenue and restore the $9.6 billion in cuts to education made since 2007, increasing local school funding by over $2,500 per student.” Meanwhile, California’s community college system faces a $300 million trigger cut in January 2013 if voters reject the tax. “Community colleges have been cut by $809 million, or 12 percent, in the past three years,” said Jack Scott, the state’s community colleges chancellor. “We’ve been forced to shut the door on hundreds of thousands of potential students who are hungry for a college education.” John Nahlen, Napa Valley College’s vice president of business and finance, could not be reached for comment Monday. In January, Nahlen said that if the tax initiative passes, the community college will be left with flat funding for 2012-13, but if the tax measure fails the college is facing a $1.4 million budget reduction. Education accounts for 53 percent of the state’s General Fund spending, so schools and universities would be most affected without additional revenues, according to Brown. The potential mid-year trigger cut of $6 billion is equivalent to losing three weeks of instruction time.

### University Funding Uniquely Vulnerable

#### Public university funding is uniquely vulnerable to cuts – legislators assume no harm will be done

**Capaldi,11**- executive vice president and provost at Arizona State University(Elizabeth, “Policy makers—and the public—need to understand the potentially devastating effects of cuts to higher education,” 2011, November-December issue, American Association of University Professors, http://www.aaup.org/AAUP/pubsres/academe/2011/ND/Feat/capa.htm)RC

Public universities are not for-profit businesses with an easy-to-understand bottom line: their financial reports are not designed to convey information to the public fully or to reflect all the costs of teaching and research. Financial reports do track every dollar in accordance with the accounting rules required by auditors, but they do not adequately inform the public about revenues and expenses or productivity and efficiency. They obscure different revenue sources, the actual costs of different functions such as teaching and research, and the subsidization of expensive programs by less expensive ones. In a time of budget cutting, this complexity becomes a problem as confusion about the productivity, efficiency, and cost of higher education leads to decisions that can seriously cripple public universities. Universities have many sources of funds, but most are restricted, meaning that they may be spent on only one purpose. Gifts for a named professorship, scholarship, center, or building, for example, must be spent in accordance with the terms of the gift. Legislators and others assume that since universities have sources of income other than state appropriations, state funding can be cut without harming universities; what they often fail to realize is that the state and the students themselves are the primary funders of the educational functions of public universities. When state funding is cut, the core enterprise, education, is cut. The recent state budget cuts have thus had a disproportionate effect on the education of students.

### Brink/Now is Key Time

#### New education cuts will have a greater impact – easy cuts have already been made

**Luhby** 3/27/**12**- is a senior writer at CNNMoney.com, (Tami, “Economic recovery skips the classroom,” CNNMoney.com, the world's largest business website, http://money.cnn.com/2012/03/27/news/economy/education-budget-cuts/index.htm)RC

Don't tell school districts that the economy is picking up. Many are still too busy figuring out how they are going to teach their students with diminished resources. More than eight in 10 districts say they are inadequately funded, and more than half anticipate a decrease in state and local revenues for the coming school year, according to a recent survey from the American Association of School Administrators. Even in districts where state aid is stabilizing, local funding is shrinking or costs are rising faster than revenues. Many are only now feeling the effects of the housing bust as towns lower property assessments, which affects the property tax revenues that many schools depend on. A model for addressing college costs Yet another year of cuts is prompting a greater share of districts to slash teachers, classes and more. Two-thirds of districts expect to eliminate positions in 2012-13, while one-quarter are looking at furloughs. Some 57% anticipate having to increase class size. More than 48% say they may have to eliminate or delay instruction improvements, such as updating textbooks, computers and science labs. Nearly three in 10 are considering canceling summer school. "The cuts are so drastic because those who have already made cuts have already made the easy ones," said Noelle Ellerson, the association's assistant director.

### University Education Key to Growth

#### Public university cuts are the biggest threat to our economic future – key to research and producing 65% of BA degrees

**Capaldi,11-** executive vice president and provost at Arizona State University(Elizabeth, “Policy makers—and the public—need to understand the potentially devastating effects of cuts to higher education,” 2011, November-December issue, American Association of University Professors, http://www.aaup.org/AAUP/pubsres/academe/2011/ND/Feat/capa.htm)RC

Some disciplines bring in more money to the university than their base costs. Cutting a discipline that is generating revenue is not sensible in a time of declining resources. Humanities and social sciences are net revenue generators in universities, in part because of lower salaries in these disciplines. These disciplines also generate a larger number of credit hours as a result of general education requirements filled by courses in the humanities and social sciences. Nursing, engineering, and the sciences are usually net revenue losers: even when students pay a differential fee, the fee amount is insufficient to make up for the expense of the faculty, the labs, and the small class sizes. Research and doctoral education are also money losers. The federal government reimburses only part of the true indirect costs, so universities subsidize every grant for that portion of the indirect cost using tuition funds from revenue-generating programs in fields such as the humanities and social sciences. Research is a core mission for universities, and undergraduates arguably benefit greatly from being taught by faculty members who carry out research. These faculty members are at the cutting edge—students can learn the process of discovery and be a part of the actual development of knowledge, not just consumers of pat answers. States are increasingly looking to university research for economic development, but they are generally unwilling to pay much for that research. When the base budget of universities is cut, so is the revenue that supports research. Public universities produce about 65 percent of the baccalaureate degrees in the United States and do so at a much lower cost to the student than the prestigious private universities. The recent budget cuts have had a drastic impact on the ability of public universities to continue to deliver a high-quality undergraduate education. The biggest threat to our country’s economic future is that state legislators and the public will fail to understand the great value they now are getting from their public universities

#### Higher Education is key to growth – both job creation and retention

NGA, ’11 (National Governor’s Association, 7/15, “Higher Education Key to Economic Competitiveness,” http://www.nga.org/cms/home/news-room/news-releases/page\_2011/col2-content/main-content-list/higher-education-key-to-economic.html,)

Governors engaged in a conversation about effective state strategies to improve the productivity and quality of the nation’s higher education system today during the National Governors Association Annual Meeting. The discussion, titled “Leveraging Higher Education to Increase U.S. Competitiveness,” was held during the Education, Early Childhood and Workforce Committee session and featured Jamie P. Merisotis, president and CEO, Lumina Foundation for Education. “Increasing degree completion at America’s public colleges and universities is pivotal for the nation’s economic competitiveness and long-term economic growth,” said Missouri Gov. Jay Nixon, chair of the committee. “Engaging in these types of discussions allows governors to share best practices with other.” “Higher education must be more innovative, must be more forward thinking and must be more accountable for results,” said Virginia Gov. Robert McDonnell, vice chair of the committee. “Make no mistake; higher education is a jobs issue. It is about job creation and job retention.”

## Funding Mechanism Answers

### Sin Taxes Fail

#### Sin taxes are unreliable – increasing the tax will only accelerate this unreliability and creates bigger budget holes

**Macdonald**, 12/9/**11**- member of the Coalition of New Hampshire taxpayers(Steve, “CIGARETTE TAX NEW HAMPSHIRE SIN TAXES TAX CUTS TAXES: Making ‘Cents’ To Democrats,”http://granitegrok.com/blog/2011/12/making-cents-to-democratshttp://granitegrok.com/blog/2011/12/making-cents-to-democrats)RC

Only a progressive would rely on more revenue from something they want to get rid of. Increasing the tax on a declining market will only accelerate the unreliability of the revenue stream. That creates the opportunity for bigger budget holes that must then be filled on the fly. (Everyone recall the Democrat tradition of last day of session, post-midnight, budget balancing circus of tent taxes, LLC tax, fee increases, and screw holding hearings–we need revenue now taxes!?) No one in New Hampshire will question that indictment because it describes the entire budget and revenue process nightmare we underwent during the entire brief–but still far too lengthy–Democrat party monopoly on power in New Hampshire. But they will deny their own incompetence and continue to pine for those unreliable taxes. Sales and income taxes, another giant check box on the left wing to-do list, are probably the worst sources of revenue because they are so volatile. Dips in the economy erode employment and commerce first. Rising unemployment creates increased need for state revenue and adds increased burdens on the lefts utopian welfare state, which now finds itself trying to feed the very people that were just feeding it. Such is the complete and total failure of the role of government in progressive economic theory. This is why states that rely on sales and income taxes are in such bad shape these days and have suffered the most during ‘The Great Recession. The people who used to give them tax dollars have not only stopped but immediately jumped to the debit side of the spreadsheet at the same time because that is what the Democrats have trained them to do. So these states find themselves buried in debt, and cutting off people suddenly in need; slashing services and public workers because the state has taxed itself into a corner. Cigarette taxes have become an unreliable source of revenue. It only makes sense from a budget perspective to rely on them less and less moving forward. Raising the tax is simply the wrong direction to be headed.

**Evidence against sin taxes is incontrovertible – sin taxes expand internal costs of the sin**

**Sirico**, 5/20/**12**- president and co-founder of the Acton Institute (Rev. Robert,“ Hate the Sin, Tax the Sinner?,” American Enterprise Institute,http://www.american.com/archive/2009/may-2009/hate-the-sin-tax-the-sinner)RC

The evidence that sin taxes are a failed policy approach is incontrovertible. Never mind if you have freely chosen to smoke a cigarette or drink a cold Coke on a hot summer’s day and, mirabile dictu, you take responsibility for your actions. The New Puritans who are ready to dramatically expand the welfare state and limit personal freedoms claim to know what’s best for you. The sin tax seems like a convenient ploy when the state is searching for new sources of revenue in fiscally tight times. A sin tax also appeals to some voters who view it as a way of discouraging consumption of certain objectionable products. Yet the temptation to impose sin taxes is one that should be resisted for economic and moral reasons. The consequences of the sin tax are often the very opposite of those intended by its designers. Rather than increasing revenue, the sin tax can reduce it. Rather than discouraging what are regarded as morally questionable behaviors, the sin tax can make them more appealing. Rather than reducing what are perceived to be internal costs of the sin, the sin tax can increase them and expand them to society as a whole. The evidence that sin taxes are a failed policy approach is incontrovertible. According to a new report from the Mercatus Center, “taxes on sugar-sweetened soft drinks do not necessarily advance the overall public interest, may be regressive in nature, and hardly ever work as intended.” The bottom line, say researchers Richard Williams and Katelyn Christ, is that a convincing body of evidence tells us that boosting food and drink prices “is not sufficient to make ‘fat taxes’ a viable tool to lower obesity.” That’s because soft drinks are really a small portion of most people’s diets. The Mercatus report also points to something that all taxpayers should be aware of: secretive revenue shifting by those levying the tax. Williams and Christ point to an Arkansas soft drink tax passed in 1992 that was supposed to pour money into the state’s Medicaid program. However, when there was an attempt to repeal the tax, taxpayers discovered that policy makers were diverting the revenue to the general fund. It happens time and again. Rather than increasing revenue, the sin tax can reduce it.

#### Sin taxes are not a solution to state budges – California Internet poker tax proves

**The Press Democrat, 10** (“Bad bet: The risk of looking to gambling, drugs to fix state or local budgets”, The Press Democrat, 16 February 2010, http://search.proquest.com.proxy.lib.umich.edu/docview/280993440?accountid=14667)//MC

There's no shortage of dubious ideas to raise money for cash-strapped state and local programs. How about raising traffic fines and installing radar-equipped cameras to nab speeding drivers? Gov. Arnold Schwarzenegger says that could raise about $337 million a year. Perhaps as an incentive for speeding drivers to slow down, Schwarzenegger also suggested converting the electronic message boards now used for Amber alerts and highway information into billboards for commercial advertising. By administration estimates, a 20-year deal might be worth $2 billion. No estimate yet on the carnage caused by distracted drivers. But the governor isn't alone in his desperate search for new sources of revenue. The lure of quick and easy cash prompted Santa Rosa Councilman Gary Wysocky's suggestion to tax medical marijuana sales, which almost certainly would create pressure to ease the cap on how many dispensaries can operate within the city. Meanwhile, a state Senate committee opened hearings last week on a proposal to make California the first state to legalize Internet poker. The Commerce Casino, a Southern California card club, and the Morongo Band of Mission Indians, which runs one of the largest tribal casinos in the country, are pushing the idea. The state, of course, would get a share of the take. How big is the pot? According to the sponsors, there's a $1 billion market for online poker in California, and the state could pocket $250 million a year, based on its 25 percent share of slot machine winnings at tribal casinos. Other tribes counter that it would cost the state big, arguing that online poker would violate their exclusive right to electronic gambling, jeopardizing the $365 million they now pay into the state's coffers. Is someone bluffing? It doesn't matter. Creating new opportunities to assess sin taxes is no solution to the state's budget problems. For all the misperceptions it has created, the lottery has never amounted to more than 3 percent of state spending on schools. As for $250 million in revenue from taxing Internet poker, that's about 1.3 percent of the state's deficit, 12 days spending by the Department of Corrections or 2 1/2 days spending for California's public schools. The need for new revenue is real. Schools and other public programs were shortchanged even while the economy was growing. Solutions start with leveling with the taxpayers, not facilitating gambling and drug use to raise money. Creating new opportunities to assess sin taxes is no solution to the state's budget problems.

#### Sin taxes don’t solve black market and the costs outweigh any money saved on law enforcement

**Muehlenberg, 02-** American-born apologist and ethicist in Australia (Bill, “Drugs: Surrender is Not a Winning Strategy”, Institute of Public Affairs, 2002, http://search.proquest.com.proxy.lib.umich.edu/docview/204113398)//MC

First, the costs to society for drug use are far greater than any moneys saved on reduced law enforcement efforts. Consider the costs of drug legalization to society: lost productivity, increased medical services for addicts and their families, more highway accidents, etc. A recent study found that the annual cost of drugs to the Australian community is $14.3 billion. Increase the number of drug users, as legalization will do, and you increase this figure as well. Second, any `sin taxes' raised by these legalized drugs will still not offset the costs to society mentioned above. Indeed, the taxation of legalized drugs will still drive people to crime. In order for governments to raise enough revenue from drug taxes to pay for all the costs of increased drug use, the taxes will have to be high. But **the higher the tax, the more the demand for black market drugs, or the more crime resorted to pay for these higher priced drugs.** Third, the profit motive abounds in already legal operations. The alcohol and tobacco industries are currently driven by hopes of large profits. If drugs were legalized, whole new industries would develop to cash in on the trade. Greed for gain does not disappear when an activity is legalized. Fourth, black markets exist today for all kinds of legal products. Just because something is legal does not mean the black market will disappear. People will still want to beat taxes, escape government notice, or sell to minors, thus **the demand for black markets will continue, even on legalized products**. Fifth, drug use contributes to crime. It is the illegal activities people engage in while on mindaltering drugs that is the real problem. It's not just that people do bad things to get drugs; drugs make them do bad things. Consider some statistics:

### User Fees Fail

#### User fees fail – vulnerable to court rulings and don’t keep pace with the cost of service

**Hager, 11** – Senior Policy Analyst at the Morrison institute for Public Policy, at Arizona State University (CJ Eisenbarth, “User Fees: the Hidden, ‘other’ tax” January 2011, <http://morrisoninstitute.asu.edu/publications-reports/2011-user-fees-the-hidden-other-tax/>) // czhang

Lessons learned

A number of research organizations have evaluated federal, state and local fees. While the administrating agencies and fee structures vary, the

best practices and lessons learned are consistent:

● User fees should not be inflated in order to generate extra revenue for the general fund. The National Conference of State Legislatures suggests that using fees to pad the general fund could leave governments “vulnerable to court rulings that such charges are taxes. Taxes are subject to much stricter court scrutiny…. Also, a court ruling that a fee is really a tax may subject it to voter approval or

supermajority requirements imposed on tax increases.”

● Monitoring and adjusting the fee are important, especially in a full cost recovery pricing model. Some practitioners suggest

building in funding to continuously monitor the precision of the fee. Most objective analyses agree that user fees typically fail to

keep pace with the true cost of the service. What does Arizona law say about government fees?

#### Governments don’t have the time to change user fees – structures are codified by statutes and changes take years

**Hager, 11** – Senior Policy Analyst at the Morrison institute for Public Policy, at Arizona State University (CJ Eisenbarth, “User Fees: the Hidden, ‘other’ tax” January 2011, <http://morrisoninstitute.asu.edu/publications-reports/2011-user-fees-the-hidden-other-tax/>) // czhang

Limitations

User fees limit access

Public goods and services are especially important to those with limited resources. By definition, user fees regulate the supply of public goods and services. This control most directly affects those with limited incomes' or resources, such as the poor, elderly, and small businesses. User fees can take on the characteristics of a regressive tax where lower income families pay a higher percent of their income for taxes and fees than a higher income family.' The same can be applied to a small business.

Governments are often 'slow to make price adjustments

While user fees can push government to act more like private companies, government agencies do not have the flexibility to change swiftly with the marketplace. Fee' structures may be limited 'by 'statute. Changing the law can take years. Often, agencies must follow a rule - making process in order to modify a user fee. Although usually not as cumbersome as passing new legislation, the rule - making process can

take several months or more. Unlike the private sector, government cannot quickly (or frequently) change its prices to accurately reflect the cost or use.

Public goods don’t always fit a user fee model

Some government servicesdo not conform to a user fee framework. Objectives **of** social service programs, national defense, public safety, and primary and secondary education do not fit well with user fees**.** In other cases, such as access to parks or public transportation, fees are typically subsidized with broad access in mind. Access to parks and public transportation has benefits for non-users also, including the protection of natural environments and reduced traffic congestion.

### Gas Tax Fails

#### Gas tax fails – revenues decline because they are not indexed

Goldman & Wachs, ’03 – respectively Ph.D student in the Institute of Transportation Studies, UC Berkeley and Director of the Institute of Transportation Studies, UC Berkeley (Todd & Martin, “A Quiet Revolution in Transportation Finance: the Rise of the Local Option Transportation Taxes,” <http://escholarship.org/uc/item/2gp4m4xq#page-1>, p. 22)

Yet the gasoline tax has other features

that limit its usefulness as a local transporta-

tion revenue source. The local fuel tax suffers

from the same problems associated with

state or national fuel taxes: its revenues

decline over time (or show weak growth)

because they are not indexed for changes in

consumer prices or automobile fuel economy

(Ang-Olson, Wachs, and Taylor 2000). A

more serious problem is its very limited rev-

enue base. Because it taxes only one product,

its rate must be set very high to generate the

amount of revenue needed for major infra-

structure investments. Gasoline taxes of 10

cents per gallon or higher are routinely

charged by the federal government and many

states, but over a small area (e.g., a county)

such a high tax rate causes residents to pur-

chase their fuel elsewhere. This poses a difﬁ-

cult political challenge, and may explain why

local gasoline taxes of this magnitude are

rare.

#### Gas tax kills the economy

**Loris ‘9** (Nicolas Loris. "Cap and Trade: A $3.6 Trillion Gas Tax." The Foundry: Conservative Policy News Blog from The Heritage Foundation. The Heritage Foundation, october 21, 2009. Web. 01 July 2012. <http://blog.heritage.org/2009/10/21/cap-and-trade-a-36-trillion-gas-tax/>.)

Here in Washington, people are discussing two things: Jim Zorn’s job security as the Washington Redskins’ head coach and health care, in that order. But there’s a $3.6 trillion gas tax on the table that already passed the House and is making its way through the Senate, and cap and trade has Americans all over the country concerned. The $3.6 trillion gas tax figure, which includes gasoline and diesel gas, comes from a new report from Senators Kay Bailey Hutchison (R-TX) and Kit Bond (R-MO) on the effects of climate change legislation. And the energy tax has rippling economic effects, as Senators Hutchison and Bond explain in their Washington Times op-ed: Americans will be double-hit by the gas tax when it raises the costs of goods and services such as groceries and utilities they must continue to purchase. Energy costs are among businesses’ top operational expenses already. While companies face a variety of energy expenses, ranging from heating and cooling their work space to powering equipment and lighting, operating their vehicles is the most costly. Every company, from the small-town local florist to a package delivery service with nationwide operations, will be hard hit. In order for these businesses to withstand the heavier tax burden and to remain profitable, they will be forced to pass these energy cost increases along to consumers through higher prices.” Some industries are more energy-intensive than others, and farmers and ranchers are hit particularly hard. Heritage Senior Policy Analyst Ben Lieberman writes, “In addition to higher diesel fuel and electricity costs, prices for natural gas-derived fertilizers and other chemicals will also rise. Everything else affecting agriculture, from the cost of constructing farm buildings to the price of tractors and other farm equipment, will also go up.” According to the Hutchison-Bond report, U.S. farmers and ranchers will incur higher fuel costs of $550 million in 2020. That figure will jump to $1.65 billion by 2050. According to The Heritage Foundation’s cap and trade analysis, farm profits are expected to decline by 28 percent in 2012 and will be an average 57 percent lower from 2012-2035. Congress is attempting to buy the farm vote by touting them as the beneficiaries of a carbon offset program because farmers can use cleaner technology, reduce nitrous oxide emissions, or simply not grow crops. However, the revenue gained from offset revenue will pale in comparison to lost income from cap and trade. Economic gains and environmental improvements aren’t mutually exclusive goals; in fact, they often go hand-in-hand. Hutchison and Bond say, “We can improve the environment and economy through American ingenuity and technological advancement, not with taxes and mandates that increase costs and burden American families and businesses.” Instead, cap and trade significantly reduces the amount of resources the private sector can invest in newer, cleaner technology. The full report is available here.

### Marijuana Legalization Fails

#### Legalizing intoxicants fails to generate tax revenue – alcohol proves the government spends $9 in treatment for every $1 in tax revenue

**Stutman, 09-** former Special Agent of 25 years with the U. S. Drug Enforcement Administration, leads The Stutman Group (Bob, **“**CON: A FALSE ECONOMY”, BusinessWeek, 2009, http://www.businessweek.com/debateroom/archives/2010/03/legalize\_mariju.html)//MC

Gee, how about collecting taxes from legalized marijuana as a way of helping to deal with the deficit? Sounds great. Doesn’t work. Now our friends in California, who have a history of approving propositions costing billions of dollars with no offsetting revenue, have decided they can pay for their folly by getting tax from marijuana. Californians are great people, but I’m not sure we should use their business models as a way to fix the deficit problem in the U.S. There are about 170 million users of alcohol in the U.S. and 16 million users of marijuana. This 10-to-1 ratio exists because alcohol is legal and marijuana is not. If we legalize marijuana, everyone agrees (even anti-prohibitionists) that we will have far more users. Ooooh, just think of all that revenue. Except we already have a working model for a legal intoxicant we collect taxes for. Let’s see how well that works: Studies show that the U.S. collects about $8 billion yearly in taxes from alcohol. The problem is, the total cost to the U.S. in 2008 due to alcohol-related problems was $185 billion, and the government pays about 38% of that cost (approximately $72 billion), all due to consequences of alcohol consumption, according to the National Institute on Alcohol Abuse & Alcoholism. For every dollar the government collects in alcohol taxes, it expends about $9 (for such things as Medicare and Medicaid treatment for alcohol-related health troubles, long-term rehabilitation treatment, unemployment costs, and welfare). Does that seem like a model to emulate? The legalization of alcohol is grandfathered in, and it is unlikely that major changes will be made. The last thing we should do is replicate this irrational business model. True, even though studies show both drugs are similar, many believe alcohol is worse. But even if we see only half the damages with marijuana, we cannot ignore the math: $4.50 for every $1 we collect is not a good business model. If we need revenue that badly, why not legalize gambling and prostitution in California? My guess is those would raise more revenue than marijuana. How about a really radical idea—don’t legalize marijuana, prostitution, or gambling, and try spending less!

#### Cost of pot legalization will be worse – adds tens of billions to California budget alone

**Morgan, 12-** Executive Director of the Coalition for A Drug-Free California (Roger, “Taxing Marijuana Won’t Help The Budget. It Will Put The Nail In The Coffin!”, The Freestyle Foundation, 2012, http://drugfreecalifornia.org/PDF/taxing.pdf)//MC

The National Center of Addiction and Substance Abuse (CASA) at Columbia University reports that for every $1 in tax revenues collected for alcohol and tobacco equates to $8.95 in social costs. (www.casacolumbia.org, Shoveling Up: The Impact of substance abuse on local, state and federal budgets). Marijuana combines the harms of both, and in all probability will be worse, and add tens of billions in cost to the California budget. According to www.consumeraffairs.com, in 2005 the combined federal and state alcohol tax collections were $18 billion, compared to social costs of $185 billion. California alcohol taxes were $368 million compared to $38.4 billion on the social costs. Federal and State taxes on cigarettes average $2.32 a pack compared to $10.38 in social costs. (www.tobaccofreekids.com). Tobacco, which is regulated and controlled, also kills 433,000 Americans annually. Get the drift? Regulation and control through legalization only works to increase the social and economic costs, and the pain and misery that goes with it. Prohibition of alcohol did work. Repealing it just legitimized criminals like Al Capone, putting a white collar on them instead of a striped suit. The surge in alcohol use after prohibition caused enormous increases in health, welfare, crime and accidents. Marijuana combines the harms of both tobacco and alcohol, and the adverse economic outcome will be much worse. The State Board of Equalization (BOE) estimate that legalization would generate $1.4 billion in additional tax revenues was careless and misleading. This estimate itself was based solely on self-serving input furnished by Jon Gettman, former National Director of NORML (National Organization for Reform of Marijuana Laws) and was later discredited by the highly respected Rand Corporation. It overstated income and made no mention of the additional harms and social costs of marijuana, which would vastly outweigh any benefit. There is no aspect of the California budget where greater gains are possible than in preventing substance abuse, and yet the State spends only 1/3 rd of 1% on prevention and the balance shoveling up the damage. Making marijuana even more readily available will only add to the harm.

#### Pot legalization increases regular smokers that place a massive economic burden on society

**Morgan, 12-** Executive Director of the Coalition for A Drug-Free California (Roger, “Regulation, Tax And Control Won’t Work”, The Freestyle Foundation, 2012, http://drugfreecalifornia.org/PDF/regulation.pdf)//MC

Keeping pot illegal has limited the number of people who smoke it regularly to 6.4% of the adult population, 15 million people vs 127,000 who consume alcohol. Legalization would certainly increase the number of smokers. The State Board of Equalization says with legalization it will increase by 40%, but that may well be understated. If it elevated the number of people to even half of those who consume alcohol, marijuana will destroy the nation. Libertarians rant that they have a right to pursue happiness and put into their bodies what they want. The unspoken caveat, however, is “in the absence of harm to others.” The fact is, there is no absence of harm. They make lousy workers, which impacts employers and productivity. They are accident prone. They have physical and mental health issues, generally with no health insurance. They burden the welfare rolls, law enforcement, fill prisons and they are a major cause of injury accidents. They place a huge social and economic burden on the 93.6% who don’t smoke. Regulation, control and taxation of just the legal drugs - alcohol and tobacco - cause the death of about 550,000 Americans annually, at an annual cost of $700 to $800 billion. Legalizing marijuana will simply add to the burden.

#### Full legalization massively increases users and kills millions – empirically proven

Muehlenberg, 02- American-born apologist and ethicist in Australia (Bill, “Drugs: Surrender is Not a Winning Strategy”, Institute of Public Affairs, 2002, http://search.proquest.com.proxy.lib.umich.edu/docview/204113398)//MC

Indeed, we don't use such a defeatist attitude in regard to many other social ills. Most governments do not argue that we must live with pollution, racism, or rape. In certain areas, we take exactly the opposite approach. Consider the area of tobacco use. We tell young people to just say 'no'. We have 'Quit' campaigns. We place very high taxes on tobacco products. And what has been the result? Whereas 30 years ago over 60 per cent of the population smoked, today that figure has fallen to under 30 per cent. Harm prevention, in other words, works. Social trends are not irreversible. Problem social behaviours can be turned around. Also, Mr Hyde's advice tackles drug problems from the wrong end. It asks us to manage the problem, instead of preventing the problem in the first place. But prevention is always better than cure. It is more cost-effective and more compassionate to keep people off drugs in the first place, than to try to get them off drugs. The old fence parable is appropriate here: Better to invest in a good fence at the top of a cliff than to invest in a fleet of ambulances at the bottom of the cliff. Every dollar we spend on prevention and deterrence programmes will save hundreds of dollars on treatment programmes later on, as well as save many lives. And if full legalization is achieved, it will increase the pool of drug users. By removing the penalties for usage, and by (in theory) reducing the costs, demand will increase. This is a simple function of supply and demand: make something easier and cheaper to obtain, and you increase the number of people who will try it. At the moment, there are millions of alcohol and tobacco users in Australia, but only thousands or tens of thousands of illicit drug users. The main reason for the difference in numbers is related to the legality or illegality of the drug. Consider some recent figures. Five per cent of all Australians use marijuana on a weekly basis, compared to weekly alcohol users (66 per cent). The former is illegal, while the latter is not. In America, there are 14,000 people killed a year by illicit drugs, but 500,000 killed a year by licit drugs. Moreover, in the US, marijuana use is down by 50 per cent, cocaine use is down by 79 per cent and alcohol use is down by 13 per cent-all because of the get-tough approach to drugs. Milton Friedman favours drug legalization. He said several years ago, `Legalizing drugs might increase the number of addicts, but it is not clear that it would. Forbidden fruit is attractive, particularly to the young.' But as James Q. Wilson pointed out, 'I suppose that we should expect no increase in Porsche sales if we cut the price by 95 per cent, no increase in whiskey sales if we cut the price by a comparable amount-because young people only want fast cars and strong liquor when they are "forbidden"'. We can learn from history here. After Europe imposed the opium trade on China in the mid-19th century, by 1900 there were an estimated 90 million opium addicts in the nation. When British physicians could write prescriptions for heroin in the 1960s, the nation's junkies increased 30- to 40-fold.

#### Legalizing pot won’t weaken drug cartels – they are diversified and empirically continue to sell in legalized markets

Longmire, 11- former officer and investigative special agent in the Air Force, is the author of the forthcoming book “Cartel: The Coming Invasion of Mexico’s Drug Wars.” (Sylvia, “Legalization Won’t Kill the Cartels”, New York Times, 6/18/11, http://www.nytimes.com/2011/06/19/opinion/19longmire.html?\_r=2)//MC

Unfortunately, it’s not that easy. Marijuana legalization has many merits, but it would do little to hinder the long-term economics of the cartels — and the violent toll they take on Mexican society. For one thing, if marijuana makes up 60 percent of the cartels’ profits, that still leaves another 40 percent, which includes the sale of methamphetamine, cocaine, and brown-powder and black-tar heroin. If marijuana were legalized, the cartels would still make huge profits from the sale of these other drugs. Plus, there’s no reason the cartels couldn’t enter the legal market for the sale of marijuana, as organized crime groups did in the United States after the repeal of Prohibition. Still, legalization would deliver a significant short-term hit to the cartels — if drug trafficking were the only activity they were engaged in. But cartels derive a growing slice of their income from other illegal activities. Some experts on organized crime in Latin America, like Edgardo Buscaglia, say that cartels earn just half their income from drugs. Indeed, in recent years cartels have used an extensive portfolio of rackets and scams to diversify their income. For example, they used to kidnap rivals, informants and incompetent subordinates to punish, exact revenge or send a message. Now that they have seen that people are willing to pay heavy ransoms, kidnapping has become their second-most-lucrative venture, with the targets ranging from businessmen to migrants. Another new source of cartel revenue is oil theft, long a problem for the Mexican government. The national oil company, Pemex, loses hundreds of millions of dollars’ worth of petroleum every year to bandits and criminal gangs who tap into pipelines and siphon it off. Now the cartels are getting involved in this business, working with associates north of the border to sell the oil to American companies at huge markups. In 2009 a federal court convicted an American businessman of helping to funnel $2 million in petroleum products stolen from Pemex by a Mexican cartel, eventually selling it to a Texas chemical plant owned by the German chemical company BASF. The chemical company claims never to have known where the products came from. Cartels are also moving into the market in pirated goods in Latin America. The market used to be dominated by terrorist groups like Hezbollah and Hamas, who operated in the triborder area of Argentina, Brazil and Paraguay. Now the field is being overtaken by Mexican cartels, which already have so much control over the sale of pirated CDs, DVDs and software that many legitimate companies no longer even bother to distribute their full-price products in parts of Mexico. Taking another page from traditional organized crime, cartels are also moving into extortion. A cartel representative will approach the owner of a business — whether a pharmacy or a taco stand — demanding a monthly stipend for “protection.” If those payments aren’t made on time, the business is often burned to the ground, or the owner is threatened, kidnapped or killed. A popular cartel racket involves branded products. For example, a cartel member — most often from Los Zetas and La Familia Michoacana, two of the largest and most diversified cartels — will tell a music-store owner that he has to sell CDs with the Zetas logo stamped on them, with the cartel taking a 25 percent cut of the profits. Noncompliance isn’t an option. With so many lines of business, it’s unlikely that Mexican cartels would close up shop in the event of legalization, even if it meant a serious drop in profits from their most successful product. Cartels are economic entities, and like any legitimate company the best are able to adapt in the face of a changing market. This is not to say that drug legalization shouldn’t be considered for other reasons. We need to stop viewing casual users as criminals, and we need to treat addicts as people with health and emotional problems. Doing so would free up a significant amount of jail space, court time and law enforcement resources. What it won’t do, though, is stop the violence in Mexico.

#### Marijuana legalization fails – won’t generate enough revenue and byproduct costs outweigh

DeSellier, 11- Federal Tax Group at Crowe Horwath LLP (Brianne, “Taxation Of Marijuana Would Not Generate Enough Revenue To Justify Legalization On Fiscal Grounds - Still, Wise Policy Calls For Legalization”, Florida Tax Attorney Blog, 8/15/11, http://www.floridataxattorney-blog.com/2011/08/taxation-of-marijuana-would-not-generate-enough-revenue-to-justify-legalization-on-fiscal-grounds-bu.html)//MC

Former DEA agent Robert Stutman counters Easton's revenue-generating argument by calling attention to the fiscal shortcomings of the current tax on alcohol. According to Stutman, for every dollar generated by the alcohol tax, the federal government must expend $9 to address alcohol-related consequences - e.g., Medicare and Medicaid treatment for alcohol-induced health problems and rehabilitation programs. But while the alcohol tax is not a picture of efficiency, Stutman's attempt to analogize marijuana to alcohol is flawed. Specifically, he overlooks the minimal health consequences and proven health benefits of marijuana. Unlike alcohol, which carries the risk of fatal overdose, no quantity of marijuana can cause a fatal overdose. Moreover, the adverse health effects associated with frequent and sustained marijuana use appear to be nominal. Indeed, as Paul Armentano and Paul Kuhn of the National Organization for the Reform of Marijuana Laws (NORML) explained in a recent article, there is no epidemiological evidence that marijuana users have shorter life expectancies or suffer higher incidences of cancer than non-users. To the contrary, respected medical practitioners have published scholarly articles in authoritative medical journals touting the medicinal value of marijuana to treat various medical conditions (e.g., glaucoma, depression, migraines, fibromyalgia, insomnia) and to help patients tolerate the effects of chemo therapy and degenerative terminal illnesses (e.g., AIDS, cancer). Indeed, the New England Journal of Medicine, one of the most esteemed journals of medicine, endorsed the medicinal use of marijuana as early as 1997. Of course, marijuana use is not without risk. Frequent and prolonged use may lead to dependency. But this is also true of alcohol and tobacco, both of which are legal and both of which are more dangerous and more addicting than marijuana. In addition, there is the issue of driving under the influence of marijuana. But the same DUI laws that currently deter and punish drunk driving could easily be adapted to deter and punish incidences of driving under the influence of marijuana. A separate, but related, concern is that people would report to work under the influence of marijuana or smoke marijuana cigarettes during breaks. But the same workplace rules that currently prohibit employees from working while under the influence of alcohol could just as effectively regulate marijuana use as it relates to employment. Still, a marijuana tax would not generate enough revenue to justify legalization solely on grounds of tax revenue. Although Easton's estimated $40 billion in annual tax revenue sounds substantial in the abstract, it is really inconsequential in the larger scheme of our national debt. Currently, the U.S. national debt is some $14.6 trillion. Therefore, $40 billion amounts to less than 1% of U.S. debt. In any event, even if a marijuana tax could significantly reduce the U.S. national debt, it would constitute unsound tax policy to legalize marijuana solely for the purpose of subjecting it to taxation.

###  SIBs Fail

#### SIBs generate insufficient funding to cover necessary projects

**Behre**, 3/28/**12**- reporter/columnist at The Post and Courier (Robert, “State Infrastructure Bank can't fund each road project,” The Post and Courier, 3/28/12, http://www.postandcourier.com/article/20111118/PC1602/311189954)RC

Berkeley County officials told key members of the State Infrastructure Bank on Thursday that the county needs $30 million to widen Interstate 26 and improve other roads for a world-class distribution center near Summerville. Then Charleston Mayor Joe Riley told the same group that the city really needs $88 million to create a drainage system for the Crosstown Expressway, which was built over an old creek bed with no workable drainage system. And then Dorchester County officials told the bank members it needed $19 million to improve roads to Ashley Ridge High School and buy right of way for widening U.S. Highway 78 west of Summerville. State Infrastructure Bank President Don Leonard called all three presentations "excellent." The only problem? The bank doesn't have nearly enough money. The three Lowcountry projects are competing with others in Beaufort, York and Jasper counties. These six requests add up to $462 million, while the bank has about $80 million to grant.

#### SIBs fail- lack merit based funding and drive away pension funds

**Davis**, 2/21/**12,** - the Deputy Communications Director for Transportation for America (Stephen Lee, “The more they see, the less they like: 10 reasons why opposition to the House transportation bill is growing,” Transportation for America Campaign, http://t4america.org/blog/2012/02/21/the-more-they-see-the-less-they-like-10-reasons-why-opposition-to-the-house-transportation-bill-is-growing/)RC

Bets big on little-known “State Infrastructure Banks.” Despite heaping criticism against the creation of a national infrastructure bank (an idea that just over a year ago drew broad bipartisan support), House leadership has crafted H.R. 7 to provide $750 million each year for the capitalization of state-level infrastructure banks. If states fail to capitalize the banks (more than a dozen states currently don’t have banks), federal transportation funds would be automatically redistributed to other states. This provision has only recently started to get any attention but questions are mounting. “Rather than bringing a tough, merit-based approach to funding, many State Infrastructure Banks are simply used to pay for the projects selected from the state’s wish list of transportation improvements, without filtering projects through a competitive application process,” explained Brookings Institution Senior Fellow Robert Puentes in a recent brief on state transportation policy. Michael Likosky, Director of NYU’s Center on Law & Public Finance, goes even further: “Unfortunately, the House Transportation bill chooses to increase spending on a State Infrastructure Bank program that benefits only a handful of states, reinforces siloed-off solutions, and would drive pension funds to nation-build overseas rather in America.”

## States Are Broke

### Budgets Will Continue to Decline

#### State budgets will continue to decline – revenue growth insufficient to cover shortfalls

**McNichol, Oliff, & Johnson**, 5/24/**12**- \* a senior fellow with the State Fiscal Project at the Center on Budget and Policy Priorities, \*\* a Policy Analyst with the Center on Budget and Policy Priorities, \*\*\* Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities (Elizabeth McNichol, Phil Oliff and Nicholas Johnson, “States Continue to Feel Recession’s Impact,” The Center on Budget and Policy Priorities, a non-partisan research and policy institute working on federal and state fiscal policies, http://www.cbpp.org/cms/index.cfm?fa=view&id=711)RC

State budget estimates for the upcoming fiscal year continue to show that states face a long and uncertain recovery. For fiscal year 2013, the fiscal year that begins July 1, 2012, 30 states have addressed or have projected shortfalls totaling $54 billion.[1] The Great Recession that started in 2007 caused the largest collapse in state revenues on record. Since bottoming out in 2010, revenues have begun to grow again, but states are still far from fully recovered. As of the fourth quarter of 2011, state revenues remained 7 percent below pre-recession levels, and are not growing fast enough to recover fully soon. Meanwhile, states' education and health care obligations continue to grow. Next year, states expect to educate 350,000 more K-12 students and 1.7 million more public college and university students in the upcoming school year than in 2007-08.[2] And some 5.6 million more people are projected to be eligible for subsidized health insurance through Medicaid in 2012 than were enrolled in 2008, as employers have cancelled their coverage and people have lost jobs and wages.[3] Consequently, even though the revenue outlook is trending upward, states have addressed large budget shortfalls by historical standards as they considered budgets for the upcoming year. As the start of the new fiscal year draws near in most states, many of these shortfalls have been closed through spending cuts and other measures scheduled to take effect in the next fiscal year. Other states will soon close these shortfalls in order to meet balanced-budget requirements. To the extent these shortfalls are being closed with budget cuts, they are occurring on top of past years' deep cuts in critical public services like education, health care, and human services. The additional cuts mean that state budgets are poised to continue to be a drag on the national economy, threatening hundreds of thousands of private- and public-sector jobs, reducing the job creation that otherwise would be expected to occur.

#### State fiscal problems are only proving to be worse – options for addressing them are fewer and fewer

**McNichol, Oliff, & Johnson**, 5/24/**12**- \* a senior fellow with the State Fiscal Project at the Center on Budget and Policy Priorities, \*\* a Policy Analyst with the Center on Budget and Policy Priorities, \*\*\* Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities (Elizabeth McNichol, Phil Oliff and Nicholas Johnson, “States Continue to Feel Recession’s Impact,” The Center on Budget and Policy Priorities, a non-partisan research and policy institute working on federal and state fiscal policies, http://www.cbpp.org/cms/index.cfm?fa=view&id=711)RC

Our survey of state fiscal conditions shows that: States continue to face a major fiscal challenge. Thirty states have projected (and in many cases have already closed) budget gaps totaling $54 billion for fiscal year 2013. (See Figure 1.) These shortfalls are all the more daunting because states' options for addressing them are fewer and more difficult than in recent years. Temporary aid to states enacted in early 2009 as part of the federal Recovery Act was enormously helpful in allowing states to avert some of the most harmful potential budget cuts in the 2009, 2010 and 2011 fiscal years. But the federal government allowed that aid to largely expire at the end of fiscal year 2011, leading to some of the deepest cuts to state services since the start of the recession. Far from providing additional assistance to states, the federal government is now moving ahead with spending cuts that will very likely make states' fiscal situation even worse. State finances are recovering, but slowly. Ten states in recent months have reported new shortfalls totaling $4.3 billion that opened in their budgets for the current year (fiscal year 2012). While troubling, these gaps are smaller than the mid-year shortfalls states faced last year (fiscal year 2011), and dramatically lower than in fiscal year 2009 and fiscal year 2010. For next year, the shortfall totals for fiscal year 2013 are smaller than the totals from the last few years. But they remain large by historical standards, as the economy remains weak and unemployment is still high. (Note that even if economic improvement accelerates, state fiscal recovery tends to lag recovery in the broader economy.) The shortfalls that states are projecting for fiscal years 2012 and 2013 are in addition to the more than $530 billion in shortfalls that states have already closed over the past four years. State Budget Shortfalls in 2012 and 2013 States already have addressed extraordinarily large shortfalls as they developed and implemented spending plans for fiscal years 2009, 2010, 2011, and 2012. Shortfalls are the extent to which states' revenues fall short of the cost of providing services. Every state except Vermont has some sort of balanced-budget law. So the shortfalls for 2009 through 2012 — which totaled more than $530 billion combined — have already been closed through a combination of spending cuts, withdrawals from reserves, revenue increases, and use of federal stimulus dollars. Moreover, a number of states have already closed significant shortfalls for fiscal year 2013. Figure 2 compares the size and duration of the shortfalls that resulted from the recession during the first decade of the 2000s to shortfalls reported to date following the onset of the latest recession. In the early 2000s, as in the early 1990s and early 1980s, state fiscal problems lasted for several years after the recession ended. The same has proven to be the case this time. The most recent recession was more severe — deeper and longer — than the previous one. State fiscal problems also have proven to be worse and are likely to remain so for the foreseeable future.

### AT State Revenue Growing

#### Even if state revenues continue to grow, hole is so deep it will take several years to restore programs cut during the recession

**McNichol, Oliff, & Johnson**, 5/24/**12**- \* a senior fellow with the State Fiscal Project at the Center on Budget and Policy Priorities, \*\* a Policy Analyst with the Center on Budget and Policy Priorities, \*\*\* Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities (Elizabeth McNichol, Phil Oliff and Nicholas Johnson, “States Continue to Feel Recession’s Impact,” The Center on Budget and Policy Priorities, a non-partisan research and policy institute working on federal and state fiscal policies, http://www.cbpp.org/cms/index.cfm?fa=view&id=711)RC

States' fiscal conditions are improving along with the broader economy. But states are coming out of a very deep hole. Figure 3 illustrates the magnitude of the problem. State revenues have begun to rebound. State tax intake grew 8.3 percent in the 12-month period ending in June 2011 — the 2011 fiscal year for most states. This encouraging growth offers a glimmer of hope that states are beginning to climb out of the fiscal hole caused by the recession. Unfortunately, that hole was so deep that even if revenues continue to grow at last year's rate — which is highly unlikely, as explained below — it would take seven years to get them back on a normal track. In other words, revenues probably won't come close to what states need to restore the programs that they cut during the recession unless states raise taxes, at least temporarily, or receive additional federal aid while the economy slowly recovers. As noted below, additional federal aid is unlikely.