# Economy - Generic

## CP Fails – Stimulus

### CP Can’t Stimulate The Economy

**Even if the states could normally do the plan, they can’t during a recession- unbalanced budgets are subject to fluctuations- states can’t sustain the plan**

**Department of the Treasure, 3/23** (The Department of the Treasury with the Council of Economic Advisers, "A New Economic Analysis of Infrastructure Investment" on March 23, 2012 from www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf AK)

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

#### States can’t stimulate the economy—federal action is key.

Bernstein 11 — Jared Bernstein, Senior Fellow at the Center on Budget and Policy Priorities, served as Chief Economist and Economic Advisor to Vice President Joe Biden, holds a Ph.D. in Social Welfare from Columbia University, 2011 (“More Q&A: States Can’t Do Countercyclical Policy and Noise re ‘Unfunded Liabilities’,” *On The Economy*—Jared Bernstein’s economics blog, July 4th, Available Online at http://jaredbernsteinblog.com/more-qa-states-cant-do-countercyclical-policy-and-noise-re-unfunded-liabilities/, Accessed 06-22-2012)

Q: What with the much benighted Washington debate, what can the states do to improve the economy – or more specifically, fight unemployment?

A: The states can’t do much at all. To the contrary, because they have to balance their budgets, when their revenues come in under their spending in a given fiscal year, they have to close those gaps in that year. That means service cuts and/or tax increases, or in econo-jargon, their policy stance has to be procyclical when we need it be countercyclical.

My CBPP colleagues have tracked this problem throughout the recession (this is their most recent review). The figure shows the magnitude of the gaps summed across all the states, compared to the last downturn.

A few points are instructive:

–clearly, this downturn has been much tougher on state budgets (as well as the federal budget) than the last one.

–things are improving; the recovery in GDP that began in mid-2009 has begun to show up in higher state revenues, and states expect their 2013 shortfall to be half as large as their 2012 gap.

–but the hole is deep and the damage severe; over the past three years, state and local governments have shed over half-a-million jobs.

There’s a very important Keynesian punchline here: since states cannot offset their budget gaps with deficit spending, the only countercyclical game in town is the federal gov’t. The state fiscal relief in the Recovery Act was fast-acting, effective stimulus, helping to retain needed jobs in communities, like teachers, cops, firefighters, sanitation workers, etc. As the stimulus has faded, layoffs have accelerated.

#### States can’t act countercyclically—the counterplan hurts the economy.

Attewell 9 — Steven Attewell, Ph.D. student in the history of public policy at the University of California-Santa Barbara, 2009 (“50-State Keynesianism: A Proposal,” *The Realignment Project*, June 8th, Available Online at http://realignmentproject.wordpress.com/2009/06/08/50-state-keynesianism-a-proposal/, Accessed 06-27-2012)

The larger problem is that we’re in a recession and state governments can’t print money to pay their bills, can’t deficit spend due to state laws (usually constitutions), and the bond markets aren’t really snapping up state debt and are charging an arm and a leg to do so. This means that while the Federal government is trying to push a stimulative policy and get the money pumping, the state governments are going to undercut recovery efforts – the Federal stimulus package is about $350 billion/year, and that $150 deficit will cut the effect nearly in half. This policy problem is being compounded by a political problem – bond rating agencies and the bonds markets are ideologically going after public credit ratings. As John Quiggan notes, agencies like Moody’s, Standard & Poor’s, and Fitch which were up to their necks in the current financial crisis, who looked the other way and stamped AAA ratings on garbage CDOs and asset-backed-securities and credit swaps and other financial snake-oils are now aggressively targeting the bond ratings of government entities. While Quiggan’s examples are mostly Australian, you can see the same thing happening in the U.S as states and even the Federal government (all of whom maintain the power of taxation as a guard against permanent insolvency) are being warned or downgraded for actions that are vitally necessary to save our economy. By itself, by shifting state spending away from stimulative spending towards financing higher interest rates and by forestalling the potential for Keynesian borrow-and-spend policies, these agencies are making the crisis worse. Moreover, by pushing the ideological line that balanced budgets are better than increasing spending, they are complicit in the shock doctrine proselytizing going on in state governments (such as in California, where Swartzenegger used the budget crisis to push for the elimination of the state’s SCHIP program, the Calgrants college aid program, and the Calworks welfare program).

#### State spending has no or a negative effect on the econ- prefer federal spending

Shatz et al. 11 – Ph. D in public policy from Harvard University (Howard J., “Highway Infrastructure and the Economy”, RAND Corporation, 2011, <http://www.rand.org/pubs/monographs/2011/RAND_MG1049.pdf>,) AS

We separately reviewed papers that studied highway infrastructure at the national level, the state level, and the substate level and in other countries. Studies of highway infrastructure at the national level tended to find high rates of return and strong productivity effects, at least in the initial building phase of the national highway system. One way this was manifested was through lower costs to industries, especially those that most heavily used the highway network. Likewise, some of the research at the state level found positive effects of highways, or broader measures of public capital, on a variety of economic outcomes. However, these effects tended to be lower than those of private capital investment when the two were compared. In addition, some papers found no effect. Although some research identified positive effects of infrastructure in one state on the economy of neighboring states, more identified zero or even negative effects. Taken together, this evidence is consistent with the idea that some highway infrastructure investment can lead to positive productivity or output outcomes. However, there is a possibility that such investment can have negative effects on neighboring states.

### CP Funding Hurts The Economy

#### State fundraising decimates the economy—spending cuts and tax increases undercut demand.

Quinnell 12 — Kenneth Quinnell, political analyst and writer at *Crooks & Liars*, Adjunct Instructor in History at Tallahassee Community College, 2012 (“New Report Shows State Budget Cuts Have Hurt the Economy,” *Crooks & Liars*, April 21st, Available Online at http://crooksandliars.com/kenneth-quinnell/new-report-shows-state-budget-cut, Accessed 06-27-2012)

A new report from the Center on Budget and Policy Priorities, "Out of Balance: Cuts in Services Have Been States’ Primary Response to Budget Gaps, Harming the Nation’s Economy," places a spotlight on the right-wing assault on state budgets and the harmful effects of the growing trend of budget cuts.

The state budget gaps of the last five years led to $290 billion in cuts to public services and $100 billion in tax and fee increases. Those actions lengthened the recession and delayed the recovery. Because spending reductions were dominant, hundreds of thousands of jobs were lost; undermining education, health care and other state priorities, which likely will cause future economic harm to states. Federal aid mitigated the harmful effects of the spending cuts in the early years of the budget crunch, but its expiration last year had a catastrophic effect, making 2012 the worst year since the downturn began for cuts in funding for services.

The study looked at budget data for the last five years and found that more than 640,000 jobs have been cut by the states since 2008, undercutting the economic recovery and helping sustain a high unemployment rate nationally. Because 2012 has been the worst year for cuts since the recession began, further job losses are almost guaranteed.

The cuts have also led states to cancel contracts with vendors, reduce payments to businesses and nonprofits that provide services, and cut benefit payments to individuals — all steps that remove demand from the economy. There are long-term effects as well: By diminishing the quality of elementary and high schools, making college less affordable, and reducing residents’ access to health care, the cuts threaten to make the U.S. economy less competitive in coming decades.

While there has been a recent rebound in the growth of revenue at the state level, if the current rate of growth continues, it will take seven years to get back to where things were before the recession.

Overall, the methods used to balance state budgets — often a legal requirement — were very focused on methods that harm the economy:

\* Spending cuts 44.8 percent

\* Federal relief funds 24.0 percent

\* Tax and fee increases 15.5 percent

\* Raiding of rainy day funds and other dedicated revenue streams 8.7 percent

\* Other miscellaneous methods 7.0 percent

States have engaged in such unsustainable and negative tactics to balance their budgets that many more citizens are in vulnerable situations than before the recession.

#### The counterplan undermines recovery in the short- *and* long-term by reducing aggregate demand.

McNichol 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, 2012 (“Out of Balance: Cuts in Services Have Been States’ Primary Response to Budget Gaps, Harming the Nation’s Economy,” Center on Budget and Policy Priorities, April 18th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=3747, Accessed 06-27-2012)

The state budget gaps of the last five years led to $290 billion in cuts to public services and $100 billion in tax and fee increases. Those actions lengthened the recession and delayed the recovery. Because spending reductions were dominant, hundreds of thousands of jobs were lost; undermining education, health care and other state priorities, which likely will cause future economic harm to states. Federal aid mitigated the harmful effects of the spending cuts in the early years of the budget crunch, but its expiration last year had a catastrophic effect, making 2012 the worst year since the downturn began for cuts in funding for services. More federal aid and a more balanced response, with an equal reliance on revenues and on service cuts, could have mitigated these effects.

These are the findings of a new analysis of state budget data and trends over the last five years. While the broad outlines of this story have been well-known, this is the first attempt to quantify how states collectively balanced their budgets in the face of the worst fiscal problems in at least 70 years. Since 2008, states have enacted almost $3 in spending cuts for every $1 in new revenues. These painful measures, combined with about $160 billion in emergency federal aid, use of $60 billion in reserves that states accumulated before the recession began, and another $50 billion in other measures such as asset sales and payment date shifts, allowed states to balance their budgets in the face of a cumulative $600 billion in budget gaps over a five-year period.[1]

The spending cuts have affected all major areas of state budgets – elementary and secondary education, health care, higher education, and human services.

The lack of balance between revenues and spending was most pronounced in fiscal year 2012, as reserves dwindled, federal aid largely expired and states enacted even fewer tax and fee increases. In 2012, spending cuts totaled nearly $140 billion, almost as much as the combined total for the previous four years. Tax and fee increases were just $20 billion, and federal aid and the use of reserves accounted for close to $15 billion.[2]

Continued heavy reliance on spending cuts to close budget gaps will slow the recovery and weaken the nation’s economy over the long term. State and local governments already have shed 641,000 jobs since August 2008; additional rounds of cuts will lead to further job losses in the months ahead. The cuts have also led states to cancel contracts with vendors, reduce payments to businesses and nonprofits that provide services, and cut benefit payments to individuals — all steps that remove demand from the economy. There are long-term effects as well: By diminishing the quality of elementary and high schools, making college less affordable, and reducing residents’ access to health care, the cuts threaten to make the U.S. economy less competitive in coming decades.

### Federal Assistance Key

**Federal government investment key to efficient financing mechanisms- plan doesn’t happen if states do it**

**Department of the Treasure, 3/23** (The Department of the Treasury with the Council of Economic Advisers, "A New Economic Analysis of Infrastructure Investment" on March 23, 2012 from www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf AK)

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

**Federal aid has recently declined but is key to alleviate state budget gaps**

**Oliff et al 6 – 27** – 12 (Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Chris Mai, Vincent Palacious, Center on Budget and Policy Priorities, “States Continue to Feel Recession’s Impact”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711> ck)

States continue to face a major fiscal challenge. Thirty-one states projected (and in most cases now have closed) budget gaps totaling $55 billion for fiscal year 2013. (See Figure 1.) These shortfalls were all the more daunting because states’ options for addressing them were 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.

**Lack of federal spending and aid will kill fiscal recovery**

**Oliff et al 6 – 27** – 12 (Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Chris Mai, Vincent Palacious, Center on Budget and Policy Priorities, “States Continue to Feel Recession’s Impact”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711> ck)

Beyond simply coming out of a deep hole, states face major obstacles that will slow their fiscal recovery. One is the shifting role of the federal government. It allowed emergency aid to states to largely expire at the end of fiscal year 2011, leaving states with fewer options to address their still substantial budget shortfalls in fiscal year 2012 and beyond. Moreover, the federal government has been moving ahead with spending cuts that will very likely reduce ongoing federal funding for state and local governments and make state fiscal conditions even worse.

## Uniqueness

### State Econ Improving

**State economies strong- create plans for deficit reduction and economic growth**

**SCHULTE 7-13** (GRANT, AP, Heineman details state growth plan for governors, July 2012 http://www2.wjtv.com/news/2012/jul/13/heineman-details-state-growth-plan-for-governors-ar-4127864/ AS)

Nebraska Gov. Dave Heineman has produced a blueprint for governors across America to improve their states' economies by encouraging entrepreneurship, cutting regulations and investing in growing industries.

The result of a year of research and study, Heineman presented his "Growing State Economies" to the annual gathering of the National Governors Association in Williamsburg, Va., on Friday as he prepared to end his one-year term as the group's chairman. "Entrepreneurs and small-business owners are creating all the jobs in America," Heineman said in an interview earlier this week. "If you can figure out what policies allow those companies to go from five employees, to 20, to 50, to a couple hundred, and then a big company that's what we ought to be pursuing." The plan contains a dozen specific actions that states could take to boost business and improve their economies, including creating a competitive tax regulatory environment and building a startup environment and culture. The governor also provided individualized reports for each state to help them play to their economic strengths and minimize their weaknesses. "Some of these (ideas) will work for some states, but not all of them will make sense for every state," Heineman said. "I understand that. Every governor's going to look at this, go back to their economic development directors, and ask what makes sense for New Mexico, or Pennsylvania, or Florida." Heineman said he drew from individual states' successes for inspiration: a commission in New Jersey aimed at eliminating red tape; state-funded research labs in Oregon; the expansion of small businesses in North Carolina and Washington into the international market; tax credits offered by Arizona and Nebraska to investors in new businesses that produce medical devices, renewable energy and other high-tech innovations. The plan cites six states Delaware, Maine, New Jersey, New York, Oregon and Washington that have adopted laws to help the unemployed start new businesses. Wisconsin spent $150,000 to assist startup companies run by military veterans. The plan encourages states to connect public universities with private businesses for technological research. Heineman highlighted Nebraska's focus on international trade and his administration's efforts to meet business leaders in Japan, Thailand, Germany and Cuba. "We all have to recognize, like it or not, that we're not just competing with each other in the Midwest or nationally," Heineman said. "We're competing internationally. We are impacted by the global economy more than ever before."

## Links

### CP Requires Spending Cuts or Tax Increases

#### States will slash spending or raise taxes to fund the counterplan—massive budget shortfalls.

Reuters 12 — Reuters, 2012 (“Budget Gaps To Exceed Revenues In Over Half Of U.S. States By July,” Byline Lisa Lambert, January 9th, Available Online at http://www.huffingtonpost.com/2012/01/09/new-us-state-budget-gaps-exceed-revenues-states-july\_n\_1195138.html, Accessed 06-27-2012)

More than half the U.S. states will not have enough revenues to cover spending demands in the fiscal year starting in July, according to a think tank report released on Monday.

Altogether, the budget gaps for 29 states will total $44 billion, the Center on Budget and Policy Priorities found. Among them are California and Texas, the two most populous states in the United States.

"This number is almost certain to grow as governors release new gap projections along with their proposed budgets in the coming months," said the liberal-leaning group, which monitors states' fiscal conditions.

Over the past four years, states have had to close more than $530 billion in budget gaps, according to CBPP. All states except Vermont must end their fiscal years with balanced budgets, which has forced them to slash spending, raise taxes, borrow and turn to the federal government for help.

### CP Requires Spending Cuts

#### State budgets are overstretched—the counterplan requires cuts to existing programs.

McNichol et al. 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, et al., with Phil Oliff, Policy Analyst with the State Fiscal Project at the Center on Budget and Policy Priorities, previously served as the Hugh L. Carey Fellow in Governmental Finance with New York State’s Division of Budget, holds an M.A. in Public Policy from Harvard University’s John F. Kennedy School of Government, and Nicholas Johnson, Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities, holds a graduate degree from Duke University's Terry Sanford Institute of Public Policy, 2012 (“States Continue to Feel Recession’s Impact,” Center on Budget and Policy Priorities, May 24th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=711, Accessed 06-27-2012)

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.

### CP Requires Tax Increases

#### States can’t fund the counterplan without raising taxes.

McNichol et al. 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, et al., with Phil Oliff, Policy Analyst with the State Fiscal Project at the Center on Budget and Policy Priorities, previously served as the Hugh L. Carey Fellow in Governmental Finance with New York State’s Division of Budget, holds an M.A. in Public Policy from Harvard University’s John F. Kennedy School of Government, and Nicholas Johnson, Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities, holds a graduate degree from Duke University's Terry Sanford Institute of Public Policy, 2012 (“States Continue to Feel Recession’s Impact,” Center on Budget and Policy Priorities, May 24th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=711, Accessed 06-27-2012)

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.

### Federalism Hurts Recovery

#### Federalism undermines economic recovery—prevents effective stimulus.

Meyerson 9 — Harold Meyerson, Editor-at-Large at *The American Prospect*, Columnist for *The Washington Post*, 2009 (“Fed Up With Federalism,” *The American Prospect*, November 19th, Available Online at http://prospect.org/article/fed-federalism-0, Accessed 06-30-2012)

But even though federalism is more often the refuge of reactionaries than of visionaries, it has an even deeper flaw: setting the nation at cross-purposes with itself, and never more so than during a recession.

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There is a classic algebra problem in which water pours into a bathtub from the tap at a specified rate but also exits the tub at a different rate because someone has neglected to stop the drain. If you know the rates, you should be able to figure when the water will rise to a certain level. During a recession, the United States becomes a version of that bathtub. The federal government is the tap. The state and local governments are the drain.

That's no way to fight a recession. When investment, production, and consumption are all in decline, the only way to keep the economy from shrinking is for the federal government to deficit spend and create a stimulus. But while the federal government pours money in, the state and local governments, which cannot deficit spend, see their tax revenue shrinking, so they cut spending, raise taxes, or both – taking money out of the economy. America's distinct brand of federalism inherently impedes an economic recovery.

#### Federalism reverses the benefits of federal stimulus, undermining recovery.

Surowiecki 9 — James Surowiecki, Staff Writer at *The New Yorker*, has previously written for *Slate*, *Fortune*, the *Wall Street Journal*, *Wired*, the *New York Times Magazine*, the *Washington Post*, and *Lingua Franca*, 2009 (“Fifty Ways To Kill Recovery,” *The New Yorker*, July 27th, Available Online at http://www.newyorker.com/talk/financial/2009/07/27/090727ta\_talk\_surowiecki, Accessed 06-30-2012)

If you came up with a list of obstacles to economic recovery in this country, it would include all the usual suspects—our still weak banking system, falling house prices, overindebted consumers, cautious companies. But here are fifty culprits you might not have thought of: the states. Federalism, often described as one of the great strengths of the American system, has become a serious impediment to reversing the downturn.

It’s easy enough, of course, to mock state governments nowadays, what with California issuing I.O.U.s to pay its bills and New York’s statehouse becoming the site of palace coups and senatorial sit-ins. But the real problem isn’t the fecklessness of local politicians. It’s the ordinary way in which state governments go about their business. Think about the $787-billion federal stimulus package. It’s built on the idea that during serious economic downturns the government can use spending increases and tax cuts to counteract the effects of consumers who are cutting back on spending and businesses that are cutting back on investment. So fiscal policy at the national level is countercyclical: as the economy shrinks, government expands. At the state level, though, the opposite is happening. Nearly every state government is required to balance its budget. When times are bad, jobs vanish, sales plummet, investment declines, and tax revenues fall precipitously—in New York, for instance, state revenues in April and May were down thirty-six per cent from a year earlier. So states have to raise taxes or cut spending, or both, and that’s precisely what they’re doing: states from New Jersey to Oregon have raised taxes in the past year, while significant budget cuts have become routine and are likely to get only deeper in the year ahead. The states’ fiscal policy, then, is procyclical: it’s amplifying the effects of the downturn, instead of mitigating them. Even as the federal government is pouring money into the economy, state governments are effectively taking it out. It’s a push-me, pull-you approach to fighting the recession.

### Link Magnifier: Emergency Cuts

#### The unexpected expense of the counterplan results in emergency cuts.

Backman 11 — Daniel Backman, Staff Writer for the *Harvard Political Review*, undergraduate political science student at Harvard University, 2011 (“The State Budget Squeeze,” *Harvard Political Review*, December 10th, Available Online at http://hpronline.org/united-states/the-state-budget-squeeze/, Accessed 06-27-2012)

When states make emergency cuts, they often proceed without carefully considering the long-term consequences. Most budget yearly, which, when coupled with balanced budget requirements, offers little incentive for long-term focus. Gordon points out, “There is a lot of push now to improve forecasting on the state level and engage in longer- term planning.” Additionally, state revenues vary considerably between years and work poorly under short-term restrictions. The income and capital gains taxes prove substantially cyclical, plunging states into deficits during recessions. Thus, to prevent shortsighted emergency policies, states should project both revenues and outlays over longer periods. As Elizabeth McNichol of the Center for Budget and Policy Priorities maintains, “Long-term, multi-year forecasting on both the spending and revenue sides… gives the states the opportunity to figure out the impact…on spending programs or tax systems for the long-term balance of their budget.”

### Link Magnifier: Constitutional Constraints

#### States can’t stimulate the economy—constitutional constraints.

Attewell 9 — Steven Attewell, Ph.D. student in the history of public policy at the University of California-Santa Barbara, 2009 (“Fifty-State Keynesianism - Part Deux,” *The Economic Populist*, July 31st, Available Online at http://www.economicpopulist.org/content/fifty-state-keynesianism-part-deux, Accessed 06-27-2012)

Lest this be seen as merely a California problem, a recent report by the National Governors Association notes that the collective budget shortfalls of the fifty states comes to a collective $200 billion shortfall. Given that the total Federal economic stimulus for this year only comes to about $400 billion, we are forced to recognize that our system of state government budgeting and finance is creating a massive economic undertow, weakening the impact of Keynesian stimulus by cutting spending and raising taxes (although they've been doing a lot more of the former than the latter).

Background: Why is it the case that America's state governments have become so strongly pro-cyclical? The basic reason is that all but one state in the Union (Vermont being the exception) have some form of a balanced budget or debt limitation requirement, which makes it impossible to deficit spend during recessions.

## Impacts

### Spending Cuts and Tax Increases Bad

#### The counterplan chokes off the recovery—state spending cuts and tax increases compound shortfalls in aggregate demand.

Backman 11 — Daniel Backman, Staff Writer for the *Harvard Political Review*, undergraduate political science student at Harvard University, 2011 (“The State Budget Squeeze,” *Harvard Political Review*, December 10th, Available Online at http://hpronline.org/united-states/the-state-budget-squeeze/, Accessed 06-27-2012)

As America’s economic recovery crawls forward, its states suffer from depleted revenues and large spending commitments. Experts project between $30 billion and $40 billion in combined state budget deficits for fiscal year 2012. Though the federal government runs deficits during recessions to fund expansionary policies, many states are constrained by constitutional balanced budget requirements. They must close deficits by cutting spending and raising taxes, choking recovery with behaviors that compound macroeconomic problems.

### Spending Cuts Bad

#### States will fund the counterplan through budget cuts that drag down the economy—federal action is key.

McNichol et al. 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, et al., with Phil Oliff, Policy Analyst with the State Fiscal Project at the Center on Budget and Policy Priorities, previously served as the Hugh L. Carey Fellow in Governmental Finance with New York State’s Division of Budget, holds an M.A. in Public Policy from Harvard University’s John F. Kennedy School of Government, and Nicholas Johnson, Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities, holds a graduate degree from Duke University's Terry Sanford Institute of Public Policy, 2012 (“States Continue to Feel Recession’s Impact,” Center on Budget and Policy Priorities, May 24th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=711, Accessed 06-27-2012)

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. Potential strategies for lessening the impact of deep spending cuts include more use of state reserve funds in states that have reserves, more revenue through tax-law changes, and a greater role for the federal government.

#### Spending cuts negate stimulus—the counterplan is *at best* a zero-sum game.

Lav 10 — Iris J. Lav, Senior Advisor and former Deputy Director of the Center on Budget and Policy Priorities, Founding Director of the State Fiscal Analysis Initiative—a network of nonprofit organizations that work on state budget issues, currently teaches state and local finance at Johns Hopkins University School of Government, holds an MBA from George Washington University and an AB from the University of Chicago, interviewed by Shannon Spillane, 2010 (“Podcast: States Can’t Stimulate Their Economies By Cutting Taxes,” Center on Budget and Policy Priorities, March 23rd, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=3120, Accessed 06-27-2012)

1. Iris, with so many states facing fiscal crisis, policymakers in a number of states are eager to find ways to boost their economies. Many of them have called for tax cuts they claim will provide economic stimulus. Your recent report, The Zero-Sum Game, finds that claim is false.

That’s exactly right: States cannot stimulate their economies by cutting taxes.

Let me explain why. Almost every state is required to balance its budget. That means that a tax cut usually would have to be offset by a cut to a program or service to keep the budget balanced. When states cut spending, they lay off public employees, cancel contracts with private-sector vendors, and eliminate or lower payments to nonprofit organizations that provide direct services. This is likely to reduce demand in the state just as much as the reduction in taxes may stimulate demand. It is at best a zero-sum game, where the gains in one area are offset by the losses in another.

#### Spending cuts offset stimulus benefits—it’s zero-sum.

Lav 10 — Iris J. Lav, Senior Advisor and former Deputy Director of the Center on Budget and Policy Priorities, Founding Director of the State Fiscal Analysis Initiative—a network of nonprofit organizations that work on state budget issues, currently teaches state and local finance at Johns Hopkins University School of Government, holds an MBA from George Washington University and an AB from the University of Chicago, and Robert Tannenwald, Senior Fellow at the State Fiscal Project of the Center on Budget and Policy Priorities, holds a Ph.D. from Harvard University, 2010 (“The Zero-Sum Game: States Cannot Stimulate Their Economies by Cutting Taxes,” Center on Budget and Policy Priorities, March 2nd, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=3100, Accessed 06-27-2012)

State balanced-budget requirements prevent states from stimulating their economies by cutting taxes. If a state cuts a tax, it generally has to make an offsetting cut to expenditures for a program or service in order to maintain balance. This spending cut is likely to reduce demand in the state just as much as the reduction in taxes may stimulate demand.[1] It is at best a zero-sum game, where the gains in one area are offset by the losses in another.

Moreover, a tax cut designed to induce the hiring of additional private-sector workers may also cause the layoff of other workers in the public or private sector because of the loss in state or local revenue. When states cut spending, they lay off public employees, cancel contracts with private-sector vendors, and eliminate or lower payments to nonprofit organizations that provide direct services. Such steps lead to job losses in the private and nonprofit sectors, as well as the public sector. Thus, state-level tax cuts may shift employment from one sector (or business) to another, but the net effect is unlikely to be positive.

Because of this dynamic that occurs under a balanced budget requirement, a state cannot stimulate its economy during a fiscal crisis by cutting taxes — either through a general tax cut or one targeted to specific sectors of the economy.

#### Cuts create a drag on the economy.

Lav 10 — Iris J. Lav, Senior Advisor and former Deputy Director of the Center on Budget and Policy Priorities, Founding Director of the State Fiscal Analysis Initiative—a network of nonprofit organizations that work on state budget issues, currently teaches state and local finance at Johns Hopkins University School of Government, holds an MBA from George Washington University and an AB from the University of Chicago, and Robert Tannenwald, Senior Fellow at the State Fiscal Project of the Center on Budget and Policy Priorities, holds a Ph.D. from Harvard University, 2010 (“The Zero-Sum Game: States Cannot Stimulate Their Economies by Cutting Taxes,” Center on Budget and Policy Priorities, March 2nd, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=3100, Accessed 06-27-2012)

Given states’ balanced budget requirements, neither a broad-based tax cut nor a jobs credit can do much to increase overall economic activity in the state. If the state pays for a tax cut by reducing other spending, then the private-sector job induced by the credit replaces a job in the public sector, in a nonprofit organization that contracts with the state, or in another private-sector company that provides goods and services to the state. There is little or no net gain to the economy. Indeed, a state-level effort to stimulate the economy in this way can inadvertently create a fiscal drag on the state and national economy.

### Budget Cuts Bad – Econ

**State budgets are starting to recover now – but additional cuts and hamper economic growth and kill jobs**

**Oliff et al 6 – 27** – 12 (Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Chris Mai, Vincent Palacious, Center on Budget and Policy Priorities, “States Continue to Feel Recession’s Impact”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711> ck)

As a new fiscal year begins, the latest state budget estimates continue to show that states’ ability to fund services remains hobbled by slow economic growth. The budget gaps that states have had to close for fiscal year 2013, the fiscal year that begins July 1, 2012, total $55 billion in 31 states. That amount is smaller than in past years, but still very large by historical standards. **States’ actions to close those gaps,** in turn, **are further delaying the nation’s economic recovery**. The budget gaps result principally from weak tax collections. 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 are still far from fully recovered. As of the first quarter of 2012, state revenues remained 5.5 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. States expect to educate 540,000 more K-12 students and 2.5 million more public college and university students in the upcoming school year than in 2007-08.[1] And some 4.8 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.[2] Consequently, even though the revenue outlook is trending upward, states have addressed large budget shortfalls by historical standards as they considered budgets for 2013. The vast majority of these **shortfalls have been closed through spending cuts** and other measures in order **to meet balanced-budget requirements**. As of publication all but five states have enacted their budgets, and those five will do so soon. To the extent these shortfalls are being closed with spending 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 will 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. Potential strategies for lessening the impact of deep spending cuts include more use of state reserve funds in states that have reserves, more revenue through tax-law changes, and a greater role for the federal government.

**Spending cuts hurt the economy – decreases demand and kills jobs**

**Oliff et al 6 – 27** – 12 (Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Chris Mai, Vincent Palacious, Center on Budget and Policy Priorities, “States Continue to Feel Recession’s Impact”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711> ck)

Spending cuts are problematic during an economic downturn because they **reduce overall demand** and can **make the downturn deeper**. When states cut spending, they lay off employees, cancel contracts with vendors, eliminate or lower payments to businesses and nonprofit organizations that provide direct services, and cut benefit payments to individuals. In all of these circumstances, the companies and organizations that would have received government payments have less money to spend on salaries and supplies, and individuals who would have received salaries or benefits have less money for consumption. This **directly removes demand from the economy**.

### Budget Cuts Bad – Competitiveness

**Additional cuts harms the economy and US competitiveness long term**

**McNichol 4 – 18** – 12 (Elizabeth, Senior Fellow specializing in state fiscal issues, twenty years of experience working on state and local budget and tax issues, former director of the Center's State Fiscal Project, served as Assistant Research Director of the Service Employees International Union in Washington, D.C and was a staff member of the Joint Finance Committee for the State of Wisconsin Legislature specializing in property taxes and state aid to local governments, “Out of Balance”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3747> ck)

**Continued** heavy **reliance** on spending cuts to close budget gaps will slow the recovery and weaken the nation’s economy over the long term. State and local governments already have shed 641,000 jobs since August 2008; **additional rounds of cuts** will lead to further job losses in the months ahead. The cuts have also led states to cancel contracts with vendors, reduce payments to businesses and nonprofits that provide services, and cut benefit payments to individuals — all steps that remove demand from the economy. There are **long-term effects** as well: By diminishing the quality of elementary and high schools, making college less affordable, and reducing residents’ access to health care, the **cuts threaten to make the U.S. economy less competitive** in coming decades.

## AT: Funding Mechs

### AT: Ballot Measures

**Ballot measures fail- reduce flexibility**

Wachs 2003 (Martin, Ph.D. and M.S. in urban and regional planning, Northwestern University; B.S. in civil engineering, City University of New York, Local Option Transportation Taxes: Devolution as Revolution, http://www.uctc.net/access/22/Access%2022%20-%2002%20-%20Local%20Option%20Transportation%20Taxes.pdf AS)

Supporters tout the benefits of enumerating specific projects in the ballot measures. But voters thereby limit the transportation agencies’ flexibility in responding to changes in conditions or needs during the life of the measures. All but five of California’s transportation sales taxes earmark some amount of revenue for specific projects, limiting the power of transportation authorities to reset priorities once the tax has been approved. Even when funds are not earmarked for specific projects, the intended uses of revenue for specified program categories are constrained by ballot measures. Revenue shortfalls, cost escalations, or changing political sentiments about projects may mean that over time agencies will want to deviate from the list of voter-approved projects. Transportation authorities face pressure to expend funds in accordance with the ballot measures and to deliver on the commitments made by local political leaders regardless of changing budgets or shifting political priorities. This pressure can have serious drawbacks. There have proven to be many obstacles to the completion of projects administered by transportation authorities. And the transportation authorities are not required by ballot measures to base their implementation priorities on project cost-effectiveness, nor to spend sales tax revenues on mitigating potentially damaging environmental consequences.

### AT: Deficit Spend

**States would use spending cuts/tax increases to balance their budgets – can’t run a deficit**

**Johnson** 2 – 9 – **11** (Nicholas, Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities, a Washington, D.C-based research and policy institute. He directs the Center’s State Fiscal Project, which publishes frequent reports on how state budget and tax decisions are affecting families and communities, Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Erica Williams, “An Update on State Budget Cuts”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=1214> ck)

Virtually all states are required to balance their operating budgets each year or biennium. Unlike the federal government, states cannot maintain services during an economic downturn by running a deficit. States had record reserves heading into this recession, but those have mostly been drawn down. Since federal economic assistance is slated to expire well before state budgets have recovered, states must address remaining shortfalls with a combination of spending cuts and/or tax increases.

#### States printing money is unconstitutional

US Constitution 1787(Submitted for ratification September 28, 1787, US Constitution, Article 1 - The Legislative Branch, Section 10 - Powers Prohibited of States “U.S. Constitution Online,” http://www.usconstitution.net/xconst\_A1Sec10.html, ngoetz)

No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

### AT: Rainy Day Funds

#### Rainy Day Funds are insufficient—they’ve already been depleted by the downturn.

McNichol 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, 2012 (“Out of Balance: Cuts in Services Have Been States’ Primary Response to Budget Gaps, Harming the Nation’s Economy,” Center on Budget and Policy Priorities, April 18th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=3747, Accessed 06-27-2012)

States initially turned to their rainy day funds and other general fund balances to close budget gaps. Together, use of these reserve funds accounted for $57 billion (9 percent) of the measures taken to close the cumulative budget gaps that states faced in fiscal years 2008 through 2012.

[Table Omitted]

During and immediately following the recession that began in late 2007, 39 states reported using their rainy day funds to address budget shortfalls.[3] States had acted quickly after the 2001 recession to rebuild reserves. By the end of fiscal year 2006, total ending balances, which include both general fund balances and rainy day fund balances, had reached $69.0 billion (11.5 percent of budgets) — higher than the level of reserves prior to the 2001 recession.

These reserves played an important role in allowing states to maintain programs without large spending cuts and revenue increases, especially at the start of the fiscal crisis. Reserve balances declined from 11.5 percent to a projected 6.2 percent at the end of fiscal year 2012 according to the National Association of State Budget Officers. The amount expected to remain in reserves by the end of 2012 is even smaller for most of the states (only 3.7 percent of budgets on average) if you factor out Alaska and Texas – two states that by themselves account for almost half of the funds in reserves.[4]

But even reserves of this size proved much too small to address a downturn as deep as the 2007-09 recession. One lesson of this downturn is that states would be well-served to increase the size of reserves once the economy recovers sufficiently to allow restocking.

### AT: State Budgets Recovering

#### Slow growth ensures a long-term state budget crisis.

McNichol et al. 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, et al., with Phil Oliff, Policy Analyst with the State Fiscal Project at the Center on Budget and Policy Priorities, previously served as the Hugh L. Carey Fellow in Governmental Finance with New York State’s Division of Budget, holds an M.A. in Public Policy from Harvard University’s John F. Kennedy School of Government, and Nicholas Johnson, Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities, holds a graduate degree from Duke University's Terry Sanford Institute of Public Policy, 2012 (“States Continue to Feel Recession’s Impact,” Center on Budget and Policy Priorities, May 24th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=711, Accessed 06-27-2012)

Another major obstacle to recovery is sluggish economic growth. Unemployment remains above 8 percent, and many economists expect it to stay at high levels throughout 2012 and beyond. Continued slow job growth will restrain the rise in state tax receipts. This is especially true for the sales tax. High unemployment and economic uncertainty, combined with households' diminished wealth due to fallen property values, will continue to depress consumption, keeping sales tax receipts at low levels. If, as in past recessions, the incomes of the wealthy recover faster than those of low- and middle- income individuals and families, this would mitigate somewhat the effect of a sluggish job market on tax receipts, especially in states with progressive income taxes. Beyond depressing state revenue collections, the weak economy increases demand for Medicaid and other essential services that states provide. These factors suggest that state budget gaps will continue to be a problem for states for some time to come.

#### Cuts are still required to fund new programs.

McNichol 12 — Elizabeth McNichol, Senior Fellow at the Center on Budget and Policy Priorities specializing in state fiscal issues including the economy’s impact on state budgets and long-term structural reform of state budget and tax systems, holds an M.A. in Political Science from the University of Chicago, 2012 (“Out of Balance: Cuts in Services Have Been States’ Primary Response to Budget Gaps, Harming the Nation’s Economy,” Center on Budget and Policy Priorities, April 18th, Available Online at http://www.cbpp.org/cms/index.cfm?fa=view&id=3747, Accessed 06-27-2012)

The measures that states used to close their budget gaps, combined with the severity of the fiscal crisis that states faced, suggest that state services will remain at risk for a number of years. During the 1990s state spending grew at the same pace as the economy. States had sufficient revenue to accommodate rising health costs, growing school enrollments and other cost increases. In addition, in response to public demand, many states were able to increase their investment in elementary and secondary schools, reduce reliance on local property taxes, expand health coverage for low-income children and their families, and expand access to higher education. Much of this progress was rolled back as states cut their budgets in response to the recession of the early 2000s. The deeper recession that followed in 2007 resulted in further painful spending cuts before the states had recovered fully from the earlier recession.

The steep spending cuts of the last few years have caused declines in virtually all services provided by states. Even if state revenues begin to grow much faster than average, states will not be able to restore these cuts for a long time. The bottom line is that states will face significant shortfalls for a number of years in funding for education, health care, and other services unless they raise taxes or receive additional federal assistance.

### AT: State Revenues Solve

**Revenues aren’t enough – best case would take 7 years to get back on track – federal aid is key**

**Oliff et al 6 – 27** – 12 (Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Chris Mai, Vincent Palacious, Center on Budget and Policy Priorities, “States Continue to Feel Recession’s Impact”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711> ck)

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.

### AT: Taxes Solve

**States would increase taxes – that removes demand from the economy**

**Johnson** 2 – 9 – **11** (Nicholas, Vice President for State Fiscal Policy at the Center on Budget and Policy Priorities, a Washington, D.C-based research and policy institute. He directs the Center’s State Fiscal Project, which publishes frequent reports on how state budget and tax decisions are affecting families and communities, Phil Oliff, Policy Analyst with the State Fiscal Project, work includes tracking state revenue collections and property tax issues, former Carey Fellow in Governmental Finance with New York State’s Division of Budget, Erica Williams, “An Update on State Budget Cuts”, <http://www.cbpp.org/cms/index.cfm?fa=view&id=1214> ck)

States are taking actions to mitigate the extent of these cuts. Since the recession began, over 30 states have addressed their budget shortfalls in part by increasing taxes. Like budget cuts, tax increases remove demand from the economy by reducing the amount of money people have to spend. But tax increases can be less detrimental to state economies than budget cuts because some of the tax increases affect upper-income households, so are likely to result in reduced saving rather than reduced consumption. Many more states will need to consider tax increases or other revenue measures, as well as such steps as tapping remaining state rainy day funds, as a way to minimize harmful budget cuts.

### AT: Tax Referendum

**Tax referendums fail- limit efficiency and flexibility in determining spending for funds**

**Wachs 2003** (Martin, Ph.D. and M.S. in urban and regional planning, Northwestern University; B.S. in civil engineering, City University of New York, Local Option Transportation Taxes: Devolution as Revolution, http://www.uctc.net/access/22/Access%2022%20-%2002%20-%20Local%20Option%20Transportation%20Taxes.pdf AS)

Transportation tax referenda around the nation are often assumed to be nothing more than a new and politically expedient way of raising needed revenue; but they are doing much more than that. In addition to raising money, they are gradually but inexorably changing the way we finance transportation systems in four fundamental ways: 1) The growing popularity of sales taxes is shifting the financial base of our transportation system from user fees to general taxes paid by all citizens, regardless of their direct reliance on the transportation system. Economists find that user fees have at least some tendency to induce more efficient use of the transportation system; higher fuel taxes might, for example, encourage motorists to acquire more fuel-efficient vehicles. In contrast, general taxes provide no incentive for greater transportation efficiency of any sort. And, while sales taxes and fuel taxes are both regressive, the effects on the poor of user fees are tempered by the fact that those who pay them always benefit from them, while sales taxes burden non-users as well as users. When fuel taxes were adopted in the ’20s they were considered “second best” solutions; tolls were better but administratively complex. Today, we can lessen the problems associated with toll collection by implementing electronic systems like Fastrak or Easy Pass. Ironically, user fees are declining in favor of general taxes just as technology is making them more feasible. 2) The rising use of county sales taxes and the growing role of metropolitan transportation planning are consistent with a national trend toward devolution, but federal policy and the rise of county tax measures are in fundamental conflict. While Congress and many states are devolving transportation decision making to the regional level by enhancing the powers of metropolitan planning organizations, county sales taxes can undermine the influence and authority of those groups by focusing resources and decision making on counties and other smaller units of government. 3) Gradually, local taxes are increasingly limiting the transportation policymaking authority of elected officials by requiring that transportation funds be spent strictly in accordance with the language of the ballot measures over fairly long periods of time. And project lists are gradually eliminating the flexibility necessary to adapt to changing needs. 4) While transportation planners and engineers often apply analytical procedures like benefit-cost analysis to determine which investments should be selected, ballot measures proposing local transportation taxes substitute election campaigns—sometimes called “beauty contests”—for analysis. Many believe that greater reliance should be placed on analysis of project cost effectiveness, but by listing popular projects in the sales tax measures, we are gradually limiting the relevance of systematic analysis in project selection. While local control and direct democracy are American ideals, it is probably not appropriate for voters to preempt the application of technical expertise in the design and management of transportation systems.

## Answers to State Reserve Banks

### 2AC—Must Read

#### The counterplan either raises revenue through taxation—which doesn’t solve Keynesianism—or it raises money from the Fed—which is not competitive.

Lemrov 12—Penelope Lemov is a correspondent and part-time editor for GOVERNING. She is the former Health columnist for GOVERNING and was senior editor for several award-winning GOVERNING features. (“The Case for a State-Owned Bank,” Published Online for GOVERNING on April 12, 2012, Available Online at http://www.governing.com/columns/public-finance/col-case-state-owned-bank-north-dakota.html)

How would a new state-owned bank be capitalized?

One way might be for a state to put in an initial investment. State tax revenue is one way, too. I've been on an advisory committee U.S. Sen. Bernie Sanders of Vermont put together on reforming the Federal Reserve. (Also on this committee are economists Joseph Stiglitz, Jeffrey Sachs, Robert Reich and James Galbraith.) In the course of discussions, it has been proposed that the Federal Reserve help capitalize an infrastructure bank. I don't see why it couldn't do that for a state-owned bank. Just like the Federal Reserve used quantitative easing in the past few years, there's nothing economically or financially problematic for the Federal Reserve to simply purchase shares -- either common stock, preferred stock or debt securities -- from state-owned banks. Qualitative easing programs don't add to the deficit. If the Federal Reserve pushed several billions of dollars into state infrastructure banks -- the country needs $3 trillion in new investment in infrastructure over the next decade -- we would reduce the public deficit quickly. If state infrastructure and commercial banks start lending and financing infrastructure projects and business development, that will help renew the tax base. There are 13 million people out of work and businesses are hurting. They don't pay as much in taxes. That's been one of the real problems in public finance in past three years.

#### State banks fail—there is no guarantee that the federal reserve would capitalize them

Schramm 12—Jill Schramm is a Staff Writer for the Minot Daily News (“State bank might not fit all but works for N.D.” Published Online for the Minot Daily Times on May 3, 2012, Available Online at http://www.minotdailynews.com/page/content.detail/id/565282/State-bank-might-not-fit-all-but-works-for-N-D-.html?nav=5010)

However, the publisher of the Northwestern Financial Review’s “Local Banker” magazine warned states in the spring issue against modeling North Dakota. Tom Bengtson wrote that the Bank of North Dakota profits are impressive, but he urged other states to back away, given the potential for politics and conflict of interest and the lack of federal deposit insurance.

Hardmeyer and Clayburgh acknowledge the potential pitfalls but just haven’t seen them.

“What works here in North Dakota may or may not work in other states, but we know that it works here,” Clayburgh said.

### They Say: “North Dakota Proves”

#### North Dakota’s surpluses are due to oil revenue—*not* because they have a state bank

Prah 12—Pamela M. Prah, Stateline Staff Writer for Governing.com (“Fueled by Oil Boom, North Dakota Surplus to Hit $2 Billion,” Published Online for Stateline, a nonpartisan, nonprofit news service of the Pew Center on the States that reports and analyzes trends in state policy for GOVERNING, on June 21, 2012, Available Online at http://www.governing.com/news/state/North-Dakota-Surplus-to-Hit-2-Billion-This-Year.html)

North Dakota’s billion-dollar surplus just keeps getting bigger.

Thanks in large part to a boom in oil production, the state’s budget reserves are expected to top $2 billion by the end of June 30, 2013, the end of the two-year budget cycle, according to new figures released earlier this week by the state Office of Management and Budget.

Broken down by category, the state expects to have a surplus of almost $850 million in its general treasury in June 2013. In March, the prediction was $592 million, The Associated Press reported.

Another $1.2 billion is now in four reserve funds. Specifically, a budget rainy-day fund currently has $386 million; an oil tax trust fund has $352 million; a school aid fund has $204 million; and a fund for local property tax relief has $261.8 million, according to the report OMB Director Pam Sharp provided to lawmakers on Tuesday (June 19).

The budget surplus and property taxes are already issues in this fall’s governor’s race. State Senate Minority Leader Ryan Taylor, the Democratic challenger who hopes to defeat Republican incumbent Governor Jack Dalrymple, this week outlined his three-part plan for reducing property taxes, paid for by the state’s surplus.

North Dakota this month voters had the chance to become the first in the country to end property taxes, but decisively defeated a ballot measure to do so.

But as Stateline has reported, even with a defeat at the polls, the debate on property taxes is far from over. Even after moving to lower property taxes in 2009 and 2011, North Dakota lawmakers are already debating various new ways to reduce property taxes when the legislature reconvenes in 2013. For example, one proposal that’s gained some traction would exempt the first $75,000 in value of every primary residence from property taxes.

The $1.2 billion in reserve funds are not immediately accessible, the AP noted in its report. None of the oil-tax “Legacy Fund,” for example, may be spent until 2017, according to restrictions included in the North Dakota constitutional amendment that established the fund two years ago, the AP said.

North Dakota’s sales tax collections were nearly 53 percent more than originally projected through May and individual income taxes were 60 percent higher than expected, according to the state OMB report.

North Dakota recently became the country’s No. 2 oil producer, surpassing Alaska and following only Texas.

#### North Dakota is not a model for the rest of the country—multiple reasons

Schramm 12—Jill Schramm is a Staff Writer for the Minot Daily News (“State bank might not fit all but works for N.D.” Published Online for the Minot Daily Times on May 3, 2012, Available Online at http://www.minotdailynews.com/page/content.detail/id/565282/State-bank-might-not-fit-all-but-works-for-N-D-.html?nav=5010)

Often the Bank of North Dakota’s revenue is what first gets the attention of other states. The bank returned about $350 million to the state treasury over a span of about a dozen years.

Clayburgh said starting a state bank as a route to prosperity isn’t necessarily wise. North Dakota avoided recession for a number of reasons, including a strong farm economy and oil boom, he said.

Hardmeyer said the state bank does have a role in boosting the economy, though.

“That’s what we are all about. We are here to encourage economic development in the state and financial projects that fit into the strategy of moving the state forward. So I would hope that we have some impact on the success,” he said.

Hardmeyer said the bank’s areas of influence are in economic development, assisting small community banks to leverage additional credit and increase loans, ensuring that capital flows during tight times and financing recovery from natural disasters. A Rebuilders Loan program to provide low-interest loans to help Minot-area residents rebuild from the flood is an example.

Hardmeyer said he’s fielded inquiries from bankers, trade associations and legislators, but can only say how the bank has benefited North Dakota and not whether other states can benefit from a similar model.

Starting a state bank in current times may be more complex than it was in 1919. If North Dakota didn’t have a state bank, starting one today could be difficult, Clayburgh said.

North Dakota founded its state bank in an environment in which its rural citizens felt the need to break away from the eastern banking interests. Hardmeyer said an undercurrent of resentment toward big banks created by the financial crisis in 2008 may be fueling some of the talk about state banks.

“Times are different, but there was kind of that thread of disappointment,” he said. “The Bank of North Dakota was created because of a sense of disappointment. In a way, I see some similarity there.”

### Links to Politics

#### The counterplan links to politics—the banking sector hates the idea

Lemrov 12—Penelope Lemov is a correspondent and part-time editor for GOVERNING. She is the former Health columnist for GOVERNING and was senior editor for several award-winning GOVERNING features. (“The Case for a State-Owned Bank,” Published Online for GOVERNING on April 12, 2012, Available Online at http://www.governing.com/columns/public-finance/col-case-state-owned-bank-north-dakota.html)

What kind of headwinds does a state face in setting one up?

The private banking sector is resistant. It wants public funds deposited with its banks -- it doesn't want a competitor in taking deposits and making commercial loans. The political opposition is fierce. North Dakota's bank leaders admit that if the state were considering creating this bank today, it would have political problems -- even though it is fantastically successful. To overcome the political opposition of big banks requires an informed public, and that's a challenge on so many issues.

# Economy - Education

## Education Mod

#### State economies growing- budgets are tenuous

**Hayes 7-13** (Melissa, who has worked at The Record since 2010, covers Gov. Chris Christie and politics for the State House Bureau, Governors to tackle economic development, federal healthcare law at annual meeting, http://blog.northjersey.com/thepoliticalstate/3867/governors-to-tackle-economic-development-federal-healthcare-law-at-annual-meeting/ AS)

Governors said they plan to put aside partisan politics to work together over the next few days to deal with issues like the implementation of federal health care reforms and the need to create more jobs in states across the country. Three governors held a news conference this morning to kick off the National Governors Association meeting in Colonial Williamsburg. Host Gov. Bob McDonnell, R-Virginia, joined NGA Chairman Gov. Dave Heineman, R-Nebraska, and NGA Vice Chairman Jack Markell, D-Delaware, at the event in the Old Capitol. In total there are 26 governors participating in the conference, including Governor Christie who will be here tomorrow. This year’s theme is “Growing State Economies,” and Heineman announced he would be giving governors a report, “A Policy Framework,” which highlights six issues and activities state’s can address to improve job creation. Each governor will also receive an individual economic profile of their state, he said. “States continue to face fiscal challenges, which is why I chose ‘Growing State Economies’ as my chair’s initiative,” he said. “Economic growth and job creation is fundamental to our success and our future and it is the most important issue facing governors. We want to help the private sector grow and create new job opportunities for our citizens.” Economic development has been a key issue for Christie, who tasked Lt. Gov. Kim Guadagno with focusing on improving the state’s business climate.

#### That destroys American primacy

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

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

#### Great power wars

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

Over the past two decades, no other state has had the ability to seriously challenge the US military. Under these circumstances, motivated by both opportunity and fear, many actors have bandwagoned with US hegemony and accepted a subordinate role. Canada, most of Western Europe, India, Japan, South Korea, Australia, Singapore and the Philippines have all joined the US, creating a status quo that has tended to mute great power conflicts. However, as the hegemony that drew these powers together withers, so will the pulling power behind the US alliance. The result will be an international order where power is more diffuse, American interests and influence can be more readily challenged, and conflicts or wars may be harder to avoid. As history attests, power decline and redistribution result in military confrontation. For example, in the late 19th century America’s emergence as a regional power saw it launch its first overseas war of conquest towards Spain. By the turn of the 20th century, accompanying the increase in US power and waning of British power, the American Navy had begun to challenge the notion that Britain ‘rules the waves.’ Such a notion would eventually see the US attain the status of sole guardians of the Western Hemisphere’s security to become the order-creating Leviathan shaping the international system with democracy and rule of law. Defining this US-centred system are three key characteristics: enforcement of property rights, constraints on the actions of powerful individuals and groups and some degree of equal opportunities for broad segments of society. As a result of such political stability, free markets, liberal trade and flexible financial mechanisms have appeared. And, with this, many countries have sought opportunities to enter this system, proliferating stable and cooperative relations. However, what will happen to these advances as America’s influence declines? Given that America’s authority, although sullied at times, has benefited people across much of Latin America, Central and Eastern Europe, the Balkans, as well as parts of Africa and, quite extensively, Asia, the answer to this question could affect global society in a profoundly detrimental way. Public imagination and academia have anticipated that a post-hegemonic world would return to the problems of the 1930s: regional blocs, trade conflicts and strategic rivalry. Furthermore, multilateral institutions such as the IMF, the World Bank or the WTO might give way to regional organisations. For example, Europe and East Asia would each step forward to fill the vacuum left by Washington’s withering leadership to pursue their own visions of regional political and economic orders. Free markets would become more politicised — and, well, less free — and major powers would compete for supremacy. Additionally, such power plays have historically possessed a zero-sum element. In the late 1960s and 1970s, US economic power declined relative to the rise of the Japanese and Western European economies, with the US dollar also becoming less attractive. And, as American power eroded, so did international regimes (such as the Bretton Woods System in 1973). A world without American hegemony is one where great power wars re-emerge, the liberal international system is supplanted by an authoritarian one, and trade protectionism devolves into restrictive, anti-globalisation barriers. This, at least, is one possibility we can forecast in a future that will inevitably be devoid of unrivalled US primacy.

## Uniqueness

#### Current Education funding is sufficient but budget constraints cause cuts in education

McWhirter et al, Staff Reporter for WSJ, 6/15 (Cameron, with Jack Nicas, 6/15/12, WSJ, http://online.wsj.com/article/SB10001424052702303734204577466470850370002.html, “Universities Feel the Heat Amid Cuts,” AM)

After decades of growth, total state funding for higher education has dropped by 15% since 2008, adjusted for inflation, to an estimated $72.5 billion this fiscal year, as states have struggled with budget deficits. In states like Arizona, South Carolina, and New Hampshire, cuts have surpassed 25%. The declines are even sharper when taking into account increases in enrollment—meaning schools have thousands of dollars less to spend on each student. Federal funding for university research also has been shrinking, adjusted for inflation, while such funding in other countries like China, Japan and South Korea has grown. "The pressures on these institutions are just massive," said Bank of America Corp. Chairman Charles Holliday Jr., who headed the committee. Many schools have responded by jacking up tuition, which is fueling public anger and inflating student debt levels. Schools are also cutting costs by increasing class sizes and using more adjunct professors. This comes after many universities have seen huge growth in their budgets in recent decades. At the University of Virginia, state funding has dropped to 5.6% of the total budget this year from 26.2% in 1990. But the university's total budget ballooned during the same period to $2.58 billion from $678 million.

## Internal Link

#### Funding is Key to Solve Education Problems (also answers alt causes)

Cannon, General Assignments Writer for UVAToday, 5/8 (H. Brevy, 5/8/12, http://www.virginia.edu/uvatoday/newsRelease.php?id=18377#, “U.Va. Study: Turnaround Schools in California See Striking Early Success,” AM)

Among California's persistently lowest-achieving schools, those that have implemented aggressive turnaround reforms mandated by the federal government are showing significant improvements just one year later, a new study finds. The study provides early evidence that the Obama administration's $3.5 billion investment in improving the nation's most chronically underperforming schools is working, according to study author Thomas S. Dee, a professor of public policy and economics at the University of Virginia's Frank Batten School of Leadership and Public Policy. The study, "School Turnarounds: Evidence from the 2009 Stimulus," was recently published as a working paper by the National Bureau of Economic Research, where Dee is a research associate. One year after 82 of California's worst-performing schools enacted major reforms as a condition of receiving federal funds from the School Improvement Grant program – worth up to $2 million per school annually over three years – those schools, on average, have closed 23 percent of their achievement gap in meeting the state's performance targets for student test scores, the study found.

## Impact – Competitiveness

#### Government Funding for Education is key to Competitiveness

Epstein, Senior Education Analyst for Center for American Progress, ’11 (Diana, 8/8/11, Center for American Progress, 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, “Investing in Education Powers U.S. Competitiveness: Education Funding Must Be Preserved,” AM)

Education is the key to American competitiveness and a strong economy, and continued federal investment in education is needed in order to support improvements in student achievement and put our economy on the path to sustained growth. The United States suffers from persistent differences in achievement between groups of students defined by race/ethnicity or family income, and our students also rank well behind those in eco- nomically competitive countries on international tests. We must continue to invest in education in order to create a system that is more equitable and that produces American students who are more competitive in the global marketplace for talent.

#### Strong Education in STEM solves Primacy

ASHRAE, ’12 (American Society of Heating, Refrigerating, and Air-Conditioning Engineers, 6/12, www.ashrae.org/.../STEM-Competitiveness-APPROVED-6-2011.pdf, “SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS EDUCATION & COMPETITIVENESS,” AM)

Strong education in science, technology, engineering and mathematics (STEM) is critical to America’s global competitiveness. Our future standard of living depends on developing future technicians, engineers and scientists. With today’s global economy, concerns about American workforce competitiveness have emerged. Even students pursuing non-STEM specialties need basic knowledge of scientific and technological applications for effective participation in the workforce, success in their personal lives, and responsible citizenship. The National Academy of Sciences (NAS) report, Rising Above the Gathering Storm (2007) expresses a “deep concern that the scientific and technological building blocks critical to our economic leadership are eroding at a time when many other nations are gathering strength.” Just over one-third of U.S. fourth and eighth graders perform at or above a “proficient” level in mathematics. Alarmingly, about one-fifth of fourth graders and one-third of eighth graders lack the competence to perform even basic mathematical computations.1

#### Cuts in Education hurt Global Competitiveness of US universities

McWhirter et al, Staff Reporter for WSJ, 6/15 (Cameron, with Jack Nicas, 6/15/12, WSJ, http://online.wsj.com/article/SB10001424052702303734204577466470850370002.html, “Universities Feel the Heat Amid Cuts,” AM)

A panel of business and academic leaders warned funding cuts to higher education are hurting the global competitiveness of U.S. research universities, the latest sign of financial strain that is intensifying battles over school leadership and has led to several high-profile departures of university presidents. U.S. research universities "are in grave danger of not only losing their place of global leadership but of serious erosion in quality," the committee of 22 academic, business and nonprofit leaders warned in a 250-page report issued Thursday. The report, commissioned by Congress, called for a combined effort among the schools, governments and corporations to reverse the decline.

## Impact – Economic Growth

#### Education Funding is key to Economic Growth

Epstein, Senior Education Analyst for Center for American Progress, ’11 (Diana, 8/8/11, Center for American Progress, 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, “Investing in Education Powers U.S. Competitiveness: Education Funding Must Be Preserved,” AM)

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

#### Higher Education is key to Job Growth

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

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.”

# Bioterror

#### State budget cuts destroys bioterror responsiveness

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

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

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

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

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

#### Nuclear war

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

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

# Coordination

## CP Fails – Coordination

#### No coordination amongst the states- means no CP uniformity

**EPIC 2012** –(Energy Policy Information Center, “You say you want a devolution; transportation policy and energy security,” March 8th http://energypolicyinfo.com/2012/03/you-say-you-want-a-devolution-transportation-policy-and-energy-security/)AS

That’s an interesting idea, but misguided. States do determine their own transportation priorities today, except when Congress earmarks — DeMint and others are right in their opposition to that practice. But in general, construction priorities aren’t dictated to the states — but national needs and priorities are given additional national funding that the states then spend in accordance with those needs. And while Senator DeMint is correct when he says that the system “is plagued by thousands of wasteful earmarks, bureaucratic red tape, and outdated funding formulas that pick winners and losers,” that’s a good reason to reform the system, not throw up our hands and just let individual states decide our national transportation policy through 50+ disparate and uncoordinated efforts. This is especially the case given the huge macro and microeconomic toll inflicted by our transportation-driven dependence on petroleum. While there are others, that’s reason enough for a national transportation policy and reason enough to be wary of seductive calls for devolution.

#### Too uncoordinated to solve

**Maki 2012** –(Wilbur R. professor at the University of Minnesota, Department of Agricultural and Applied Economics “Infrastructure: Rural America,” March 7th http://american-business.org/3423-infrastructure-rural-america.html) AS

State and local infrastructure planning efforts remain piecemeal and uncoordinated. There still is no clear consensus about the implications of these changes on the varying local demands for the many different kinds of infrastructure investments that most clearly affect the well-being of rural residents and their local economic base. Spending for broadband and related capital facilities are still being excluded from current infrastructure development initiatives.

# Delay

## CP Fails – Conflict of Laws

#### Conflict of laws delays implementation

**Ernst ‘77**

professor (Thomas J., "Legal Problems Affecting Interstate Transportation Agencies," Valparaiso University Law Review Volume 11 Number 3, Spring 1977, http://scholar.valpo.edu/cgi/viewcontent.cgi?article=1674&context=vulr) CS

Regionalism is still a strong concept attractive to many policymakers in interstate areas. Areawide transportation authorities continue to be proposed' as the solution to metropolitan traffic jams and gasoline shortages. Prior to the establishment of additional interstate transportation agencies, urban leaders would do well to ponder the major legal problems involved in the formation and subsequent operation of a new interstate transportation agency, as conflict of laws issues will prove a problem to such an agency from its inception. Traditional conflict of laws questions arise quite often for an interstate transit agency involved in numerous traffic accidents. The number and severity of such accidents varies from one transit agency to another, depending upon several different factors, but even the finest interestate transportation agency operating buses and other transit vehicles cannot avoid involvement in some traffic accidents. Should the victim of one of these accidents wish to bring suit against the transit agency, an issue closely related with conflicts questions will demand resolution: which of the concerned states or the federal government has the proper jurisdiction to try such an action? For instance, when the transit agency exists through an interstate compact authority created pursuant to the compact clause of the United States Constitution,' a traffic accident involving that agency may result in a wrongful death action being brought against the agency in the federal district courts.

## CP Fails – Funding

#### Can't solve: fiscal equity and distribution

Ernst ‘77

professor (Thomas J., "Legal Problems Affecting Interstate Transportation Agencies," Valparaiso University Law Review Volume 11 Number 3, Spring 1977, http://scholar.valpo.edu/cgi/viewcontent.cgi?article=1674&context=vulr) CS

The distribution of transit benefits and allocation of federal and non-federal fiscal resources are two potential causes for litigation. If one state consistently contributes less than its fair share of monies, citizens of the other state are unduly burdened for transit services never received. Transit operations in State Y could be as frequent, with comparable equipment, with equally skilled drivers, maintenance and supervisory personnel as those provided citizens of State X. But if the citizens of State X are paying for eighty percent or more of all operating cost, if state X is providing a disproportionate share of local monies to match federal capital resources, litigation may result if the evenly divided Board of Commissioners fails to act in rectifying this fiscal imbalance. Conversely, perhaps the state providing most of the money is receiving most of the benefits-all of the new buses, the bulk of new passenger shelters, and all the new demand-response vehicles. Under such circumstances, minority persons in the under-served state may bring a Title VI equal protection action. The important point for planners and appropriate officials to note is that the problems raised in this hypothetical will almost certainly arise during the existence of any interstate transit agency. Distribution of services and fiscal equity are two of the most troublesome problems facing modern transit operators. In litigating such situations, minority or under-served state plaintiffs would rely on many of the Title VI cases cited earlier in this article. Further, plaintiffs suing for lack of representative voting rights would allege that the existence of "state action" is established through the governmental processes needed to create the interstate transit agency. The concept of "state action" has even been applied to privately-owned transit operators. .

## CP Fails – Approval

#### Compacts are slow – process and implementation take forever

**Zimmerman ‘4**

PhD, professor of political science at Rockefeller College (Joseph, "Regulation of Professions by Interstate Compact," CPA Journal, May 2004, Vol. 74 Issue 5 p 22-28, http://web.ebscohost.com/ehost/detail?sid=a4f79e73-7bad-4765-b981-7cd6043502b9%40sessionmgr14&vid=1&hid=8&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bth&AN=13276866&anchor=AN0013276866-3) CS

The Negotiation and Ratification Process The process of enacting a compact involves three steps: negotiators reaching an agreement on a tentative compact; enactment of the compact by concerned state legislatures; and congressional grant of consent if the compact is political in nature (see below). Political obstacles typically arise during each step, even for relatively simple compacts established or proposed in the past, and may become an insurmountable obstacle. Compact negotiations. Gubernatorially appointed members representing their state on joint commissions negotiated and drafted all interstate compacts until 1930. The advantages of this method include the prestige of the commission, staff assistance, and the ability to continue negotiations over a substantial period of time. This method has been supplemented with other approaches, as illustrated by the proposed Interstate Insurance Product Regulation Compact, which was drafted by the National Association of Insurance Commissioners (NAIC), and the Nurse Licensure Compact, which was drafted by the National Council of State Boards of Nursing. Commissioners critically examine each draft compact provision and seek to include only provisions perceived to be acceptable to their respective state legislatures. Individual negotiators may raise major administrative, financial, substantive, and technical issues that must be resolved. Unanimity must be reached on each issue, often an extremely difficult task, before the compact can be submitted to each concerned state legislature. A negotiated compact proposing creation of only a study commission charged with developing recommendations to solve a specific problem or of a commission financed entirely by user fees generally involves a limited financial commitment by each compacting state and may not encounter serious legislative opposition. One or more legislative leaders in each state, however, may inform negotiators that the compact will not be enacted unless it is amended to authorize specified forms of gubernatorial or legislative oversight. Fears that political checks on the activities of the proposed compact commission could impair its functioning provide additional impetus for prolonged negotiations. In addition, governors may instruct negotiators to ensure that their states' political interests are safeguarded. Not surprisingly, state legislators may redebate many of the issues addressed by compact negotiators. If the latter fail to keep in close contact with legislative leaders or the governor, the legislature may reject the compact bill or the governor may veto it. Negotiators also may be instructed to renegotiate certain contentious compact provisions. The establishment of a compact also may be delayed or complicated by political concerns. The process of obtaining the approval of each state legislature can be lengthy because each statute must be identical to statutes enacted by the other states. There are many examples of prolonged delays prior to the enactment of an interstate compact by all concerned state legislatures. Five years were required to secure the necessary enactments for the Atlantic States Marine Fisheries Compact, which became effective in 1942. The Illinois, Indiana, Michigan, Minnesota, and Wisconsin state legislatures enacted the Great Lakes Basin Compact in 1955, but enactment was delayed in Pennsylvania (1956), New York (1960), and Ohio (1963). Compact implementation also may be delayed or prevented if one or more of the concerned states make participation contingent upon specified other states enacting the compact, as illustrated by the Ohio River Valley Sanitation Compact. The party state legislatures or the compact also can make its execution conditional upon Congress initiating specific actions. Furthermore, a compact may not be self-executing and a governor may decide not to execute it. The 1936 New York State Legislature enacted a non-self-executing compact--the Interstate Compact for the Supervision of Parolees--and it was not executed for eight years because of the refusal of Governor Herbert H. Lehman to execute it.

#### Multi-State compact need to be approved by each State– that process will take forever.

**Council of State Governments ‘3**

(nonpartisan organization that brings state leaders together to share ideas, advocates the interests of the states, https://docs.google.com/viewer?a=v&q=cache:XodKT3ZyjLgJ:ssl.csg.org/compactlaws/Introoverview.doc+&hl=en&gl=us&pid=bl&srcid=ADGEESiNcV1zWAJGONKIJRrz0EZd-4bv\_JNCJ7NM1teMUO2WKPME-RUTlAulqZWzHTyKZGoIg3YqX-HlOJQ0-Vj4XT9r08BpXP5mjLY4LPjupwmMhIx7pKZFHL05vXXZj52XPp4V6ItK&sig=AHIEtbQVB7kbD5DGcl6ri0CQT1C4RBf8Vg) CS

Compacts are not always complicated, but they take time, especially if their subject matter is controversial. A study of 65 interstate compacts conducted in the early 1960s indicated that the average amount of time required to launch a new compact was almost five years. But that study was admittedly skewed by the unusually long time required for the approval of several compacts that dealt with controversial natural resource issues. In fact, the average time required to enact 19 compacts covering river management and water rights was almost nine years. Without these extremes, the prospects appear more manageable. In recent years, there have been some remarkable success stories. For example, in December 1989, a committee of the Midwestern Legislative Conference approved draft language for the Midwestern Higher Education Compact and began circulating it to lawmakers in the twelve Midwestern states that were eligible to participate. Just 13 months later, the compact became effective.

# Fragmentation

## CP Fails – Fragmentation

#### States fail- even uniformity doesn’t solve for fragmentation

**Miller 2009** (John, Virginia Transportation Research Council Office of Intermodal Planning and Investment, Virginia’s Long-Range Multimodal Transportation Plan 2007-2035 INSTITUTIONAL CHANGES IN TRANSPORTATION DECISION MAKING, http://www.virginiadot.org/projects/vtransNew/resources/VTrans2035\_Decisionmaking\_FINAL.pdf AS)

The literature highlights two strengths of MPOs. One is that the MPO brings diverse local interests together: Mason (2008) notes that “as local jurisdictions become major revenue sources, the potential for fragmentation or balkanization of state and regional transportation systems increases.” Pedersen and Morris (2007) argue that technical expertise will define the power of future MPOs, noting that “the most successful MPOs of 2020 will be those deriving their authority and relevance by adding value to the most important issues of the day, rather than relying primarily on federal regulations for their authority.” The fact that authority can be derived from technical expertise is not new: Hazard (1988) argued that such expertise was one of six critical ways that federal agencies accrue power (the other methods relating to federal mandates, resources, organizational efficiency, access to decision makers, and ability to work with advocacy groups or stakeholders.) Yet with the exception Portland (Oregon) where the region has constitutional authority equivalent to a city or county (McKenzie, 2007), MPOs’ authority is limited to what can be achieved through consensus with localities and states. Ross et al. (2008) state that “A wellmanaged, well funded, and well-regarded MPO can incorporate regional needs into local transportation planning. Yet most MPOs must still answer to local political forces which may not be willing or able to advocate regional policies.” This limitation of MPOs to act regionally had also been noted prior to the passage of ISTEA, when Menchik (1987) explained that while “MPOs can serve as a valuable forum for state-local, local-local, and intrastate communication and plan making, they generally cannot by themselves ‘reconcile’ diverse interlocal goals and priorities.”

#### Devolution removes any incentive to maintain underserved areas- only the federal government creates a comprehensive system

**Miller 2009** (John, Virginia Transportation Research Council Office of Intermodal Planning and Investment, Virginia’s Long-Range Multimodal Transportation Plan 2007-2035 INSTITUTIONAL CHANGES IN TRANSPORTATION DECISION MAKING, http://www.virginiadot.org/projects/vtransNew/resources/VTrans2035\_Decisionmaking\_FINAL.pdf AS)

A transportation network reflects economies of scale that accrue from a series of interdependent connections. Similarly, if a needed improvement at location x is not implemented, such as a signal retiming, a shortened transfer between two modes of travel, or a roadway improvement bypassing a congested area, then the foregone performance improvement is felt throughout the entire transportation system—not just by those travelers who live or work near location x. Giuliano (2007) writes that “if all responsibility for the Interstate system were devolved to the states, individual states would have little incentive to maintain” underused segments such that the interstate system would not likely survive in its present form. In fact, Giuliano (2007) notes that the most recent reauthorization (SAFETEA-LU) “is a much weakened structure for stewardship of the National Highway System” citing as evidence the prevalence of earmarks and minimum percentages to states of donated highway funds, known as guarantees. Yusuf et. al. (2008) suggest that objective indicators of need (e.g., volumes, road conditions, future growth, or economic development impacts) are often “ambiguous or conflicting,” which contributes to a situation where issues of local concern may be weighted more heavily than the “general interest.”

#### Devolution creates a fragmented system which increases costs over the long run

**Miller 2009** (John, Virginia Transportation Research Council Office of Intermodal Planning and Investment, Virginia’s Long-Range Multimodal Transportation Plan 2007-2035 INSTITUTIONAL CHANGES IN TRANSPORTATION DECISION MAKING, http://www.virginiadot.org/projects/vtransNew/resources/VTrans2035\_Decisionmaking\_FINAL.pdf AS)

Broad social benefits are evident for a variety of local projects: adding a new freeway interchange yields regional economic development and investments in a rail system reduces freight transport costs. Whereas a single entity can presumably make a tradeoff between regional benefits and local disbenefits, the distribution of authority to a variety of smaller units means increases the number of adverse impacts that must be addressed. Giuliano (2007) cites as evidence Los Angeles’ rail transit program, noting that although only a few corridors could support rail transit, the decentralized structure of multiple jurisdictions and no strong regional authority meant that all jurisdictions needed some component of rail transit in order for a rail plan to move forward. Accordingly, Los Angles emerged with an overly ambitious plan that resulted in several lines with insufficient demand, and, when such lines are built, a larger subsidy than anticipated will be required. As another example, a local community may not have an incentive to invest in port improvements (U.S. Department of Transportation, Maritime Administration, 2005), even though such investments in capacity may reap national benefits. Consequently the “last mile” (e.g., the connection between the national highway system and the port) is particularly problematic and in some cases has taken over a decade to improve (U.S. Department of Transportation, Maritime Administration, 2005).

#### Fragmentation increases delays

**Miller 2009** (John, Virginia Transportation Research Council Office of Intermodal Planning and Investment, Virginia’s Long-Range Multimodal Transportation Plan 2007-2035 INSTITUTIONAL CHANGES IN TRANSPORTATION DECISION MAKING, http://www.virginiadot.org/projects/vtransNew/resources/VTrans2035\_Decisionmaking\_FINAL.pdf AS)

A third concern of devolution is that when the various components of a transportation system are managed by different decision making entities, travelers may perceive variation in the how the facility is operated. While these different decision making entities may be local jurisdictions, they may also be different functional units within the same organization. Bonneson et. al. (2009), for example, note that the delegation of traffic signal maintenance and operations procedures to individual DOT districts may lead to “operational inconsistencies and sub-optimal performance” which in turn could increase delays. The devolution in this case is within the state Department of Transportation, which suggests that devolution can occur without changing the structure of an organization but rather through altering the autonomy of units within that organization. O’Connell et. al. (2005) note that more consistent standards may be used to make capital investment decisions when a centralized state commission oversees project selection (where the commission is not comprised of elected officials). In terms of regional operation, High Occupancy Toll (HOT) lanes are an instance where a “centralized” rather than a “decentralized” governance structure is recommended in order to achieve greater consistency of design standards and operation (PB and ECONorthwest, 2007).

## AT: Uniformity – Turf Wars

#### No Uniformity- Turf Wars prevent coordination

**NGA, 2002** (National Governors Association, 12-28-02, “Improving Public Transportation Services through Effective Statewide Coordination”, http://www.nga.org/cms/home/nga-center-for-best-practices/center-publications/page-eet-publications/col2-content/main-content-list/improving-public-transportation.html, JN)

One of the major barriers to coordination among different state agencies is turf. Participants may mistakenly believe that they are being pushed into this effort because another participant wants to assume their responsibilities or dictate program outcomes. It is important for gubernatorial cabinet agency leaders to reinforce the purpose of these efforts—to make everyone’s job easier and to improve the effectiveness of the state’s transportation investments. Administrative barriers may inhibit cooperative arrangements between human services agencies and transportation agencies. Reporting requirements for public transportation providers are far more stringent than those imposed on human services agencies that fund transportation as an ancillary service. Transportation providers allocate costs on a per-trip basis, while human services providers often do not. One of the major benefits of a coordination working group is that bringing a diverse group together gives participants an opportunity to learn how each agency operates and to develop trust so barriers can be removed. Transportation professionals often claim that human services professionals do not understand how to provide transportation services. Human services professionals complain that transportation agencies do not understand their missions. Beyond dissimilar operations and missions, a “language” barrier exists that should not be underestimated. Agencies may not understand each other’s jargon and may misconstrue acronyms used in everyday conversations. Representatives from each agency should take the time to learn the nuances of each other’s operations, frames of reference, and language usage. A vital working relationship that benefits all participants can emerge from this understanding.