# States CP 7 Week Seniors

# \*\*\*NEG\*\*\*

# \*STATE SOLVENCY\*

# AIP

**AIP problems are based off a bias towards inefficiencies; leaving airport improvement to be run by locally governed agencies is the only way to solve the root cause – fewer regulations, more flexibility and profit incentives**

**Poole 11** - director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation. Poole, an MIT-trained engineer, has advised the Ronald Reagan, the George H.W. Bush, the Clinton, and the George W. Bush administrations. (Robert Poole, October 2011, “Deregulate Airports Opportunity,” <http://www.conservative.org/acuf/issue-190/issue190gov2/)JCP>

Growing political concern about the fiscal condition of the federal government has prompted a flurry of activity by U.S. airports, calling for a fundamental rethink of traditional means of airport funding—in particular federal Airport Improvement Program grants and the federally-controlled local passenger facility charge (PFC).

The basic problem is that with the federal budget essentially out of control due largely to entitlement programs which Congress is thus far unwilling to tackle, there are increasing pressures to reduce the deficit by cutting back discretionary programs. That means all federal grant programs (such as AIP) are at risk, even though they may be largely funded by means of user taxes. The overall FAA budget in recent years has increasingly depended on general-fund support; as recently as 2007, the general fund provided under 16% of the FAA budget, but in FY2011 that percentage has grown to over 31%. If and when Congress cuts way back on general-fund support, AIP would likely be the “least-bad” candidate for cutbacks (as opposed to air traffic controller payroll or NextGen ATC modernization funding, the other two major budget categories).

Yet at the same time, the need for airport investment is huge. The World Economic Forum ranks U.S. aviation infrastructure 32nd in the world, behind that of Panama, Chile, and Malaysia. The Airports Council International-North America identifies some $80 billion worth of airport capital projects (while FAA puts the figure at a still sizeable $52 billion), implementation of which would go a long way towards improving airport capacity and quality. AIP, by contrast is about $3.5 billion per year.

Given the impending collision between reduced federal funding and large unmet airport investment needs, airport CEOs and the two major airport organizations—ACI-NA and AAAE—have been holding meetings to brainstorm major changes in how U.S. airports are funded. The main theme seems to be that it’s high time—33 years after airline deregulation—to deregulate airports, too. As ACI-NA President Greg Principato put it recently in Aviation Daily, “The financial regulatory framework under which airports operate dates from the days when the federal government told the airlines where to fly and how much to charge, and when someone [Richard M. Nixon] actually thought wage and price controls were a good idea.”

Thinking bold thoughts, airport leaders are considering the following trade-off, for air-carrier airports: give up some or all AIP grants in exchange for decontrol of the level of PFCs. In August, for example, ACI-NA’s Principato wrote to all 12 Senators and House members comprising the deficit-reduction Super Committee asking them to get the federal government out of setting the level of PFCs. (Principato calls ACI-NA’s reform effort the “Moses initiative”—as in “let my airports go.”) A group of 10 of the country’s largest airports sent the Super Committee a letter on September 14th saying they would be willing to give up AIP entitlement funds in exchange for PFC autonomy. Sources tell me that several member airports wanted to go further, giving up all AIP funding if they got PFC autonomy. Leaders of 12 commercial airports in Texas met in Houston on Sept. 27 to discuss the same set of issues. In addition to PFC reform, they argued that Congress should make permanent the exemption of airport revenue bonds from the Alternative Minimum Tax. Aviation Daily (Sept. 30) reports that similar airport groups now exist in California, Florida, and New York.

Way back in 1990, in my first Reason Foundation policy paper on airport privatization, I analyzed FAA data on the 50 largest U.S. airports, comparing how much federal ticket tax revenue each generated in 1987 and the amount each received in 1987 AIP entitlement grants. Most of the largest airports (BOS, LGA, LAX, SFO, etc.) got back less than 12% of what they generated, compared with significantly higher rates of return at medium-size airports (Dallas Love Field got 42.5% back, Maui got 33.6%, Memphis 30.6%). In other words, the very airports that were most congested and providing the largest amounts of air travel services were getting short-changed by this sort of redistribution. But that tends to be the way the political process works.

Canada de-federalized its airports several decades ago, devolving nearly complete control to newly created local airport authorities. Instead of getting federal grants, each airport is free to set its own Airport Improvement Fee—essentially an uncapped PFC. The results have been significant improvements in airport capacity and quality, not a proliferation of “Taj Majal” terminals (as feared by U.S. airlines).

Conservatives and tax-cutters should welcome a deal that would significantly cut AIP in exchange for having the federal government butt out of telling locally governed airports how to fund their capital improvements. This is precisely the kind of devolution many of them are supporting when it comes to highways and transit.

**States and airports already fund development without AIPs no reason they couldn’t increase those funds**

**GAO 97** (April 1997, “AIRPORT DEVELOPMENT NEEDS Estimating Future Costs,” <http://www.gao.gov/assets/230/223853.pdf)JCP>

AIP grants are only part of the funding picture for airport capital development needs. Another source of funding for some airports are passenger facility charges (PFC). In 1990, the Congress authorized commercial service airports to charge each passenger a $1, $2, or $3 facility charge per trip segment up to a maximum of four charges per round trip. These airports must apply to the FAA for approval to levy a PFC. Generally, PFC collections can only be spent on AIP-eligible projects, with three exceptions: Airports can use PFC funds for interest on airport bonds, for terminal gates and related areas, and for noise mitigation projects that are not part of an FAA-approved noise program. In 1996, 238 airports collected over $1.1 billion in PFCs.

Collectively, U.S. airports also fund billions of dollars of capital projects each year from other funding sources. Projects that are not eligible for AIP grants or PFCs, such as parking facilities or access for local transportation, must be financed in some other way**. Other sources of funding include grants from state and local governments, tax-exempt bonds, or revenues generated by the airport.** Airports generate revenues from four general sources: landing fees and rentals from terminal leases (both paid by airlines), concessions (such as parking), and other income (such as advertising). Finally, airlines and other tenants have also privately financed the construction of their terminals, hangars, and other facilities.

# Airports

**Local authorities can manage and expand airports better without federal involvement**

**Poole 11 -** director of transportation policy at the Reason Foundation, MIT-trained engineer, has advised the previous four presidential administrations on transportation and policy issues. He is a member of the Government Accountability Office's National Aviation Studies Advisory Panel and he has testified before the House and Senate's aviation subcommittees on numerous occasions(Robert W., 18th October, 2011, “Time to rethink US airport funding,” http://www.centreforaviation.com/analysis/time-to-rethink-us-airport-funding-60733)JCP

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Canada provides a workable model

Canada de-federalised its airports several decades ago, devolving nearly complete control to newly created local airport authorities. Instead of getting federal grants, each airport is free to set its own Airport Improvement Fee — essentially an uncapped PFC. The result has been significant improvements in airport capacity and quality, not a proliferation of “Taj Majal” terminals (as feared by US airlines).

Conservatives and tax-cutters should welcome a deal that would significantly cut AIP in exchange for having the federal government excuse itself from telling locally governed airports how to fund their capital improvements. This is precisely the kind of devolution many of them are supporting when it comes to highways and transit.

**Airports do not need federal control to function**

**Poole 11** – director of transportation policy at the Reason Foundation, MIT-trained engineer, has advised the previous four presidential administrations on transportation and policy issues. He is a member of the Government Accountability Office's National Aviation Studies Advisory Panel and he has testified before the House and Senate's aviation subcommittees on numerous occasions (Robert W., November 2011, “Airport Policy and Security Newsletter #73,” http://reason.org/news/printer/airport-policy-and-security-news-73)JCP

But even that pales in comparison with the bolder approach suggested by the U.S. DOT during the Reagan administration. In those days, PFCs had been outlawed by Congress. But in the 1982 FAA reauthorization bill, Congress directed DOT to study the extent to which potentially self-supporting airports could be removed from getting federal airport grants. The resulting report, “The Effects of Airport Defederalization, Final Report,” (DOT-P-36-87-4) was released in February 1987. DOT’s survey of airport managers found that defederalization had fairly strong support: 55% of large hubs, 69% of medium hubs, 56% of small hubs, and 31% of non-hubs. Analysis of the financial statements of 40 selected airports were used to estimate the amount of annual budgets that would need to be replaced by new funding sources for each of the four airport size categories. Those results were converted into hypothetical per-passenger fee amounts, as follows (based on 1985 AIP amounts):

Large hubs $0.98 per enplanement

Medium hubs $2.15 “ “

Small hubs $4.94 “ “

Non-hubs $8.33 “ “

It would take some work to do a comparable analysis using today’s AIP numbers and currently projected airport capital investment needs. But what was true in the mid-1980s is likely still the case today. AIP for air carrier airports could be replaced with increased PFCs, with the increases inversely proportional to airport size. In FY 2006, those four categories accounted for 65.3% of the AIP total of $3.5 billion. Thus, the one-year savings that year from defederalizing those four airport categories would have been $2.3 billion.

The 1987 DOT report also states the following about the bond market:

“Airports do not now face, nor do they appear to face in the future, difficulty in borrowing from the private capital market to finance improvements. Voluntary or mandatory defederalization would have no perceptible effect on this situation.” Today, after several decades of experience with PFCs, that statement is even more certain than it was 25 years ago.

**Increasing SCIP programs for airports through multi-state cooperative action is enough to solve – Idaho, Washington, Oregon, Colorado, Utah and Wyoming prove prove and can even help AIP ineligible airports**

**Washing DOT 12** (February 2012, “Statewide Capital Improvement Program,” http://www.wsdot.wa.gov/NR/rdonlyres/E4ABE6BC-894B-461E-BDDB-0325752344E7/0/SCIPFolio.pdf)JCP

Like a highway system, airports are a critical component of a state’s transportation system. And, also like the highway system, constant maintenance and improvements are necessary to meet the needs and demands of the traveling public. Simply put, current aviation system needs far outweigh available funding.

Similar to a Capital Improvement Program (CIP) that identifies local airport projects and priorities, the Statewide Capital Improvement Program (SCIP) will tackle the challenge of strategically targeting limited state and federal resources and prioritizing statewide aviation projects.

The aeronautics/aviation departments in Idaho, Oregon and Washington will work cooperatively with airport sponsors to implement this new SCIP. For Federal Aviation Administration (FAA) AIP eligible airports in these states, the program will be implemented and developed in partnership with the FAA. The FAA has recently provided Idaho, Oregon and Washington with grants to develop an AIP eligible SCIP for each state.

In Idaho and Washington, a similar program will also be developed for airports only eligible for state airport aid grant funds (non-AIP) as well. The process developed for the AIP eligible airports will be the basis for the non AIP SCIP program. Oregon does not currently have a state aviation grant program thus they will not have a non-AIP SCIP process.

It is important to point out that while this program is new to the states of Idaho, Oregon, Washington and the Seattle ADO, the process is not new in the Northwest Mountain Region. The states of Colorado, Utah and Wyoming and the FAA Denver ADO have used a similar program with great success for several years. Their successful programs serve as a model; however, Idaho, Oregon and Washington will tailor this program to meet individual state and ADO needs.

**Limit federal influence over airports and allowing state and local governments to control policies results in better invest, development and service**

**Poole 96 -** President of the Reason Foundation. An engineering graduate of MIT, he has advised the U.S. and California departments of transportation, the White House, and the President's Commission on Privatization. He is the author of numerous policy studies on such topics as airport privatization, air traffic control corporations, congestion pricing, and private tollroads. He was a member of the Caltrans Privatization Advisory Steering Committee in 1989-90 and the California Commission on Transportation Investment in 1995-96. (Robert, 1996, “DEFEDERALIZING TRANSPORTATION FUNDING,” <http://reason.org/files/4883e8bd01480c4d96ce788feb1f2e05.pdf)JCP>

For air-carrier airports, the benefits of the defederalization would be several, and parallel to those of devolving surface transportation to the states.

! More Productive Investment. For air-carrier airports, the present AIP system shifts resources from the busiest, most-congested airports (which collect the largest amounts of ticket taxes) to relatively smaller and less-congested airports. Defederalization would permit the busiest airports to generate and keep funds for expansion. Together with the other policy changes discussed in this paper, it would attract capital (including private capital) to those airports and metro areas which most needed to expand airport capacity.

! Intermodalism. Getting rid of the federal modal categories of grant funding would permit states, cities, and the private sector to devise and fund truly intermodal solutions to transportation problems (such as better road and rail access to airports, where this made economic sense).

! Freedom for Innovation. Ending federal micromanagement of airport finances would encourage new ways of adding value to airports via intensive retail/concessions development and value-maximizing land uses on airport properties. It would also permit airports to use market-based landing fee structures to spread out their peak traffic, thereby making greater use of their present capacity.

! Private Investment. Some cities and counties have wanted to sell or lease their airports to private firms, or to franchise new-terminal development to private firms. They have been deterred by provisions of FAA grant assurances. Defederalization will remove these barriers, permitting private capital to flow into airports and airport-development projects.

The principal objection to defederalization is the argument that a federal grant system and its accompanying regulations are necessary in order to preserve and expand a national airport system. It is not clear what this term is supposed to mean when it comes to air-carrier airports. As noted previously, some cities may be under some degree of pressure to close down money-losing, subsidized general-aviation airfields in order to put the land to use for activities that do not require subsidies and will be part of the tax base. State grants for general aviation airports could help preserve that system of airports, should a state desire to make such expenditures.

But does anyone seriously contend that Albuquerque or Detroit or Norfolk or Reno is likely to shut down or drastically restrict the operations of its air carrier airport, in the absence of FAA grants and grant agreements? Every mayor, city council, and chamber of commerce realizes that convenient airline service is a huge competitive advantage for a city. They are not about to kill this goose that lays golden eggs for them. And to the extent that a city or a private firm attempts to raise airport charges (whether landing fees or PFCs) to ridiculous levels, that airport would quickly lose airline service, as passengers drove to the nearest alternative airport and airlines redeployed their resources to more hospitable locations. (Indeed, Santa Barbara, California recently identified exactly this problem: a leakage of 30 to 40 percent of its passengers to airports within 100 miles such as Burbank and Los Angeles due to excessively high airline fares at Santa Barbara. Presenting a careful study of the problem to the airlines, the airport authority persuaded them to institute dramatic cuts in fares. The problem of local control wreaking havoc on the national airport system is not something we should take seriously.

Cities, counties, and private airport operators know that well-run, accessible, reasonably priced airports are in their interest. They do not need a federal nanny to keep them in line.

**The federal government was only important in creating an air-transit industry it’s not needed to maintain it**

**Kash et al. 84** – Director of the Science and Public Policy program at the university of Oklahoma, chairman of a join research initiative involving 25 industry experts (Don E., August 1984, “Airport System Development,” http://www.fas.org/ota/reports/8403.pdf)JCP

No Federal Aid

This option represents a return policy that prevailed in the years to the “dock” before World War II. It postulates that airport owners, principally municipalities or States, would assume full responsibility for capital improvement of airports. The Federal Government would provide no grant funds for this purpose and would concern itself only with support of air navigation—airways and air traffic control, including installation and maintenance of control towers and landing aids at airports.

As described earlier in this chapter, present Federal policy on airport development has evolved gradually over the past 40 years. The original Federal view was that airports, like water ports, should be matters of local concern. Municipalities were expected to build and maintain port or airport facilities because these investments yielded primarily local or regional economic benefits. The Federal role was to maintain the waterways and airways and to provide navigation systems, thereby serving the national interest of facilitating interstate commerce and contributing indirectly to the well-being of communities linked by the waterway or airway systems.

A return to the dock policy is by no means a suggestion that the current and past policies of directly aiding airports have been a mistake. Direct Federal support has been crucially important to the development of the national airport system. The national defense considerations during World War II and the need for airport modernization at the beginning of the jet era were pressing problems at the time. In retrospect, the decisions to provide Federal funds for airport development constituted sound public policy for that time since they served the long-term Federal interest of fostering and encouraging the growing air commerce and aircraft manufacturing industries.

It is possible, however, that the goals of these Federal programs have been achieved. An extensive, modern airport infrastructure is now in place. The aircraft manufacturing industry has matured. Public transportation by air is no longer a fledgling industry—it has been the dominant mode of long-distance travel for many years. If the goals of the program of Federal assistance to airports have been achieved, then it might be argued that the program should be terminated and that outlays from the Airport and Airway Trust Fund should be limited to those needed for modernization, operation, and maintenance of the ATC system.

**States could afford to run the airports on their own**

**Kash et al. 84** – Director of the Science and Public Policy program at the university of Oklahoma, chairman of a join research initiative involving 25 industry experts (Don E., August 1984, “Airport System Development,” http://www.fas.org/ota/reports/8403.pdf)JCP

Airport sponsors would have the responsibility of raising all funds needed for capital projects. Some improvements would be funded with retained earnings or moneys borrowed from private investors through revenue bonds or other indentures. Airports might have to increase user fees to makeup for lost Federal funds. Some less efficient or low-traffic airports could have difficulty raising capital and might remain unimproved or close altogether.

Another possible source of funding would be State or local authorities. Some States, for example, might elect to provide assistance to airports unable to raise the capital needed for improvements. Local governments might choose to assist their airports as well. Airports provide many benefits to the local economy: they provide jobs and attract industry to a region, in addition to linking the community to the outside world. To the extent that a community wished to preserve these benefits, the local government might choose to allocate local tax revenues to assist the airport, or it might use its general obligation bonding authority to borrow funds for airport use. If the community were unwilling to provide assistance, this might be taken as an indication that the economic benefits of the airport were not worth the cost.

While the return of financing responsibility for airports to State and local government might pose hard choices in some communities, it would not be disastrous in the aggregate. The Federal share of airport expenditures is $800 million per year, out of the total of $53.4 billion per year spent by Federal, State and local governments on major infrastructure programs. 22 Of this annual expenditure, about half (a little over $25 billion) is spent by States and localities. Even if States and municipalities assumed responsibility for the entire $800 million formerly provided in Federal grants, their annual capital expenditure would increase by only about 3 percent. In fact, however, State and local governments would probably have to raise not over half this amount since, under current policy, approximately $400 million of Federal outlays go to large and medium airports which appear capable of raising adequate capital without local or State participation.

**The states can manage their own airport systems more effectively and balanced than the USFG could**

**Kash et al. 84** – Director of the Science and Public Policy program at the university of Oklahoma, chairman of a join research initiative involving 25 industry experts (Don E., August 1984, “Airport System Development,” http://www.fas.org/ota/reports/8403.pdf)JCP

Effects on the Airport System

As postulated here, State administration would not alter the amount of funding available for airport development, but it would radically shift the present balance by allotting funds in roughly equal amounts among the five classes of airports. This would be achieved by reducing slightly the share for large and medium airports (compared to the present AIP formula) and reallocating these funds to the other three classes, along with that portion of Trust Fund outlays now reserved for FAA discretionary grants. In effect, this policy would devote half of annual Trust Fund outlays to airports serving airline passengers and the other half to those serving general aviation (with some degree of overlap of these two functions at many commercial service airports). Thus, this policy reflects the view that air transportation is of two kinds, with each entitled to more or less equal Trust Fund support. On one hand, there are common carriers providing public air transportation. On the other, there are those who use the airspace and airport system for private business and personal purposes that may also provide public benefit. By providing aid in an evenhanded way, this policy affirms the importance of both to interstate commerce and the public welfare.

# Army Corps

**The states would do a better job controlling army corps infrastructure – less pork barrel spending, more value**

**Edwards 9** -director of tax policy studies at Cato, Edwards holds a B.A. and M.A. in economics, and he was a member of the Fiscal Future Commission of the National Academy of Sciences (Chris, February 2009, “Privatization,” <http://www.downsizinggovernment.org/privatization)JCP>

Congress has used the corps as a pork barrel spending machine for decades. Funds are earmarked for low-value projects in the districts of important members of Congress, while higher-value projects go unfunded. Further, the corps has a history of scandals, including the levee failures in New Orleans and bogus economic studies to justify expensive projects.7

To solve these problems, the civilian activities of the corps should be transferred to state, local, or private ownership. A rough framework for reform would be to privatize port dredging, hydroelectric dams, beach replenishment, and other activities that could be supported by user fees and charges. Levees, municipal water and sewer projects, recreational areas, locks, and other waterway infrastructure could be transferred to state governments.

# Bering Strait Tunnel

**State action solves – leverages private capital**

**Soloview, 12** – Fyodor George, founder and owner of InterBering Construction Promotion Company (“INVESTMENT OPPORTUNITY WITH INTERBERING,” InterBering, no specific date given, website created 2012, http://www.interbering.com/InterBering-investment-funding.html)RK

We at InterBering believe that the entire project can be built through private financing without the financial help of central governments. For the United States and Canada roughly 3,000 miles of new railroads would need to be built, along with the tunnel itself, at an estimated total cost of perhaps $50 billion or more. And with the support of international investors, and **approval by local** territorial **governments** if not those in Washington and Ottawa, sufficient financing could be found. In reality, the planning, construction and utilization of an Interhemispheric railroad connecting Alaska and Russia across the Bering Strait will be launched only after much preparation by those with enlightened economic vision - and by private investors prepared to recognize opportunity and grasp it. Progressing step by step, we intend to first establish an office in Anchorage, Alaska where local governments, construction concerns and finance groups can work together to achieve the higher level of communication necessary. Over time the value of the company will likely grow, as will the value of any investment per the ownership percentage secured on the day of investment. The profit potential for InterBering is exciting on several levels. To begin with, revenue streams created by any new rail link connecting the existing North American railroads with destinations further north in Canada and Alaska could be sizable. This will fully mature over a period of 15-25 years, as commercial trains deliver cargo and passengers north and also back to the lower forty-eight states. Any investment now should steadily grow in value along with the marketplace's recognition of the project's full potential.

**Alaska can deficit spend - savings**

**Forgey, 11** (Pat, “Budget: Alaska can’t borrow, but it sure can save,” Morris News Service-Alaska, Jeneau Empire, 8/18/11, http://peninsulaclarion.com/news/2011-08-18/budget-alaska-can%E2%80%99t-borrow-but-it-sure-can-save)RK

While some other states — actually, most other states — are struggling to balance their budgets, Alaska is **awash in money** and boosting spending. Even in tougher times, however, Alaska can do something that most other states cannot do: It **can spend more than it brings in.** Over the last two decades, Alaska hasn’t balanced its budget about half the time, but has instead used savings to meet its expenses, according to division of Division of Finance records. That’s been done by setting aside money in boom times to spend in down years. Now, there’s national focus again on a balanced budget amendment to the U.S. Constitution, and a recent deal on raising the debt ceiling that calls for Congressional votes on such an amendment. Alaska Gov. Sean Parnell has called for a national balanced budget amendment, even though his own state doesn’t have an explicit balanced budget provision in its Constitution. “If a balanced budget amendment is sent to the states, I will support it for ratification. I urge my fellow governors, Republican and Democratic, who understand how to balance budgets, to join this effort,” Parnell said in a statement issued last month. In Alaska, the state has set aside more than $10 billion in a Constitutional Budget Reserve, into which it can dip in lean times to “balance” its budgets. That fund is in addition to the Alaska Permanent Fund. It was into that reserve that Alaska has repeatedly dipped, including several years during which Parnell served on budget-writing legislative finance committees. Numerous members of Congress and pundits advocating for a requirement for a balanced federal budget have claimed that “every” state must balance its budget, but a report issued last fall by the National Conference of State Legislatures said that’s not true. While most states have some sort of balanced budget requirement, with Vermont a notable exception, many other states require only their operating budget to balance, or have other exceptions. While Alaska doesn’t have a balanced budget amendment, there is a provision in the Alaska Constitution that bars borrowing money to balance a budget, said Gordon Harrison, author of “Alaska’s Constitution: A Citizen’s Guide.” “We don’t have any ability to float any bonds to pay our bills,” Harrison said. The prohibition on borrowing for operating expenses largely accomplished the drafters’ goal of preventing deficit spending, he said. Given the state’s precarious budget situation at the time of statehood, it is unlikely that big surpluses were anticipated, he said. House Democratic Leader Beth Kerttula, D-Juneau, said Parnell’s call for a national balanced budget amendment isn’t a good idea because it eliminates government’s ability to respond to economic downturns. And neither, she said, is his call for oil tax reductions that would make it impossible for Alaska to balance its budget. “Alaska is in the enviable position that it is because of our (Alaska’s Clear and Equitable Share) tax getting us a fair share of our resources,” she said. “You sure wouldn’t want to lose that tax if you were concerned about keeping our budget in balance,” she said. Alaska hasn’t had to dip into its savings since the 2005 fiscal year, and high oil prices and the ACES tax have enabled the state to save billions that can be used to prevent future deficits. Alaska this year will **put away more in savings**, Parnell said in June while vetoing hundreds of millions in state spending. “We have to save while it’s harvest time,” he said. “There will be lean times when oil production goes down.” **In recent years, the state has used strong capital budgets to spur construction jobs, and stave off the recession in Alaska.** Many other states can do that with bonding for capital projects despite balanced budget requirements, but Alaska has been able to do that with savings.

**Alaska solves the aff – can provide land grants and leads to Congressional action later**

**Barry, 11** – M.P., Senior Fellow for Public Policy, Summit Council for World Peace (“Advancing the Bering Strait Tunnel Project in the United States and Canada,” Universal Peace Federation, 10/04/11, http://www.upf.org/programs/bering-strait-project/4017-mp-barry-advancing-the-bering-strait-tunnel-project-in-the-united-states-and-canada)RK

Establishing an Initial Lobbying Effort in North America For international and strategic reasons, a sustained lobbying effort in Washington, DC, and Ottawa eventually will be necessary, but at present any effort in either capital would probably not make much difference. Promoting critical components of a Bering Strait crossing, such as an Alaska Canada Rail Link, will have to be a private sector-led effort, and the farther away from the Pacific Northwest you are, the less awareness and interest there is in this railroad. An ACRL will have to first garner widespread support from Alaska, Yukon, and Alberta, which in the long run will be much more effective. A high profile and costly Washington, DC, lobbying office is not relevant or needed at this stage. Congress will move only when the private interests are on board and jobs are quantified. This support will only happen from the **ground up** -- **from Alaska to Washington,** DC (and from western Canada to Ottawa), and not the other way around. **Regional support,** in both the private and public sectors, for an ACRL **must be very strong** over a sustained period in order to get Congress’s attention. Instead, this author recommends opening an Anchorage office that could be in the form of an economic development or business leadership forum focused on statewide transportation projects, including those that could link Alaska to other nations, whether Canada, Russia or East Asia. The key would be to build partnerships with the relevant stakeholders in major Alaskan transportation projects, including large corporations (like oil companies), mid-sized businesses, state agencies, federal agencies, Alaskan native corporations, local NGOs, and local media. The office’s work would also take it to other Alaskan cities, such as Juneau, Fairbanks, Skagway, as well as to Whitehorse, Yukon, and perhaps elsewhere in western Canada. A senior Alaskan state executive branch official has outlined the following suggestions to the author (which I have paraphrased and amplified) that could become part of the overall focus of an Anchorage Bering Strait project office: Private (local and regional, as well as national) NGOs should push for this project. **Alaska should take the legislative steps to reserve rights of way along the rail route.** Follow the development of current moves to bring roads to resources in the region, e.g.: Skagway Port. With road, marine and air access, Skagway – the northernmost ice-free deep-water port in North America -- is well positioned to be the major transshipment hub for Southeast Alaska and the Yukon. With new efforts to expand these links, Skagway now offers opportunities to the West Coast, Pacific Rim, and South Asia. It is one of three communities in Southeast Alaska with road access to the Lower 48 states and to Canada, a distinct advantage for any business that requires access to outside markets. The Klondike Highway meets the Alaska Highway 100 miles away and is maintained and open year round. Ambler Road -- a road to a major mining district in Alaska that the state is studying to build Road to Nome (a $3 billion 500-mile gravel road Alaska’s Governor is proposing to build to connect the Fairbanks area with Nome). This route could be a forerunner for rail over the same course. The development of Russian rail to Yakutsk and beyond, which is eventually intended to terminate by the Bering Strait (also, Alaska should maintain and build good relations with Russian counterparts). The increasing use of aircraft and even blimps to connect towns and villages throughout Alaska Envision and find a cargo that could pay the bill for an ACRL and a Bering Strait tunnel. Look for new technologies to build rail and run railroads, as well as to build tunnels, that could reduce costs. Overall, let the smaller steps add up over time, especially the coming decade, and they will likely coalesce into larger steps. This is especially true in Alaska. Given the position of this individual in Alaskan state government, these suggestions should be seen as very practical and achievable in building both a base of support for an Alaska Canada rail link and an eventual Bering Strait tunnel.

**Alaska is a leading player in US-Russian relations**

**Dolitsky, 08** – Alexander, chairman and director of the Alaska-Siberia Research Center and a delegate of the Russian Federation for the Compatriots Program in the U.S. (“My turn: U.S.-Russian relations: The Alaska experience,” Juneau Empire, 10/13/08, http://juneauempire.com/stories/101308/opi\_343472537.shtml)RK

A dynamic approach to dealing with potentially antagonistic neighbors, therefore, may help the United States government and United States citizens achieve favorable results in their exploration of new avenues for cultural, political, commercial and military cooperation and exchanges with Russia and other former Soviet Republics. Questions surrounding the causes of socio-political, military and economic tensions between the U.S. and Russia are complex; they must be studied objectively if we hope to elucidate the confrontational patterns between military powers in the past in order to avoid the formation of similar patterns into the future. Historically, **Alaska has played a unique role** in the U.S.-Russian relations. From the early 1920s to mid-1980s, with the exception of the Alaska-Siberia Airway Lend-Lease Program during World War II, Alaska and Siberia were mutually closed for the visits by the U.S. and Soviet officials. Nevertheless, in the 1970s and 1980s, some Soviet and Alaskan scientists (e.g. archaeologists, biologists, botanists) were engaged in cooperative academic programs and occasionally visited each other's home countries. From the mid-1980s to present, Alaska has been in the forefront of the Russian-American scientific and cultural exchanges. In 1986, Juneau activist Dixie Belchie organized Alaskan musician to a then-novel performing trip to the Siberian cities. In 1988, former State of Alaska Chief of Staff Garry Peska initiated government negotiations with the regions of the Russian Far East; in the same year of 1988, former state Sen. John Binkley and the Alaska Department of Fish and Game were involved in constructive negotiations of the Bering Sea fishery with then Soviet counterparts. Since early 1990s to present, Alaskan and Siberian Natives enjoy visa-free visits on both sides of the Bering Sea. In the last 25 years, the grassroots, academic and government exchanges enriched both nations, and, as a result of it, the Russian-speaking population in Alaska increased from several hundreds residents in the early 1980s to about 10,000 residents today. The experience of the Alaska-Russian relations should serve as a **model for the U.S.-Russian** relations in the future; and Alaska leadership should always keep this in perspective.

# Bikes

**State investment best – lowers costs and allows for effective funding**

**Poole and Moore, 10** – \*Robert W., director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation, and \*\*Adrian T., vice president of research at Reason Foundation (“Restoring in the Highway Trust Fund,” Reason Foundation, August 2010, http://reason.org/files/restoring\_highway\_trust\_fund.pdf)RK

On the other hand, asking federal highway users to pay substantially more in order to fund expanded programs for sidewalks, bikeways, recreational trails and more transit is unlikely to succeed, since the large majority of highway users do not use, and would not benefit from, these mostly localized urban projects. Principles of **federalism suggest** that these kinds of projects are **more appropriately funded** at state or local levels of government. But if Congress sees fit to continue them at the federal level, they should be supported by all taxpayers, as the kind of social infrastructure funded by federal agencies concerned with urban amenities (HUD) and outdoor recreation (Interior). Most states would be better off with the proposal presented in this paper. All would benefit from the major reconstruction and modernization of their most important highways, the Interstates. They would be freed from numerous cost-increasing federal requirements, and would have new incentives to refocus their state programs on cost-effective projects. As funding alternatives, they would have new freedom to make use of tolling and public-private partnerships.

**States should be in charge of bike paths**

**Poole and Moore, 10** – \*Robert W., director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation, and \*\*Adrian T., vice president of research at Reason Foundation (“Restoring in the Highway Trust Fund,” Reason Foundation, August 2010, http://reason.org/files/restoring\_highway\_trust\_fund.pdf)RK

All of this perfectly exemplifies the loss of national purpose and focus in the federal transportation program. When legislation in 1956 expanded the federal government’s role in transportation in order to create the Interstate system, the Interstates were a clear national project with national benefits. Traffic calming in Tampa or Boise, or bike paths in Buffalo or Phoenix, do not provide national benefits and should **not be federally funded.** Paying for them with highway user fees also increasingly abolishes the users-pay/users-benefit principle and increasingly transforms fuel taxes from user fees to transportation taxes paid by one group to provide for benefits for other groups. The federal transportation program needs to refocus on the national transportation system and leave local projects with local benefits to **local governments**. At the same time, state and local governments need to quit seeking federal funding for their local projects that are not critical parts of national networks. A crucial part of this is restoring the users-pay/users-benefit principle. If there are non-highway transportation projects with national benefits and scope, they should be paid for with general fund tax revenue, not highway user fees.

**Multiple funding avenues solve**

**Adventure Cycling Association, no date** - the premier bicycle-travel organization in North America (“Steps for Planning and Implementing U.S. Bicycle Routes,” <http://www.adventurecycling.org/routes/nbrn/resourcespage/Steps_Designating_USBR.pdf)RK>

Once a corridor is chosen for implementation, a plan for identifying the roads and trails within the corridor must be developed. State Departments of Transportation (DOTs) may appoint a person “in charge” of the project though that person may not have the resources to do the leg work required to define a route and gain support from local agencies. For states that wish to have U.S. Bicycle Routes but do not have the DOT capacity to pursue them directly, partnerships, contracts with non-government organizations (NGOs), and/or collaborative efforts with stakeholder organizations can accomplish this part of the process. • For states coordinating the project through collaboration, here are example organizations states should consider collaborating with to do route planning and outreach: o State wide coalitions and/or advocacy groups o Governor appointed or state-wide bicycle and pedestrian advisory councils/boards o trail and greenway organizations o transportation consultants o bicycle touring or recreational bike clubs o parks & recreation organizations o other state or local agencies o tourism and/or economic development organizations o A combination of appropriate NGOs that form a “Implementation Team” • For states taking control of the process from beginning to end; collaboration is still recommended. Planning should involve a “review” of the corridor and the draft route by appropriate groups as noted above. In addition, the following should also be involved during some part of the process, especially if they have jurisdiction over roads and trails: o Local government, politicians, business leaders o Cyclists and cycling clubs o DOT districts, Metropolitan Planning Organizations (MPOs), Regional Transportation Organizations (names vary), county road commissions o Other agencies such as Parks and Recreation, Bureau of Land Management (BLM), Department of Natural Resources (DNR), and Forest Service.

# CO2

**States should lead on CO2 pipeline**

**Bliss et al., 10** – Kevin, Interstate Oil and Gas Compact Commission, with Darrick Eugene, Consultant, Robert W. Harms, The Harms Group, Victor G. Carrillo, Texas Railroad Commission, Kipp Coddington, Mowrey, Meezan, Coddington, Cloud, LLP, Mike Moore, VP External Affairs, Blue Source LLC, John Harju, Associate Director for Research at the University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Melanie Jensen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Lisa Botnen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Philip M. Marston, Marston Law, Doug Louis, Director, Conservation Division, Kansas Corporation Commission, Steve Melzer, Melzer Consulting, Colby Drechsel, Wyoming Pipeline Authority, Jack Moody, Director, State Mineral Lease Program, Jackson, Mississippi Lon Whitman, Enhanced Oil Recovery Institute, University of Wyoming (“A Policy, Legal, and Regulatory Evaluation of the Feasibility of a National Pipeline Infrastructure for the Transport and Storage of Carbon Dioxide,” Southern States Energy Board, 9/10/10, http://www.sseb.org/downloads/pipeline.pdf)RK

The conclusions and recommendations at the end of the report serve to reinforce the finding that the current level of regulatory oversight is appropriate and no additional federal regulation is required. To the degree there is a place for expanded regulation of CO2 pipelines, such regulation must preserve the contractual basis of CO2 transport and avoid marginalizing states and their involvement. Specifically, the report finds and recommends the following: General Conclusions  The current pipeline infrastructure was sited, constructed, and regulated by the states in which they operate with federal oversight limited to safety regulations or instances where federal lands are traversed. Today, **no federal involvement is required** to facilitate the development of CO2 pipelines. Growth is occurring in CO2 -driven EOR through the use of anthropogenic, or man-made, CO2 along with the pipeline infrastructure necessary to meet that demand.  Non-EOR CO2 storage and transportation opportunities can be delayed until they are economically or politically mandated. Should such a mandate occur, sufficient public resources must be allocated to build the infrastructure necessary and mitigate the economic disconnects and impacts that are likely to occur.  Care must be taken to ensure that a pipeline transporting CO2 for storage only purposes is not viewed less favorably by the public than pipelines transporting CO2 for EOR. State Recommendations  State-based regulatory solutions for CO2 pipelines should be carefully considered before pursuit of additional federal regulation. Any policy decision should avoid a one-size-fits-all approach and promote flexibility and innovation in response to market conditions.  States should implement statutes and regulations to **approve, site, construct, and manage** CO2 pipelines to meet EOR demands or in response to a federal mandate.  States should consider creating separate pipeline authorities to foster pipeline build-out. In lieu of additional federal regulation, states should consider multi-state agreements as a way to regulate a national CO2 pipeline network.  Because of their existing experience with CO2 -driven EOR, states should quantify and distribute information relating to jobs and public revenue resulting from CO2 pipelines.

**States solve best – federal action undermines CO2 infrastructure**

**Bliss et al., 10** – Kevin, Interstate Oil and Gas Compact Commission, with Darrick Eugene, Consultant, Robert W. Harms, The Harms Group, Victor G. Carrillo, Texas Railroad Commission, Kipp Coddington, Mowrey, Meezan, Coddington, Cloud, LLP, Mike Moore, VP External Affairs, Blue Source LLC, John Harju, Associate Director for Research at the University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Melanie Jensen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Lisa Botnen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Philip M. Marston, Marston Law, Doug Louis, Director, Conservation Division, Kansas Corporation Commission, Steve Melzer, Melzer Consulting, Colby Drechsel, Wyoming Pipeline Authority, Jack Moody, Director, State Mineral Lease Program, Jackson, Mississippi Lon Whitman, Enhanced Oil Recovery Institute, University of Wyoming (“A Policy, Legal, and Regulatory Evaluation of the Feasibility of a National Pipeline Infrastructure for the Transport and Storage of Carbon Dioxide,” Southern States Energy Board, 9/10/10, http://www.sseb.org/downloads/pipeline.pdf)RK

In today’s environment, purity, pressure, and location determine how CO2 is managed. Because of the value of CO2 for EOR purposes, a great deal of expertise has been developed in the private sector and within the states for treating CO2 as a commodity and utilizing it for economic purposes. A departure from that model may result in a skeptical public that could **adversely impact** future pipeline projects. II. Climate Change - a Federal Response Concerns regarding anthropogenic CO2 contributing to global climate change have fostered an interest among some to federally mandate a carbon management strategy that would require storage of CO2 for environmental purposes rather than economic reasons. CO2 makes up a small percentage of the atmosphere (CO2 represents 4/100 of 1% of the atmosphere; of that 96.7% of CO2 is natural and 3.3% is man-made). Public policy mandating CO2 emission reductions and storage should be carefully considered in view of uncertainty regarding global climate change, its causes, costs, and the somewhat limited utility of capturing CO2 in the U.S., unless other countries follow suit. A federal mandate to reduce CO2 emissions will promote strategies to capture and store CO2 and presumes that the infrastructure necessary to transport and store the CO2 would follow. But, the premise that a mandate will result in infrastructure is unsubstantiated. If a federal mandate requires capture and storage of CO2, then public resources may be required to build the infrastructure necessary to handle the CO2 produced in the U.S. Because transport for storage alone is not market driven, there will be economic disconnects that need to be considered and for which compensation may be required. A federal mandate may encourage some sources of CO2 to off load the cost of transporting and storing CO2 to third parties through promoting public policies that support/allow for such a cost shift. Additionally, a pipeline that is moving a non-economic commodity may be viewed less favorably by the public, when compared to CO2 pipelines moving today’s positive value commodity. In the current market-based CO2 economy and in the absence of a federal mandate, **federal intervention** into the CO2 arena may **impede** further pipeline build-out. It should be noted that in some instances CO2 can be stored and then extracted at a later date should a beneficial use arise. Today, **no federal role is required** in order to develop CO2 pipeline projects. The assumption that a federal mandate will produce the desired result (capture, transportation, and storage of nationally produced CO2) may not follow. Other state-based regulatory solutions should be carefully considered before pursuit of an untested federal strategy that could prove harmful to future CO2 pipeline construction.

**State empirically are effective at building CO2 pipelines**

**Bliss et al., 10** – Kevin, Interstate Oil and Gas Compact Commission, with Darrick Eugene, Consultant, Robert W. Harms, The Harms Group, Victor G. Carrillo, Texas Railroad Commission, Kipp Coddington, Mowrey, Meezan, Coddington, Cloud, LLP, Mike Moore, VP External Affairs, Blue Source LLC, John Harju, Associate Director for Research at the University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Melanie Jensen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Lisa Botnen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Philip M. Marston, Marston Law, Doug Louis, Director, Conservation Division, Kansas Corporation Commission, Steve Melzer, Melzer Consulting, Colby Drechsel, Wyoming Pipeline Authority, Jack Moody, Director, State Mineral Lease Program, Jackson, Mississippi Lon Whitman, Enhanced Oil Recovery Institute, University of Wyoming (“A Policy, Legal, and Regulatory Evaluation of the Feasibility of a National Pipeline Infrastructure for the Transport and Storage of Carbon Dioxide,” Southern States Energy Board, 9/10/10, http://www.sseb.org/downloads/pipeline.pdf)RK

5. Government/Public Option Model This development business model involves government financing and/or ownership of facilities. Under a government/public option model, a local, state, or federal entity would finance or build pipeline facilities or charter a corporation to do so. **Three states**, Alaska, North Dakota, and Wyoming, **have established “governmental corporations” or “pipeline authorities”** that have the right to own and operate pipelines. Each state has taken a slightly different path in the rights that have been granted to these entities. However, to date, no government entity has built or financed a CO2 pipeline. Case Study: Big Inch, Little Inch Pipelines While the uncertainty over climate change raises questions regarding the need for federal policies for greenhouse gas management, federal policy in response to a public need has previously driven construction of pipeline infrastructure in the U.S. During World War II, German U-boats had effectively cut off crucial supplies of crude oil coming from the oil fields in the southeast United States for use in the northeast United States. To circumvent the U-boat threat, the federal government commissioned construction of the Big Inch (approximately 24 inches in diameter) and Little Inch (approximately 20 inches in diameter) pipelines that would travel overland from the oil fields in Texas and the southeast, connecting to markets in the northeast.115 Eleven private oil companies pooled their resources and personnel to create War Emergency Pipelines, Inc. in 1942.116 Construction and operational supervision was conducted by the federal government.117 There are three key lessons to learn from the development, planning, and construction of the Big Inch and Little Inch Pipelines. First, the development of the pipelines flowed from coherent and effective federal government policy. Second, with clear direction from the government, industry was quick to start on the construction and operation of the pipelines. And third, a national emergency fueled a public/private partnership that was effective in meeting a crisis. The construction and operation of the Big Inch and Little Inch pipelines is a case study in federal government response to a national need. While the historical backdrop for the development of CO2 pipelines is not as dire as that of the wartime pipelines, the efforts that developed the Big Inch and Little Inch pipelines may be instructive. The lessons learned from this example could serve as a guide to the development of a national CO2 pipeline network if there is a determination to regulate carbon in the public interest. B. Examples of the Government/Public Option Business Models Alaska Alaska established the Alaska Natural Gas Development Authority (ANGDA) with the purpose to develop its natural gas resources. 118 The ANGDA can purchase gas; design, construct, and operate pipelines; and design, construct, and operate other facilities necessary to deliver gas to market. Wyoming Wyoming has been the most aggressive of the states in establishing an entity to assist in the development of pipelines. The Wyoming Pipeline Authority was created in 1973119 and is neither a regulatory body nor a state agency, but is a corporation of the state. The following paragraph sets forth the rights granted to the corporation: Our mission is to plan, finance, construct, develop, acquire, maintain, and operate a pipeline system or systems within or without the state of Wyoming to facilitate the production, transportation, distribution, and delivery of natural resources produced in the state, including natural resources received as royalties "in kind" pursuant to mineral leases by the state, its agencies and political subdivisions, which authorize the lessor to receive royalties, or received as royalties from the federal government. In order to provide for the financing, construction, development, maintenance and operation of the pipeline system, the authority may lease or rent facilities constructed pursuant to the authority conferred, and all facilities, structures and properties incidental and necessary thereto, to facilitate the production, transportation, distribution, and delivery of natural gas and associated natural resources to point of consumption or to the point of distribution for consumption. The authority is actively engaged in promoting the development of intrastate and interstate pipeline infrastructure necessary to enhance natural resource development within Wyoming. It works with producers, gatherers, processors, pipeline companies, end use markets, and local distribution companies interested in tapping into Wyoming’s natural resource base. The Wyoming Legislature authorized the authority to issue up to $3 billion in bonds to promote development and financing of pipelines and infrastructure necessary to develop the state's natural resource base, which includes the utilization of CO2 for enhanced oil recovery.

# CO2 – Compacts Solves

**Solves case – compacts resolve uncertainty**

**Bliss et al., 10** – Kevin, Interstate Oil and Gas Compact Commission, with Darrick Eugene, Consultant, Robert W. Harms, The Harms Group, Victor G. Carrillo, Texas Railroad Commission, Kipp Coddington, Mowrey, Meezan, Coddington, Cloud, LLP, Mike Moore, VP External Affairs, Blue Source LLC, John Harju, Associate Director for Research at the University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Melanie Jensen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Lisa Botnen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Philip M. Marston, Marston Law, Doug Louis, Director, Conservation Division, Kansas Corporation Commission, Steve Melzer, Melzer Consulting, Colby Drechsel, Wyoming Pipeline Authority, Jack Moody, Director, State Mineral Lease Program, Jackson, Mississippi Lon Whitman, Enhanced Oil Recovery Institute, University of Wyoming (“A Policy, Legal, and Regulatory Evaluation of the Feasibility of a National Pipeline Infrastructure for the Transport and Storage of Carbon Dioxide,” Southern States Energy Board, 9/10/10, http://www.sseb.org/downloads/pipeline.pdf)RK

The multi-state compact option that allows states to **act collectively** through shared/common regulatory provisions may offer unique advantages over the status quo decentralized system or a future centralized, federal regulatory system. Compacts can be structured uniquely to accommodate any business model. Furthermore, while maintaining state sovereignty, compacts provide a streamlined process for developing interstate infrastructure that encompasses multiple jurisdictions. Pipeline **developers would have greater certainty** as requirements for operating across multiple jurisdictions would be readily known, thereby saving time in navigating multiple regulatory requirements and expediting and streamlining the permitting process, saving operators both time and money as they seek to permit future CO2 pipelines. However, a disadvantage to the compact option is the potential for creating geographic windows or competing compacts that would diminish regulatory consistency.

**Interstate compacts solve better and faster – don’t have to go through Congress and are shielded from politics**

**Bliss et al., 10** – Kevin, Interstate Oil and Gas Compact Commission, with Darrick Eugene, Consultant, Robert W. Harms, The Harms Group, Victor G. Carrillo, Texas Railroad Commission, Kipp Coddington, Mowrey, Meezan, Coddington, Cloud, LLP, Mike Moore, VP External Affairs, Blue Source LLC, John Harju, Associate Director for Research at the University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Melanie Jensen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Lisa Botnen, University of North Dakota Energy & Environmental Research Center, Grand Forks, North Dakota Philip M. Marston, Marston Law, Doug Louis, Director, Conservation Division, Kansas Corporation Commission, Steve Melzer, Melzer Consulting, Colby Drechsel, Wyoming Pipeline Authority, Jack Moody, Director, State Mineral Lease Program, Jackson, Mississippi Lon Whitman, Enhanced Oil Recovery Institute, University of Wyoming (“A Policy, Legal, and Regulatory Evaluation of the Feasibility of a National Pipeline Infrastructure for the Transport and Storage of Carbon Dioxide,” Southern States Energy Board, 9/10/10, http://www.sseb.org/downloads/pipeline.pdf)RK

(c) Multi-State Authority138 In addition to providing background information on interstate compacts this section will examine the advantages and disadvantages of the multi-state solution. One such option is an interstate advisory compact that **might afford a likely avenue for multi-state cooperation to facilitate CO2 pipeline development on a regional basis.** Alternatively, an interstate regulatory compact could **facilitate a national** CO2 pipeline **infrastructure** and could offer eminent domain/condemnation authority in exchange for some form of economic regulation. Background Information about Interstate Compacts Interstate compacts represent an opportunity for the kind of multi-state cooperation that could promote the development of a **national** CO2 pipeline **network.** They facilitate **multi-state cooperation**, reinforce **state sovereignty**, and **avoid federal intervention.** Because broad public policy issues -- such as developing a national network of CO2 pipelines that cross jurisdictional boundaries -- present new governing challenges to state authorities a multi-state compact could be useful. Compacts enable states – in their sovereign capacity – to act **jointly** and **collectively**, generally **outside** the confines of the **federal legislative** or regulatory **process**. Compacts afford states the opportunity to develop dynamic, self-regulatory systems over which the participating states can maintain control through coordinated legislative and administrative procedures. Compacts enable states to develop adaptive structures that can evolve to meet new and increased challenges that naturally arise over time. Interstate compacts are contracts between two or more states creating an agreement on a particular policy issue, adopting a certain standard, or cooperating on regional or **national matters.** Interstate compacts provide a state-developed structure for collaborative and dynamic action to meet new and increased demands over time. Article I, Section 10, Clause III of the U.S. Constitution provides in part that “no state shall, without the consent of Congress, enter into any agreement or compact with another state.” Historically, this clause meant that all compacts must receive congressional consent. **Case law has established that not all compacts or agreements between states require congressional consent.**139 Only those compacts that affect a power delegated to the federal government or alter the political balance within the federal system, require the consent of Congress.140 Although there are many types of interstate compacts they generally can be divided into three groups: Border Compacts, Advisory Compacts, and Regulatory Compacts Types of Interstate Compacts Border Compacts: agreements between two or more states that establish or alter the boundaries of a state. Advisory Compacts: agreements between two or more states that create study commissions to examine a problem and report findings to member states. Regulatory Compacts: broadest and largest category of interstate compacts. Regulatory compacts create ongoing administrative agencies whose rules and regulations may be binding on the states to the extent authorized by the compact. Advisory Compacts An interstate advisory compact may be the most likely model for developing an interstate CO2 pipeline network for a number of reasons. An advisory compact is most likely to develop on a regional basis in response to market demands. Such a compact also facilitates better collaboration among states because the group is smaller and therefore able to tailor its response to the needs of the local area or region, **avoiding a one-size-fits-all approach.** The collaborative efforts of a regional advisory compact **will foster development of uniform criteria, shared timelines, joint hearings, and coordinated response** in regulating a CO2 pipeline network. Further, the advisory compact is more palatable to states and allows states to retain their sovereign authority. A regional advisory compact may result in a more rapid creation of a regulatory framework than the creation of a federal regulatory framework. **A regional advisory compact reduces the regulatory uncertainty** resulting from the absence of a regulatory framework needed to address a national CO2 pipeline infrastructure. An important advantage of advisory compacts is their potential for quick development and rapid regulatory response. Advisory compacts can sometimes form quickly whereas federal regulation may at times require many years. The speed by which the compact is formed is directly related to the number of participating states. Advisory compacts also allow for a quicker and more efficient regulatory response because of the proximity between the regulated community and the regulators. Regulatory Compacts An interstate regulatory compact is another, although potentially less likely, option for developing an interstate CO2 pipeline network. The factors that would need to be addressed in assessing the advantages or disadvantages of an interstate regulatory compact may include the following:  Whether to have one national or multiple regional compacts.  Congressional approval.  Requiring states to cede some sovereign authority to compact (states might resist this).  Whether a multi-state compact could respond faster than other solutions.  Tailor-made to fit the needs of participants rather than a one-size-fits-all.  Regulatory efficiency through a single point of contact.  Regulated community closer to the regulator, vis a vis a federal agency. **Even without a formal compact, states could work cooperatively to coordinate regulatory timetables, and facilitate siting approval and interaction among states.**

**CP doesn’t go through Congress**

**CSG, no date** (“Compacts as a tool of the game,” National Center for Interstate Commerce, The Council of State Governments, <http://www.csg.org/knowledgecenter/docs/ToolKit05InterstateCompacts.pdf)RK>

Article I, Section 10 of the U.S. Constitution provides in part that “no state shall, without the consent of Congress , enter into any agreement or compact with another state.” Historically, this clause generally meant all compacts must receive congressional consent. However, the purpose of this provision was not to inhibit the states’ ability to act in concert with each other. In fact, by the time the Constitution was drafted, the states were already accustomed to resolving disputes and addressing problems through interstate compacts and agreements. The purpose of the compact clause was to protect the pre-eminence of the new national government by preventing the states from infringing upon federal authority or altering the federal balance of power by compact. Accordingly, the Supreme Court in 1893 in Virginia v. Tennessee, indicated that **not all compacts require Congressional approval.** Today, it is well established that only those compacts that affect a power delegated to the federal government or alter the political balance within the federal system, require the consent of Congress. For example, a river basin agreement between two or more states that might affect the water rights of non-party states would surely require congressional approval. Determining whether a compact affects federal powers is more difficult. Generally, any compact that touches on an area of mutual state-federal concern, or threatens to Creating Interstate Compacts interfere with the doctrine of federal preemption, may be said to require congressional consent, such as the Driver License Compact. By example, it is almost easier to identify agreements that do not require congressional consent. Included among these are compacts concerning matters in which state authority is clearly pre-eminent. Education is one such area. Compacts designed to **facilitate interstate communication** or promote **cooperative studies** do not usually require congressional consent, but those that impose more substantive obligations often do.

# Generic Transportation

**The states would be able to better develop transportation systems at the local level – effective state commercial usage fees can even eliminate the need for tax revenue**

**Van Doren 3 -** editor of the quarterly journal Regulation, taught at the Woodrow Wilson School of Public and International Affairs (Princeton University), the School of Organization and Management (Yale University), and the University of North Carolina at Chapel Hill, he has a bachelor's degree from the Massachusetts Institute of Technology and a master's degree and doctorate from Yale University (Peter, 2003, “CATO HANDBOOK FOR CONGRESS: Policy Recommendations for the 108th Congress,” <http://www.cato.org/pubs/handbook/hb108/hb108-36.pdf)JCP>

Highway Infrastructure, Mass Transit, and Gasoline Taxes

This final section analyzes highway and transit infrastructure, which is owned and operated by government. The U.S. Department of Transportation should be abolished and public roads, national highways, and urban mass transit systems returned to the states and municipalities and the private sector. Whatever justification there may once have been for a national transportation department has disappeared; the goal of creating a national road network was achieved long ago.

If states were allowed to assess and fund their own infrastructure needs, they would be able to select the transportation systems that best suited local conditions. If necessary, they could reintroduce gasoline taxes at the current level, or at higher or lower levels, to pay for their systems. But that is unlikely to be necessary. Ken Small and his colleagues demonstrated more than a decade ago that efficient congestion and axle-weight-related fees on trucks could finance an interstate highway system without the use of a gasoline tax. And the Chilean experience described by Eduardo Engel and his coauthors provides a blueprint for private road franchise contracts that could be used in the United States.

**The states should manage their own infrastructure – results in more effective policies that meet local needs**

**Hudgins 1 -** Ph.D., Director of Advocacy and Senior Scholar for The Atlas Society(Edward L., 2001, “Cato Handbook for Congress: Policy Recommendations for the 107th Congress,” <http://www.cato.org/pubs/handbook/hb107/hb107-39.pdf)JCP>

Rep. John Kasich of Ohio and Sen. Connie Mack of Florida introduced legislation that would have returned both the responsibility for most roads, bridges, and mass transit and the tax base to the states. That plan would have cut most of the 18.4-cent federal gasoline tax, keeping only a few cents for maintenance of the interstate highway system. If states were allowed to assess and fund their own infrastructure needs, they would be able to select the transportation systems that best suited local conditions. If necessary, they could reintroduce gasoline taxes at the current level, or at higher or lower levels, to pay for their systems.

Instead, Congress is spending record amounts of money on roads, much of it as pork-barrel handouts at their worst. Washington continues to collect taxes to which it attaches costly strings. For example, the Davis-Bacon Act requires that workers on projects receiving federal funds must be paid the so-called prevailing wage, which usually means a wage far above the wages that local workers normally are paid. The dough is then doled out according to formulas that, for example, encourage localities to build lightrail systems that are 10 to 100 times more costly than are new bus or high-occupancy-vehicle lanes. Such rail systems induce few commuters to abandon their cars and leave less money for local governments to spend on infrastructure that would ease congestion.

The past few years have also seen both local and federal officials taking up the New Urbanist ideology that wants governments to discourage ‘‘suburban sprawl’’ and promote ‘‘smart-growth’’ policies that limit the use of property by suburban landowners. That ideology sees the automobile as the enemy.

If state or local governments want to experiment with such unsound policies, they may do so under the Constitution. Unfortunately, the federal government already promotes aspects of this ideology through its transportation programs and likely will be more intrusive in local transportation questions in the future. That is even greater reason for Congress to reevaluate transportation policy.

Even though record funds have been authorized, they have not been appropriated. Congress could resist the urge to spend up to approved limits. That, of course, would mean that revenues from the gasoline tax would remain unspent in DOT accounts— which would give Congress an incentive to cut the gasoline tax.

Further, the Urban Mass Transit Act of 1964 should be repealed; its swamp of requirements fails to keep pace with urban change, preventing the efficient operation of urban mass transit systems. When the act was adopted, most commuters traveled from suburbs to cities; now, however, most trips are intrasuburban. Yet the outdated transit act provides incentives for local governments to build urban rail and subway systems by providing up to 75 percent of construction funds, even though many cities need funds for suburban systems such as bus and car-pool lanes.

**States can manage transportation infrastructure themselves via cooperative organization such as AASHTO**

**Brown 3** – PhD in Urban Planning from UCLA (Jeff Richard, 2003, “The Numbers Game: The Politics of the Federal Surface Transportation Program,” <http://uctc.net/research/diss109.pdf)JCP> \*AASHTO = American Association of State Highway and Transportation Officials

But what if a 95 percent guaranteed return was enacted? Would this be the end of donor state complaints, or would calls for a 100 percent return be far behind? As the guaranteed return creeps closer to 100 percent, the very rationale for a federal program comes into question. We might as well abolish the federal program entirely, as a few advocates for devolution have been demanding (Poole 1996). If all the federal government does is collect money and then return it where it is collected what purpose does a federal transportation program serve? Perhaps it guarantees certain standards of system design, but these could also be handled cooperatively through organizations such as AASHTO. Or, perhaps it guarantees certain minimum standards of personal behavior (blood alcohol levels, minimum drinking ages, speed limits, seat belt laws, etc), but these are not quite the purposes it was originally intended to serve.

**States will be able to manage their own systems better because resources stay internally eliminating inefficiencies**

**Horowitz 12** – deputy political director of the Madison Project, contributing editor at Red State (Daniel, Feb 2, 2012, “Defeat The Highway Bill,” <http://www.redstate.com/dhorowitz3/2012/02/02/defeat-the-highway-bill/)JCP>

One need not be a staunch conservative to appreciate how inane it is to collect gasoline taxes from all 50 states into one pool, only to be doled out randomly for every state’s personal transportation project. Ever since the Interstate Highway System was completed almost 20 years ago, there has been no rational purpose for the current top-down federal control over transportation. Successive congresses have diverted as much as 38% of the gas tax revenue to mass transit projects and wasteful endeavors for specific states. The net result is that some states are donors (contribute more), while other states are recipients (receive more in funding than they contribute).

We need to abolish the federal gas tax, and devolve all responsibility and taxes for transportation projects to the states. The two bills percolating through Congress will double down on failed policies, add to the debt, perpetuate inefficiencies in highway construction, continue to encumber traffic, and preclude any devolution of responsibility to the states.

**The states can manage infrastructure on their own and better than the USFG - longer-term more investments without bias, increased efficiency and localized solutions**

**Horowitz 12** – deputy political director of the Madison Project, contributing editor at Red State (Daniel, Jan 19, 2012, “Devolve Transportation Spending to the States,” [http://www.redstate.com/dhorowitz3/2012/01/19/devolve-transportation-spending-to-states/)JCP](http://www.redstate.com/dhorowitz3/2012/02/02/defeat-the-highway-bill/)JCP)

Throughout the presidential campaign, many of the candidates have expressed broad views of state’s rights, while decrying the expansion of the federal government. In doing so, some of the candidates have expressed the conviction that states have the right to implement tyranny or pick winners and losers, as long as the federal government stays out of it. Romneycare and state subsidies for green energy are good examples. The reality is that states don’t have rights; they certainly don’t have the power to impose tyranny on citizens by forcing them to buy health insurance or regulating the water in their toilet bowels – to name a few. They do, however, reserve powers under our federalist system of governance to implement legitimate functions of government. A quintessential example of such a legitimate power is control over transportation and infrastructure spending.

The Highway Trust Fund was established in 1956 to fund the Interstate Highway System (IHS). The fund, which is administered by the DOT’s Federal Highway Administration, has been purveyed by the federal gasoline tax, which now stands at 18.4 cents per gallon (24.4 for diesel fuel). Beginning in 1983, Congress began siphoning off some of the gas tax revenue for the great liberal sacred cow; the urban mass transit system. Today, mass transit receives $10.2 billion in annual appropriations, accounting for a whopping 20% of transportation spending. Additionally, the DOT mandates that states use as much as 10% of their funding for all sorts of local pork projects, such as bike paths and roadside flowers.

As a result of the inefficiencies and wasteful mandates of our top-down approach to transportation spending, trust fund outlays have exceeded its revenue source by an average of $12 billion per year, even though the IHS – the catalyst for the gasoline tax – has been completed for 20 years. In 2008, the phantom trust fund was bailed out with $35 billion in general revenue, and has been running a deficit for the past few years. Congress has not passed a 6-year reauthorization bill since 2005, relying on a slew of short-term extensions, the last of which is scheduled to expire on March 31.

Short-term funding is no way to plan for long-term infrastructure projects. In their alacrity to gobble up the short-term money before it runs out, state and local governments tend to use the funds on small time and indivisible projects, such as incessant road repaving, instead of better planned long-term projects.

It’s time for a long-term solution, one which will inject much-needed federalism and free-market solutions into our inefficient and expensive transportation policy.

It is time to abolish the Highway Trust Fund and its accompanying federal gasoline tax. Twenty years after the completion of the IHS, we must devolve all transportation authority to the states, with the exception of projects that are national in scope. Each state should be responsible for its own projects, including maintenance for its share of the IHS. Free of the burden of shouldering special interest pork projects of other states, each state would levy its own state gas tax to purvey its own transportation needs. If a state wants a robust mass transit system or pervasive bike lanes, let the residents of that state decide whether they want to pay for it. That is true federalism in action.

The most prudent legislation that would transition responsibility for transportation spending back to the states is Rep. Scott Garrett’s STATE Act (HR 1737). Under this legislation, all states would have the option to opt out of the federal transportation system and keep 16.4 cents of their federal gasoline tax contribution. States would have the ability to use that money to raise their state gasoline tax and direct those funds more efficiently for their own needs. States would be free to use the funds for vital needs, instead of incessant repaving projects that are engendered by short-term federal stimulus grants, and which cause unnecessary traffic juggernauts. States could then experiment with new innovations and free-market solutions that open up infrastructure projects to the private sector. The Tenth Amendment is not just a flag-waving principle; it works in the real world.

It takes a lot of impudence on the part of the President to blame Republicans for crumbling infrastructure. It is his support for a failed central government system that is stifling the requisite innovations that are needed to deal with state and local problems.

**States can better manage transportation – local level taxes and prioritization eliminates overhead**

**Horowitz 12** - deputy political director of the Madison Project, contributing editor at Red State (Daniel, March 21, 2012, “A Real Solution to the Gridlock Over the Highway Bill,” http://madisonproject.com/2012/03/a-real-solution-to-the-gridlock-over-the-highway-bill/)JCP

Moreover, the fact that Washington gridlock is able to encumber the majority of transportation projects for 50 states just serves to underscore the reason why we should devolve transportation spending to the states. Since the completion of the Interstate Highway System in 1992, there is simply no reason why states shouldn’t levy their own taxes and manage their own highway projects, leaving the few projects with national scope to the federal government. If a state wants to fund public transportation, then let them have the debate about higher gasoline taxes on a local level. At present, there are 28 donor states – states that contribute more money than they receive in transportation funding. This is utter nonsense.

Instead of proposing yet another “pale-pastel” alternative to the Senate highway bill, let’s opt for a bold contrast and rally behind Tom Grave’s Transportation Empowerment Act (H.R. 3264). This bill would gradually transition gas tax revenue to the states over a period of four years. By 2017, every state would keep 14.7 cents of the current federal gasoline tax, leaving 3.7 cents in the hands of the DOT for the purpose of national projects. That way, each state can have a fair debate about their transportation needs and fund their priorities accordingly. If states conclude that they need more money for infrastructure, as the special interest groups have suggested, then it will become obvious to the local residents that the individual state needs to raise their gas tax or prioritize their spending in a different way.

With 50 states that are diverse in geography and population, Tom Grave’s devolution bill represents true federalism at work. If we can’t coalesce behind federalism in transportation issues, then what will we ever devolve to the states? Liberals want to maintain federal control over transportation spending to they can implement their social engineering, urban planning and environmental regulations. It’s time for Republicans to block highway spending from being used as the conduit for the statist agenda.

**States can manage their own infrastructure better, less red tape and no donor/receiver structures mean more efficient investments**

**Graves 12** - U.S. Representative for 9th district of Georgia, writing an open letter to fellow members of congress (Tom, 1/27/2012, “Be a Co-Sponsor of H.R. 3264 – The Transportation Empowerment Act,” <http://tomgraves.house.gov/UploadedFiles/011912-TEA_2_Page_Doc.doc)JCP>

Congress first authorized an investigation into what would become the “Dwight D. Eisenhower National System of Interstate and Defense Highways” in 1938’s Federal Highway Act by directing a report of the “findings and recommend[ed] feasibility of building, and cost of, superhighways not exceeding three in number, running in a general direction from the eastern to the western portion of the United States, and not exceeding three in number, running from the northern to the southern portion of the United States, including the feasibility of a toll system on such roads.”

Following was a more formal blueprint in the National Interstate and Defense Highways Act of 1956, which authorized the construction of 41,000 miles of highway. The originally authorized highways, and many others, have by and large been completed since that time, leading to largely positive changes in how we travel, where we live, and how goods are shipped from place to place.

The creation of the interstate highway system is clearly an authorized role for the federal government under the Commerce Clause. However, it is high time that we revaluate the ever expanding federal role in the construction of state and local highways. A federal bureaucracy in Washington is expensive, unfair, and redundant. States like Georgia are donor states – meaning while Georgians pay for roads with their federal gas taxes, many of those roads are built elsewhere. And while some states receive what seems like a windfall when they get more back than they pay in, those states still lose, since their money goes to support an additional layer of federal red tape.

Decisions about how to pay for roads and where to build them are best made in the states – not in Washington. That is why I introduced H.R. 3264, the Transportation Empowerment Act, which reduces the federal gas tax from the current 18.4 cents per gallon to 3.7 cents per gallon over the next five years, allowing states to determine the funding level that best suits them, while ensuring that funds are still available for necessary maintenance.

**The states are the key drivers of transport infrastructure**

**Koch, 06** – Christopher, President & CEO of the World Shipping Council (Remarks at the 6th Annual Trans-Pacific Maritime Conference, “Government Policy and Action Regarding Improvement of the Nation’s Intermodal Transportation Infrastructure,” World Shipping Council, 3/6/06, http://www.worldshipping.org/pdf/transpacific\_maritime\_conference\_paper\_march\_2006.pdf)RK

The first point I would make is that there is not now, nor will there ever be, a national program to address all the shortcomings of our nation’s transportation infrastructure. And we should not expect one. There are good and valid reasons for this. First, each sector of the transportation infrastructure and its related industries has different needs and characteristics, affecting how improvement strategies are developed and implemented. Second, the federal government in Washington, D.C. does not have the **money**, the **interest**, the **expertise**, or the **capacity** to provide all the solutions. At best, it will be a constructive partner that provides assistance in some areas, particularly on improvements of national significance. Third, some transportation infrastructure is public and requires public solutions, but some is privately owned and operated, and it requires different solutions. Fourth, state and local governments are the **essential drivers** of much of the needed capital, the prioritization, and the permission to improve the transportation infrastructure. And finally, finding adequate capital to build or improve transportation infrastructure is increasingly only part of the issue. Getting permission from the appropriate authorities to build the improvements is just as much a part of our challenge, and in some cases, the greater part.

**Responsibility should be left with the owners of infrastructure – not the federal government**

**Koch, 06** – Christopher, President & CEO of the World Shipping Council (Remarks at the 6th Annual Trans-Pacific Maritime Conference, “Government Policy and Action Regarding Improvement of the Nation’s Intermodal Transportation Infrastructure,” World Shipping Council, 3/6/06, http://www.worldshipping.org/pdf/transpacific\_maritime\_conference\_paper\_march\_2006.pdf)RK

In order to move from this broad policy framework to action, it is important to understand the roles and responsibilities of the entities involved, so that one can know who the decision-makers are going to be.

As a general rule, the owner of that part of the transportation system that needs enhancement needs to be the owner of the actions needed to improve that part of the system. In other words, the owner of the problem must also be the owner of the solution. There are times when multiple parties will have to participate in the solution, but it must be the responsibility of the component owner to develop the solution plan and outline how other help is needed and from whom. While this point seems logical and fundamental, it sometimes gets lost in the discussions of addressing the overall system problems and also in determining what role the federal government may have in delivering solutions.

**States can lead on transportation infrastructure – fill in for FG**

**Koch, 06** – Christopher, President & CEO of the World Shipping Council (Remarks at the 6th Annual Trans-Pacific Maritime Conference, “Government Policy and Action Regarding Improvement of the Nation’s Intermodal Transportation Infrastructure,” World Shipping Council, 3/6/06, http://www.worldshipping.org/pdf/transpacific\_maritime\_conference\_paper\_march\_2006.pdf)RK

Federal transportation funding programs and mechanisms have been clearly established and range from harbor dredging, to inland waterways, to highways. While good projects and effective Congressional delegations will surely succeed in getting additional funding for particular projects in the future, one should not count on the federal government providing substantially greater capital spending over the next five years than is currently authorized under existing transportation infrastructure programs. It is also important to understand that the biggest federal program affecting public transportation infrastructure-- the highway spending program -- is basically a formulabased conduit of money to the infrastructure owners – the states, who are the principal decision makers regarding how the money will be spent. The federal dollars from the National Highway Fund are disbursed to individual states for their use in planning, managing and improving the transportation systems within each state. Not only are the states the principal decision makers and the true “owners” of the public transportation infrastructure, the states are increasing their spending **above and beyond** what the federal government is allocating to them. This is due in large part to recognition by the states that federal funding falls far short of the money needed to adequately improve the transportation system in their state. From 1983 to 2003, federal highway funding doubled but state funding increased 164%, resulting in states contributing most (55%) of the money spent on highways in 2003 and that pattern continues. 5 In December, the Census Bureau reported that in the first nine months of 2005, state governments’ spending on roads was up 12% and was expected to reach a record $66.3 billion in 2005. State voters and legislatures around the country are approving large additional transportation bond measures, from New York to Ohio to Texas. The Virginia legislature, for example, is presently working on a $4 billion transportation funding plan over the next four years. No better example of state leadership can be found than here in California with Governor Schwarzenegger’s “Strategic Growth Plan” and its proposed $107 billion for transportation. $18.9 billion for expanding trade corridors, and $2 billion for the state's ports. His ambitious goal is to reduce congestion in the state's transportation system by 20 percent in the next decade while increasing its capacity or “throughput” by 15 percent with the increased use of dedicated truck lanes, high occupancy toll lanes and by building some new capacity. A little less than half of the proposed funding plan calls for use of existing transportation funding sources. The plan also proposes expanded authority to fund and deliver projects through a variety of publicprivate partnerships.

**Infrastructure improvements should come from the state level**

**Koch, 06** – Christopher, President & CEO of the World Shipping Council (Remarks at the 6th Annual Trans-Pacific Maritime Conference, “Government Policy and Action Regarding Improvement of the Nation’s Intermodal Transportation Infrastructure,” World Shipping Council, 3/6/06, http://www.worldshipping.org/pdf/transpacific\_maritime\_conference\_paper\_march\_2006.pdf)RK

The federal government has basically shown what role it will play. There are existing, significant programs that may be available for providing a share of the necessary resources. But Washington doesn’t own the infrastructure and will not be the leader of developing or implementing the solutions. Nor would it be realistic to expect dramatic new spending initiatives out of Washington to address these issues. The solutions lie with the industry – including freight owners – working with the proper levels of **local government** to seek a consensus on the priority projects and the funding shares and mechanisms to make the specific projects work. When that happens, the transportation infrastructure **will be improved.**

# Highways

**The states are already adjusting to managing roads without assistance - the federal government is no longer necessary**

**Kilcarr 12** – senior editor of Fleet Owner trucking and shipping magazine, BA(May 16, 2012, Sean, “Marking the “devolution” of highway funding,” <http://fleetowner.com/regulations/marking-devolution-highway-funding>)JCP

As Congress continues to debate a variety of surface transportation funding bills – most notably the two-year Senate sponsored Moving Ahead for Progress in the 21st Century Act (MAP-21) – several groups believe such federal-directed efforts are almost becoming moot as highway funding issues are increasingly “devolving” to the states.

At a briefing on Capitol Hill this week, a panel of experts led by Marc Scriber, land-use and transportation policy analyst with the Competitive Enterprise Institute (CEI), argued that near-default status of the Highway Trust Fund (HTF) due to inadequate fuel tax revenues and policy gridlock at the federal level is increasingly pushing states and localities to figure out ways to generate the funds required to build and maintain U.S. bridges and roads.

“We’ve argued in the past that responsibility for generating highway funds should ‘devolve’ to the states, but now that’s a largely ‘defacto reality’ as declining HTF revenues are forcing the states to look for new ways to generate the monies they need,” Scriber told Fleet Owner.

Scriber said the members of the policy panel – Adrian Moore, Ph.D.,vp-policy with the Reason Foundation; Gabriel Roth, research fellow at the Independent Institute; and Randall O’Toole, senior fellow with the Cato Institute – largely agreed that the federal government should remove itself from the highway funding process and let states take over.

“It’s inherently more efficient for the states to handle this rather than add in the extra step of the federal government collecting and then redistributing fuel taxes,” Scriber pointed out. “Also note that Congress has not increased federal fuel excise tax rates since 1993. Since then, inflation has eroded the buying power of those tax dollars by more than one-third. This has pushed the HTF to the brink of insolvency, yet none of the proposals pending before Congress address this imminent threat to our nation’s surface transportation infrastructure.”

**The states should manage surface infrastructure and highways - innovation and better usage of public-private partnerships and investment strategies**

**Poole 96 -** President of the Reason Foundation. An engineering graduate of MIT, he has advised the U.S. and California departments of transportation, the White House, and the President's Commission on Privatization. He is the author of numerous policy studies on such topics as airport privatization, air traffic control corporations, congestion pricing, and private tollroads. He was a member of the Caltrans Privatization Advisory Steering Committee in 1989-90 and the California Commission on Transportation Investment in 1995-96. (Robert, 1996, “DEFEDERALIZING TRANSPORTATION FUNDING,” <http://reason.org/files/4883e8bd01480c4d96ce788feb1f2e05.pdf)JCP>

This analysis suggests that it may be politically feasible to devolve surface transportation funding and responsibility to the state level, reducing the Federal Highway Administration to a small cadre that would maintain uniform standards for Interstate system planning and design. States and metro areas, working with the private sector as they chose, would assume all responsibilities for funding, construction, and operation of highways. The federal gasoline tax would be abolished and states would be free to increase their own gasoline taxes (or other funding sources) to raise the funds necessary to maintain their system at the desired level. The remaining federal ban on tolling Interstate highways would be repealed as part of the change-over.

The benefits of such a change could be very large. Among them would be the following:

! More Productive Investment. As noted above, that portion of our highway system constructed with federal aid costs at least 21.5 percent more than highways constructed without that aid. Thus, the same total dollars invested by states and the private sector could produce more needed infrastructure; alternatively, some states might keep net investment levels the same as at present, freeing the remaining resources for other societal needs.

! Intermodalism. In conjunction with defederalization of airports (discussed below), the devolution of surface transportation responsibilities from DOT to the states and cities would get rid of the rigid modal categories of funding, in which transit funds can only be used for transit, highway funds only for highways, and airport funds only for airports. The present system has made it extremely difficult to fund truly intermodal infrastructure, such as surface transportation access to airports. Decentralizing the funding to where the needs are would facilitate the development of needed intermodal facilities.

! Freedom for Innovation. Overly prescriptive federal regulations and standards have stymied innovation in transportation infrastructure. For example, two decades of federal speed-limit mandates precluded potentially large economic gains from the time savings involved in high-speed heavy-truck-oriented tollways, such as the proposed Chicago-Kansas City Tollway and Colorado's Front Range Toll Road.

! Private Investment. The private sector has stepped up to the plate in the 12 states where the law has been amended in recent years to encourage private investment in surface transportation. Yet because of the higher costs involved, private firms have shied away from public-private partnerships involving federal highway funds. Devolving these responsibilities to the states is more likely to encourage greater private-sector investment than is further attempts to fine-tune the federal public-private partnership provisions.

**States would be better at managing highway investment, they can avoid tons of problems at the federal level**

**Poole 96 -** President of the Reason Foundation. An engineering graduate of MIT, he has advised the U.S. and California departments of transportation, the White House, and the President's Commission on Privatization. He is the author of numerous policy studies on such topics as airport privatization, air traffic control corporations, congestion pricing, and private tollroads. He was a member of the Caltrans Privatization Advisory Steering Committee in 1989-90 and the California Commission on Transportation Investment in 1995-96. (Robert, 1996, “DEFEDERALIZING TRANSPORTATION FUNDING,” <http://reason.org/files/4883e8bd01480c4d96ce788feb1f2e05.pdf)JCP>

In a 1990 analysis prior to the adoption of ISTEA, transportation economist Gabriel Roth summarized the strengths and weaknesses of the Highway Trust Fund. Its main strength is that it has achieved its objective of greatly improving U.S. highways at relatively low cost to its users. But Roth also noted a number of weaknesses.

! Divided Responsibilities. Federal funding and regulations are overlaid on state highway agencies which are the actual owners, operators, and part-funders of the federal highway system. This division of responsibilities hinders sound investment decision-making and businesslike management of our highways.

! Costly Federal Requirements. States must comply with costly and burdensome regulations as a condition of using federal highway funds. Davis-Bacon Act wage provisions, Buy America provisions, and various setasides requirements increase construction costs by 20 percent. Many other requirements, such as (recently repealed) maximum speed limits and minimum drinking age, do not directly increase highway costs but may conflict with state policy priorities. Still others, such as metric conversion requirements, increase operating costs. In addition, Roth estimates that the administrative costs of federal grant programs are on the order of 1.5 percent at the federal level and 5 to 7 percent at the state level.

! The Free-Money Effect. The availability of 80 percent or more federal funding for a new facility leads to a certain amount of gold-plating of projects funded with federal money compared with comparable projects funded solely with state funds. For example, in Phoenix, AZ those portions of the urban freeway system that are state-funded are relatively austere, whereas the federally funded portions boast landscaping, and one portion was built as a cut-and-cover tunnel with an urban park above it at considerably greater cost. Highway engineers can provide numerous examples of this effect.

! Redistribution Among States. The trust fund distributes federal funds among the states according to complex formulas which significantly redistribute resources. Many states are net donors; others are net recipients. While such redistribution may have been necessary to develop the Interstate system, its continuation is questionable now that this system is complete and operational. Supply and demand more accurately reflects the real need for additional transportation investment than the trust fund's arcane formulas.

! Use for Non-Highway Purposes. Administrations and Congress are routinely tempted to use the trust fund for deficit-management purposes. ISTEA devoted a portion of its fuel-tax increase to federal deficit reduction rather than to the trust fund. In addition, federal budgets frequently appropriate less from the Trust Fund than is collected in a given year, in order to Ahold down the deficit, thereby accumulating multi-billion dollar balances in the Trust Fund. This practice tends to starve the transportation system of needed investment, even though these funds can only be spent on transportation. Moreover, as of 1996, only 12 cents out of each 18.4 cents paid by highway users in gasoline taxes actually goes for highways; 4.3 cents goes for deficit reduction and another 2 cents goes for mass transit.

! Concealment of Trust Fund Costs. Records of trust fund disbursements to the states reflect the accumulated interest earned on trust fund balances and eventually returned to the states. Over the years since 1956, the trust fund has paid out 16 percent more than states paid in, thanks to this accumulated interest. However, states themselves could have earned at least this much, and had access to the funds at times of their own choosing, had the funds been left with the states in the first place. Hence, the amounts recorded as returned to each state should be adjusted downward by 16 percent to account for the artificial nature of these earnings. In addition, the federal costs of operating the trust fund account for another one percent, requiring another downward adjustment of this amount.

How would states fare if there were no federal fuel taxes and no federal highway grants i.e., if the money were left to be collected and spent within each state? To begin with, there is the estimated 20 percent cost impact of Davis-Bacon and other federal requirements. This number may over-estimate the federal impact, because 19 states have strong state-level equivalents of Davis-Bacon that would still apply if the federal requirement went away and another 12 have weak laws of this type.

For a state with local version of Davis-Bacon, how much would project costs be reduced if the federal requirement went away? A 1995 survey of state transportation agencies conducted by the American Association of State Highway and Transportation Officials (AASHTO) turned up very few hard quantitative estimates. The only state that reported such a study was Arizona, which came up with an overall cost increase due to Davis-Bacon of 13 percent. Because Arizona may not be nationally representative (lower labor costs than many other states, right-towork law), we will assume that the average impact in a state with no mini-Davis Bacon Act of its own is 10 percent. For states with a strong mini-act, we will assume zero percent impact from devolution, and assume five percent for states with a weak mini-act.

What about the balance of the previously estimated 20 percent federal cost impact? The other identified regulations making up the original estimate (besides Davis-Bacon) were Buy America provisions and minority/women/small business set-asides (and possibly though not mentioned more-costly federal environmental requirements). Nominally, these were apparently being estimated at 10 percent (with Davis-Bacon making up the other 10 percent, for a total of 20 percent). Because some states have regulations in each of these categories, a more conservative estimate of the federal impact would be five percent.

# Interstates

**States can manage interstate highways better and efficiently than the fed**

**Segal 6** - director of government reform at the Reason Foundation, B.A. in Political Science at Arizona State University and a Master of Public Policy from Pepperdine University, advisor to Florida Gov. Jeb Bush's Center for Efficient Government (Geoffrey, July 19, 2006, “Privatization and Devolution Keys to Solving Federal Budget Mess,” http://reason.org/news/show/privatization-and-devolution-k)JCP

The federal government's duties have grown beyond "few and defined" as originally constructed by James Madison and the founders. Federal mission creep or "sprawl" has created additional layers of bureaucracy that slow down and add costs to governing. Many of these activities belong at the states.

Currently there is an effort in Congress to devolve the administration of the interstate highway system to the states. No longer deemed a federal mission, individual states can more efficiently and effectively administer their own systems. Doing so will take billions off the federal books, while producing significant benefits to taxpayers and the states as well. Similar cases for devolution can be made for other federal agencies including the Department of Education and Commerce.

Tools like these provide the path to fiscal security. A smaller, more efficient, more effective government, one that is focused on essential activities stands to increase our freedoms and liberties as well. That's something we can all stand for.

# Laundry List

**States can and should manage all forms of transportation infrastructure, including aviation, mass transit, highways and rail**

**Poole 96 -** President of the Reason Foundation. An engineering graduate of MIT, he has advised the U.S. and California departments of transportation, the White House, and the President's Commission on Privatization. He is the author of numerous policy studies on such topics as airport privatization, air traffic control corporations, congestion pricing, and private tollroads. He was a member of the Caltrans Privatization Advisory Steering Committee in 1989-90 and the California Commission on Transportation Investment in 1995-96. (Robert, 1996, “DEFEDERALIZING TRANSPORTATION FUNDING,” <http://reason.org/files/4883e8bd01480c4d96ce788feb1f2e05.pdf)JCP>

Airports, highways, and mass transit systems are primarily state and local responsibilities. They are developed and operated by state and local governments (with increasing private-sector involvement) and funded primarily from state and local sources. Yet the federal government, by collecting transportation user taxes and using them to make grants for these systems, both raises the costs and exerts significant control over these state and local activities. Congress should devolve transportation infrastructure funding and responsibilities to cities and states, ending federal grant programs and their accompanying restrictions. Cities and states have been open to privatization, and most would welcome the flexibility and freedom from costly federal regulations which devolution would give them. Devolving transportation funding would lead to more-productive investment, greater intermodalism, more innovation, and new capital from the private sector.

Conventional wisdom suggests that 21 states are net donors to the federal highway program and the rest are net recipients. But this paper's analysis, taking into account the real costs of federal funding and regulations, concludes that 33 states get back less than they contribute in highway taxes and would be better off if the funds were left in their states to begin with. By adding such major states as Illinois, New Jersey, New York, Pennsylvania, and Virginia to the donor-state category, this assessment could change the political dynamics in favor of devolution. Abundant evidence now exists that federal transit programs have stimulated investment in unviable rail systems and have needlessly boosted transit system operating costs. The flexibility created by repeal of federal transit regulations would permit changes (such as competitive contracting of transit operations) that could save enough to offset much of the loss of federal operating subsidies. It would be up to cities and states to decide whether to continue to invest in non-cost-effective rail transit.

The only truly federal role in aviation is ensuring safety and facilitating the modernization of the air traffic control system. The latter can best be accomplished by divesting ATC to a user-funded corporation, as 16 other countries have done. Airports should be defederalized; all sizes of commercial airports could make up for the loss of federal grants with modest per-passenger charges. States could decide whether to subsidize unviable general aviation airports.

Overall, the federal government would retain certain coordination and safety-regulation functions in transportation. But it would henceforth leave investment and management decisions to state, city, and private decision-makers.

**States can solve for airports, highways and mass transit along with other infrastructure without federal assistance, user fees and other tolls would provide ample funding**

**Heather 96** **-** (Eurich, Oct 1996, “'Defederalize' Transportation Funding, New Report Urges,” *Bond Buyer,* http://search.proquest.com.proxy.lib.umich.edu/docview/407172351)

Congress should eliminate federal grants for transportation infrastructure programs and shift the responsibility for funding those programs to cities and states, according to a report recently issued by the Reason Foundation.

Airports and surface transportation projects should raise money for maintenance and development through user fees and state taxes, said Robert W. Poole Jr., who authored the report entitled,"Defederalizing Transportation Funding."

Furthermore, transportation trust funds should not be taken "off budget," but rather simply abolished, said Poole, president of the Los Angeles-based research group.

Over the years, several presidential administrations and congresses have counted the money in the airport and highway trust funds - which are financed primarily by gas taxes - as part of the federal budget because the funds' surpluses make the deficit look smaller than it really is. By taking the trust funds off budget, the nation would have a more realistic perception of the size of the deficit, and those surpluses could then be spent on infrastructure projects, many critics have argued.

However, the Reason Foundation - which has issued several reports advocating privatizing public facilities - favors replacing the federal taxes that are now used to finance the trust funds with state and local taxes.

"Cities and states have been open to privatization, and most would welcome the flexibility and freedom from costly federal regulations which devolution would give them," Poole said.

Airports, highways, and transit systems have traditionally relied on revenues from gas taxes to finance their trust funds, which are disbursed by the federal government. User fees, on the other hand, include road tolls, passenger facility charges, and landing fees paid by airlines to airports.

But switching from reliance on federal trust funds to state and local taxes and fees would require many changes in infrastructure financing, said Chee Mee Hu, an analyst for Moody's Investors Service.

"That's integral to a major overhaul of how airports function and (analogous to) toll roads," Hu said. "You've got the great wave of historical development working against you."

The interstate highway system, for example, was built with the "free" system of the trust funds, and drivers are ready to accept only so many toll roads, she said.

Although abolishing the federal taxes used to finance the trust funds would represent a "major overhaul," the idea has gained popularity among conservative members of Congress. Legislation was introduced this year to abolish the trust funds or at least trim them back substantially, and lawmakers see opportunities to continue the trend next year.

# Local Transport

**States would be able to manage most infrastructure project independently with more success and efficiency than the federal government**

**Poole 11 -**  director of transportation policy at the Reason Foundation, MIT-trained engineer, has advised the previous four presidential administrations on transportation and policy issues. He is a member of the Government Accountability Office's National Aviation Studies Advisory Panel and he has testified before the House and Senate's aviation subcommittees on numerous occasions (Robert W., March 7, 2011; “Interstate 2.0,” <http://www.weeklystandard.com/print/articles/interstate-20_552551.html?page=3)JCP>

The defining issue of our time is figuring out how to reduce the scope and cost of the federal government. In surface transportation, the federal role has grown far beyond the highly focused program to develop a national superhighway network, paid for by and benefiting its users. Every time Congress has reauthorized the program, it has expanded its scope, to the point where one-quarter of the funds are now spent on non-highway programs. And if the Obama administration has its way, the program will double in size, spending highway users’ money on endless high-speed rail boondoggles and even more transit and other non-highway purposes.

Advocates of devolution are on the right track, in that **most highways, all urban transit, and certainly things like sidewalks, bikeways, and recreational trails are the province of state and local government**, not Washington. **Without the lure of “free federal money,” states and cities will have much greater incentive to make cost-effective choices** (flexible bus rapid transit rather than costly and inflexible light rail systems, for instance). In addition, their own dollars, unencumbered by costly federal mandates, will go 20 to 30 percent further than federal dollars.

The Interstate system is different, in that its benefits are truly national in scope. It can and should be paid for solely by its users, thereby having no net effect on the federal budget deficit. But devolving the rest of the current federal surface transportation program to the states would have a modestly positive impact on the deficit, especially to the extent that in the last three years almost $35 billion in federal general-fund money has been added to what the federal user taxes bring in, to support the bloated scope of the current program.

# Mass Transit

**Federal influence is the root cause of mass-transit failures, wrecks affirmative solvency and is a reason the states could solve better**

**Poole 96 -** President of the Reason Foundation. An engineering graduate of MIT, he has advised the U.S. and California departments of transportation, the White House, and the President's Commission on Privatization. He is the author of numerous policy studies on such topics as airport privatization, air traffic control corporations, congestion pricing, and private tollroads. He was a member of the Caltrans Privatization Advisory Steering Committee in 1989-90 and the California Commission on Transportation Investment in 1995-96. (Robert, 1996, “DEFEDERALIZING TRANSPORTATION FUNDING,” <http://reason.org/files/4883e8bd01480c4d96ce788feb1f2e05.pdf)JCP>

As for operating subsidies, CBO found that more than 75 percent of U.S. transit ridership is on systems that rely on federal operating subsidies for only 8 percent or less of their revenue. Modest productivity gains could easily compensate for the loss of federal subsidies in those large-city cases. On the other hand, the smallest 200 cities receiving federal transit aid (all but three with populations under one million) carry only 7 percent of transit ridership but account for 27 percent of federal operating subsidies. CBO notes that while cities in this group would have the most to lose from a withdrawal of federal aid, they would potentially have much to gain also: their transit services are now among the least efficient, and pressure to reduce costs could only improve them.

Cities could cut costs dramatically via competitive contracting of transit services. Wendell Cox has reviewed the worldwide experience with competitive contracting of transit service (in which firms bid for the right to operate specific groups of routes on the basis of the least amount of subsidy needed). He finds significant reductions in cost per vehicle mile, ranging from 19 percent in Copenhagen to 25 percent in Australian cities (Adelaide, Brisbane, Perth), 33 percent in San Diego, and 42 percent in London. He notes that competitive contracting has begun expanding from bus to rail, with subway service now outsourced in Stockholm and rail system contracting now planned in Adelaide and Perth. Cox has calculated that the loss of all federal formula funding ($1.9 billion in 1994) could be made up via transit system operating efficiencies averaging 11.3 percent well within the range of what has been achieved via competitive contracting of bus service in the United States and overseas.

Competitive contracting and other productivity improvements would be much easier to accomplish after the end of federal grants, because transit agencies would no longer have to comply with the labor restrictions of section 13(c), which major transit agencies have urged be removed as a costly federal mandate.

**Of all transportation modes, urban transit is clearly the most obviously local and the furthest removed from being a federal matter.** When this fact is combined with an appreciation of the harm done by federal transit aid, the case for shifting this function to the local level is overwhelming.

# Railways

**States regulate railway efficiently**

**Hughes 11** (Brett, Director of the [Curtin Monash Accident Research Centre](http://c-marc.curtin.edu.au/index.cfm), January 2011, “Performance Reporting of Transport Reform Outcomes: Measuring the value of what can be managed”, <http://cmuarc.curtin.edu.au/local/docs/papers/CMARC_NTC_PerformanceReporting.pdf>///TS)

Road and rail transport have many similarities. However, there are as many differences as similarities in terms of ownership, regulation, culture and other aspects. Road infrastructure is generally owned and operated by State and Local Governments, while vehicles are mostly owned and operated by private companies or individuals. Freight railways (both track and operations) may be owned by private companies or governments. Road safety is generally regulated by transport agencies for access to the system and by Police for safe operation, both in a prescriptive rules-based system. Road infrastructure is self-regulated by governments. Railway infrastructure and operations safety are regulated by State Governments (soon to be a national regulator) under a co-regulatory regime based on monitoring and ensuring outcomes, not by specifying actions. Road drivers must pass a formal licence and vehicles must be registered, both by State administration. There are no drivers’ licences or rolling stock registration for railways, the safety of which are both managed within the co-regulatory safety regime.

**Empirical basis for state cooperation on rail**

**Koch, 06** – Christopher, President & CEO of the World Shipping Council (Remarks at the 6th Annual Trans-Pacific Maritime Conference, “Government Policy and Action Regarding Improvement of the Nation’s Intermodal Transportation Infrastructure,” World Shipping Council, 3/6/06, http://www.worldshipping.org/pdf/transpacific\_maritime\_conference\_paper\_march\_2006.pdf)RK

• The activity associated with the development of the new APM Terminals facility in Portsmouth, Virginia is a series of public-private partnerships, all carefully linked together. The city of Portsmouth faced revenue shortfalls and had been trying for decades to develop a 568-acre riverfront parcel with deepwater access – then known as the Cox property. The Virginia Port Authority identified in 2000 that it would have a capacity shortfall by 2010 in its existing facilities. So in 2001, A.P. Moller-Maersk purchased the Cox property with the intention of developing it as a primary East Coast shipping hub. In 2004 the company, together with the governor, Congressional, and local representatives jointly announced plans not only for APM Terminals to spend one half billion private capital dollars to construct the terminal, but for the state to expand road access to the facility; and for both the state and federal governments to support rail expansion. The latter ultimately led to the development of the Heartland Corridor project – a $266 million project that will remove height impediments along rail track from Virginia to Ohio enabling the use of double-stack trains, as well as extend the rail line directly into the new facility and adjust the capacity of the roads that feed the railroad and the terminal. Most of the funding is coming from the private sector, and the federal government contributed $143 million in the last highway bill; Virginia originally approved $53.4 million for roads and more is proposed. Collectively, these projects will provide the national economy with additional freight capacity; the local Virginia economy with more jobs and more tax revenue; and, reduce the environmental impact of freight movement to communities all along the Heartland Corridor route by taking more trucks off the highways. • The $2 billion Alameda Corridor project remains one of the best known examples of a public-private partnership in part because it involved two highly competitive railroads, two ports, and local, state and federal governments – all who came together to find a solution that would expand port capacity, provide for more efficient rail freight movements, reduce noise and delays on local streets and highways; improve safety, and achieve significant reductions in pollution from vehicles and locomotives. The complexity of the “partners” involved and the importance of sustaining public benefit resulted in the creation of a new local government entity – the Alameda Corridor Transportation Authority – to collect revenue from users and continue to operate the new throughway in the manner in which it was intended. (More information about rail public-private partnerships can be found at: http://www.aar.org/ViewContent.asp?Content\_ID=2800 ) Highway transportation infrastructure solutions have to be implemented location by location by the owners of the system, either individually or collectively, in cooperation with the users of the system. That means state governments, MPOs and COGs must work closely with the shippers and transportation service providers operating within the state. This is at the heart of solution planning. The federal government will continue its policy work, will continue to provide funding to the extent that the NHTF allows, will continue to manage federal financing programs like those created for special projects or for grants and loans, will be a resource for the states and local governments in addressing various financing options available and how to use them, and can help facilitate discussion among states for projects that cross state borders and serve the national interest -- the concept behind the “Projects of Regional and National Significance” program. But in the end, the solutions will be driven at the state and local level, and those interested in improving the efficiency of moving freight in a region need to develop close working relationships with state and local planners. C. Rail Capacity: Private Sector Infrastructure Rail infrastructure -- unlike highway infrastructure -- is a private sector responsibility. It is the railroads that decide how much to invest in what portions of their infrastructure. It’s a heavily capital intensive business. From 1980 to 2005, major U.S. freight railroad capital spending on infrastructure and equipment was more than $120 billion. In addition to this capital spending, railroads expend $10-$12 billion per year to repair and maintain their assets. The rail industry does not have an easy means of segregating its investment in intermodal facilities vs. others. In fact, much of freight railroads' investment is not in dedicated services, but in joint and common assets which serve intermodal movements and all other movements/commodities/services as well. In addition to the pace of investment spending, another issue that the railroads face is the need for groups of states to collectively agree to modifications along an entire route. The CREATE project was not really faced with that challenge because resolution of the problem was centralized in Illinois. The Heartland Corridor project is a good example of where multiple state agreements worked well. Had all the states not agreed with the plan, there would be little incentive – and in fact little value for the shipping public – for the railroad to invest in partial upgrades.

# Seaports

**The states can manage the ports and have been doing so since the constitution was drafted, the USFG has no jurisdiction over port infrastructure**

**Sherman 2k** – Director of Research and Information Services American Association of Port Authorities (Roberts, “SEAPORT GOVERNANCE IN THE UNITED STATES AND CANADA,” http://www.aapa-ports.org/files/PDFs/governance\_uscan.pdf)JCP

Introduction: To observers from abroad, even experienced port specialists, the seaport system of the United States might seem at first glance to be anything but a system. In other countries, port systems are typically small by comparison and commonly subject to direct control by national authority. The situation in the United States differs in several crucial respects. First is simply the size of the industry itself--183 commercial deepdraft ports dispersed along the U.S. Atlantic, Gulf, Pacific and Great Lake coasts. Included in that number, too, are the seaports of Alaska, Guam, Hawaii, Puerto Rico, Saipan and the U.S. Virgin Islands. **Here, unlike many countries, there is no national port authority**. Rather authority is diffused throughout all three levels of government-federal, state and local. That stems from the federal character of the U.S. Constitution, which reserves certain powers for the national government and others strictly for the states. The Canadian system, by contrast, is subject to the general purview of the central government and more specifically to enactments of the national parliament. The enactment in June 1998 of the Canada Marine Act changed somewhat the character of the federal port system and permits the divestment of many ports previously administered by the Ministry of Transport to non-federal public and private entities. However, the nation’s major seaports are governed and managed by federal port authorities and ultimate statutory authority constitutionally remains with Parliament.

Constitutional Parameters: The U.S. Constitution does grant the federal government exclusive jurisdiction over the navigable waters of the United States, including its deepdraft channels and harbors--authority delegated primarily to the Coast Guard and the U.S. Army Corps of Engineers. **But federal jurisdiction over harbors stops at the water's edge**. Port authorities in the United States are instrumentalities of state or local government established by enactment or grants of authority by the state legislature. Neither Congress nor any federal agency has the power, or even the right, to appoint or dismiss port commissioners or staff members, or to amend, alter or repeal a port authority charter. Certain port activities are, of course, subject to federal law and jurisdiction, particularly those pertaining to foreign and interstate commerce.

Port vs Port Authority: It should be note that there are numerous commercial ports where no public seaport agency exists - ports in which facilities are all privately owned and frequently operate as adjuncts to large industrial enterprise such as iron ore company or an electrical utility. Industrial ports of this type are particularly common on the Great Lakes. However, there are also privately owned and operate ports that provide services to the shipping public that are in most ways similar to those offered by public seaport terminals. Examples include the Port of Searsport, Maine, which is owned by the Bangor & Aroostook Railroad, New Haven, Connecticut, where all general cargo facilities are owned by private companies, and Benicia, California, where the port is owned by a private share-holder owned corporation, Benicia Port Holdings which has raised funds from the sale of stock on the London Exchange. It should also be noted that some port authorities may own facilities in two or more ports. The South Carolina State Ports Authority, for example, owns and operates marine terminal facilities in the ports of Charleston, Georgetown, and Port Royal. The basic distinction is that a port is geo-economic entity whereas a port authority is a government entity.

**The states can do the plan - they have been composing port policy cooperatively since WWI**

**Sherman 2k** – Director of Research and Information Services American Association of Port Authorities (Roberts, “SEAPORT GOVERNANCE IN THE UNITED STATES AND CANADA,” http://www.aapa-ports.org/files/PDFs/governance\_uscan.pdf)JCP

Many of the early port authorities were in fact established as a public response to problems arising from railroad control of commercial port areas. Popular outcry directed at the virtual monopoly railroads exercised over commercial waterfront in ports such as Tacoma and Seattle culminated in the enactment of the Washington State Port District Act of 1911. Public access to the waterfront and the discriminatory practices of port facility owning railroads were recurring issues at early conventions of the American Association of Port Authorities, which was formed in 1912.

American Association of Port Authorities

For ports in the North Atlantic, problems arose from the financial and physical deterioration of the principal eastern railroads after World War I. Faced with the loss of port services because of the inability or unwillingness of the railroads to maintain their marine terminals, certain states--**sometime in concert**--resorted to the creation of port authorities to ensure the continuation and development of harbor facilities in the public interest. Concern about the need for improved coordination and better inland transportation facilities in The Port of New York was a prime consideration in the formation of The Port of New York Authority (now The Port Authority of New York and New Jersey) in 1921. In fact, until after World War II, The Port Authority's energies and resources were devoted primarily to the improvement of inland access to the port through the construction of bridges and tunnels.

**States are well capable of running and constructing ports by a variety of mechanism – taxes and bonds mean they can get funds for construction**

**Wagner 09** P.E. and PPM (David A., Port Engineer and Professional Port Manager) (November 2009, “REPORT ON STATE FINANCIAL ASSISTANCE FOR CAPITAL IMPROVEMENTS AT PUBLIC PORTS IN THE UNITED STATES,” <http://portsoflouisiana.org/wp-content/uploads/full-document-final-copy-4.pdf)JCP>

Eleven states own the major port facilities in their states. In some cases the ports are actually operated by a unit of state government. In other instances, the state owns the facilities but has created a totally independent enterprise organization to operate the facilities. In this latter case the port entities are often independent from the state and may not receive any substantive financial support from the state. Examples of this are New Hampshire (Pease River Port Authority), Rhode Island (Port of Davisville); Delaware (Diamond State Port Authority), North Carolina (North Carolina States Port Authority), South Carolina (South Carolina States Port Authority), Georgia (Georgia States Port Authority), Alabama (Alabama State Port Authority), Mississippi (Mississippi State Port Authority), and Indiana (Indiana Port Commission). States such as New Hampshire, North Carolina, South Carolina and Indiana have provided no state funding to their state owned ports in recent years and the ports operate solely from their own earned revenues. Ports in states such as Rhode Island, Delaware, Georgia, and Alabama do occasionally receive state funds but almost always for a project that the state has designated. States that provide a significant amount of funding to state owned ports are Maryland (Maryland Port Administration) and Virginia (Virginia Port Authority). In Maryland the port is a part of the State Department of Transportation and is funded directly from the State Transportation Fund for both capital construction and any operating deficits. In Virginia, the port directly receives an annual allocation of 4.2% of State Transportation Fund revenues which support capital construction projects. With the exception of Alabama, Georgia and Indiana, each of the states that own its ports has only one major port complex or one major port and one smaller port. Indiana has three ports. Georgia has one major port and three smaller ports. Alabama is unique in that the state owns the Port of Mobile and eleven shallow draft ports. Alabama leases out its shallow draft ports to public and private operators and the state has no day to day role in managing the operations of these ports. Three states have major ports that are owned and operated as independent regional entities with no substantive support from the states themselves. These include Massachusetts (MassPort), New York (Port Authority of New York/New Jersey), and New Jersey (Port Authority of New York/New Jersey and Port of South Jersey.)

In many other states, ports are owned and operated by local government entities although most are operated independent of the local government or they are operated as completely independent districts. In California and Alaska ports are typically owned by cities and counties. Ohio ports are created and commissions are appointed by units of local government. Washington ports are independent of local jurisdictions and their commissioners are elected. In Oregon, ports are special local districts under state law. **Most of these entities have taxing authority and those taxes provide a substantial and sustainable revenue source that allows for the sale of bonds to support capital construction.**

**States have a variety of mechanisms by which they can fund port construction and development**

**Wagner 09** P.E. and PPM (David A., Port Engineer and Professional Port Manager) (November 2009, “REPORT ON STATE FINANCIAL ASSISTANCE FOR CAPITAL IMPROVEMENTS AT PUBLIC PORTS IN THE UNITED STATES,” <http://portsoflouisiana.org/wp-content/uploads/full-document-final-copy-4.pdf)JCP> \*PE = Port Engineer, PPM = Professional Port Manager (a certification from the APAA)

The source of funds for state funding of ports varies across the country. By far the two sources which are most prominent are General Fund Revenue (usually either a special appropriation or an annual appropriation) and Transportation Fund Revenues. Of the thirty one states in the initial survey, seven states provide no substantive funding of their ports. Of the remaining twenty four states, eleven states (46%) use only general fund revenues to support port construction. In most cases, these are one time appropriations of funds for a particular project or to seed a loan fund. In a limited number of instances, an annual appropriation supports an ongoing program. Seven states (29%) use only transportation related revenues to support port infrastructure improvements. The remaining six states (25%) use a combination of revenue sources which may include general fund revenues, transportation revenues or other revue sources. Some of the more unique funding sources include watercraft fuel taxes (Alaska), fisheries business tax (Alaska), vessel registration fees (California), lottery revenues (Oregon), and federal stimulus funds (Maine). Those states which utilize transportation revenues do so in a variety of ways. Florida uses an annual fixed dollar ($25 million) from its motor vehicle registration fees. Virginia uses a fixed percentage (4.2%) of its total annual transportation revenues including gas tax and motor vehicle fees. Most other states using transportation revenues rely on an annual allocation in their transportation departments’ budget to fund their programs and grants. Appendix D lists the funding sources for all the ports surveyed.

Revolving Loan Programs Many states have revolving loan programs for ports. Such programs provide low interest loans, bonding capacity or credit enhancement for borrowing by ports or their tenants or customers. States such as Mississippi, Ohio, Washington, and Oregon make extensive use of these types of loan funds. In most cases, the legislature seeds the fund with a onetime appropriation and the funds become self-supporting thereafter. Louisiana had such a program in the Louisiana Waterways Infrastructure and Development Fund introduced by Senator Walter Boasso and Representative James Tucker and passed into law. It was never funded and the statute was repealed in 2008. Appendix C lists the funding programs for the final 10 states in the selected for detailed analysis.

**States can, and consistently do, use usage fees and taxation to fund port infrastructure construction**

**Wagner 09** P.E. and PPM (David A., Port Engineer and Professional Port Manager) (November 2009, “REPORT ON STATE FINANCIAL ASSISTANCE FOR CAPITAL IMPROVEMENTS AT PUBLIC PORTS IN THE UNITED STATES,” <http://portsoflouisiana.org/wp-content/uploads/full-document-final-copy-4.pdf)JCP> \*PE = Port Engineer, PPM = Professional Port Manager (a certification from the APAA)

Several states provide ports the authority to collect ad valorem taxes, and many ports use taxation as a major funding source in conjunction with or in lieu of state funding. Washington grants this authority to its ports without the need for a local referendum, although with limitations on the amount of tax that can be collected. Other states such as Texas, Ohio and Florida make extensive use of local taxes to support both capital and operating costs. In Louisiana, a number of ports have the authority to impose local taxes although some have chosen not to because of local conditions. Even more critical is the possible use of state tax incentives to attract private sector port partners. Alabama in particular has made extensive use of Corporate Income Tax incentives to attract capital construction partners. Louisiana has recently enacted similar legislation and the state and its ports could use these incentives to aggressively pursue private sector partners for port development.

**State and local governments can manage ports better than the federal government and can generate enough revenue for capital investments without taxes**

**Luberoff 2k -**  Associate Director Taubman Center for State and Local Government, Kennedy School of Government Harvard University (David, March 2000, “U.S. Ports and the Funding of Intermodal Facilities: An Overview of Key Issues,” <http://utc.mit.edu/uploads/files/USPorts-Luberoff1.pdf)JCP>

State and local governments in the United States that have traditionally relied on federal subsidies and tax-exempt bonds for the development of infrastructure have been relatively slow to adopt the concession model. However, some jurisdictions have turned over major public facilities to private operators with concession contracts. Indianapolis, for example, saved millions of dollars by turning operation of both its airport and its wastewater treatment system to private firms. (The city then used the money it saved to make other capital investments without having to raise taxes).

**States already do tons of port construction and investment without federal help in order to compete with other states**

**Luberoff 2k -**  Associate Director Taubman Center for State and Local Government, Kennedy School of Government Harvard University (David, March 2000, “U.S. Ports and the Funding of Intermodal Facilities: An Overview of Key Issues,” <http://utc.mit.edu/uploads/files/USPorts-Luberoff1.pdf)JCP>

Recognizing the availability of subsidies and the intense competition for discretionary freight business, most carriers can and do seek to create competition among ports for their discretionary business. Thus the language of recent urban political science, which focuses on how “fixed capital” – those businesses and institutions rooted in a particular place – are compelled to offer incentives to convince “mobile capital” to locate their activities in a particular region, is an apt description of the relationship between U.S. ports and private shipping lines and railroads. Other examples of this process include the competition to attract everything from professional sports teams to new offices and manufacturing plants. In the former case, the relative scarcity of sports teams forces cities to compete with public subsidies to attract new teams or maintain existing franchises. In the most extreme examples, state and local governments have constructed sports facilities at a cost of hundreds of millions of dollars in the hope that they would be able to attract a professional sports team after the facility is completed. 35

Such competition has been, and remains, a constant theme in the U.S. history of port development. It goes back to the early nineteenth century debates about whether the federal government should fund “internal improvements” (which included harbor improvements) and continued throughout the nineteenth century as cities and states sought to facilitate the construction of docks, canals, and railroads that would make them more competitive.

Among ports, the competition has continued in recent decades as the shift to containerization and other factors have led to demise of many once-significant ports, such as Boston and San Francisco. However, it appears that this competition is growing in intensity as shipping companies and the shipping alliances continue their shift towards using larger ships that call at fewer and fewer regional load centers.

**States should pay for expanding ports**

**Bynum and Smith, 12** (Russ and Bruce, “Report: Southeast, Gulf need deeper port harbors,” The State, 6/21/12, <http://www.thestate.com/2012/06/21/2325746/report-southeast-gulf-need-deeper.html#storylink=cpy)RK>

"Strategically, we need to find a bucket of money to fund the projects that need to happen to keep our nation competitive," said Curtis Foltz, executive director of the Georgia Ports Authority, which is seeking final permits and funding to start deepening the Savannah harbor next year. Jim Newsome, CEO of the South Carolina State Ports Authority, said he was pleased that the Corps "recognizes that the Southeast region's ports are of special importance in a national planning strategy." The deepening projects singled out by the Army Corps represent just a fraction of the money U.S. ports are spending to upgrade their docks, ship-to-shore cranes and other infrastructure. The American Association of Port Authorities released a survey last week showing U.S. ports plan to spend at least $46 billion on improvements in the next five years. Still, the Corps' report cautioned that "uncertainty will persist" for several years after the Panama Canal expansion is finished as to how many supersized ships will call on U.S. ports, which ones they'll frequent and how full their cargo decks will be. Giant ships sailing through Egypt's Suez Canal have already begun making trips to the East Coast, where high tides give them enough of a boost to reach ports such as Savannah and Charleston. The budget crisis has made federal funding for port projects extremely tight, especially since Congress and President Barack Obama for the past two years have sworn off so-called "earmark" spending that was used to fund such projects in the past. The Army Corps report said current funding levels for port improvements won't cover all the projects that should be done. If Congress won't increase the agency's funding for harbor projects, the report said, then perhaps state governments and private companies such as shipping lines should be required to pay a greater share.

# Ports/Waterways

**Federal port and waterway projects are hugely inefficient – CP solves best**

**Edwards, 12** – Chris, director of tax policy studies at Cato, former senior economist on the congressional Joint Economic Committee (“Cutting the Army Corps of Engineers,” Cato, March 2012,

Overview The U.S. Army Corps of Engineers is a federal agency that constructs and maintains a wide range of infrastructure for military and civilian purposes.1 This essay concerns the civilian part of the agency, which employs about 23,000 people and will spend about $9.2 billion in fiscal 2012.2 The civilian part of the Corps—called "civil works"—builds and operates locks, channels, and other navigation infrastructure on river systems. It also builds flood control structures, dredges seaports, manages thousands of recreation sites, and owns and operates hydroelectric power plants across the country. While the Army Corps has built some impressive infrastructure, many of its projects have been economically or environmentally dubious. The agency's activities have often subsidized private interests at the expense of federal taxpayers. Furthermore, the Corps has a history of distorting its cost-benefit analyses in order to justify its projects. The civilian side of the Corps grew out of the engineering expertise gained by the agency's military activities early in the nation's history. In mid-19th century, Congress began adding civilian missions to the Corps in response to political demands and various natural disasters. Today we are left with an agency involved in far flung activities such as beach replenishment, upgrades to city water systems, agriculture irrigation, clean-up of hazardous waste sites, and efforts to revive the Florida Everglades. The Corps has been greatly mismanaged over the decades, with problems ranging from frequent cost overruns on projects to the major engineering failures that contributed to the disaster of Hurricane Katrina. In addition, the dominance of special-interest politics on the agency's activities has resulted in it supporting many wasteful projects. Fortunately, most of the Corps' activities do not need to be carried out by the federal government. Some of its activities—such as flood control and the management of recreational areas—**should be turned over to state and local governments.** Other activities—such as seaport dredging and hydropower generation—should be turned over to the private sector. This essay focuses on cutting the Corps' spending activities, and does not address the calls for reforming the agency's regulatory functions.3 The following sections look at the history of the Army Corps, the pork-barrel nature of its spending, its legacy of mismanagement, and its role in Hurricane Katrina. The essay concludes that the bulk of the agency's civilian activities and assets should be privatized or transferred to state and local governments. The remaining activities of the Corps that are truly federal in nature should be transferred to the Department of the Interior. The civilian side of the Army Corps should be closed down. Two Centuries of Mission Creep The U.S. military has needed engineering services since General George Washington sought French engineers to help him prosecute the Revolutionary War.4 In 1802 Congress created a separate and permanent Army Corps of Engineers focused on military support activities. However, as the 19th century progressed, the Corps became increasingly involved in civilian activities, such as river navigation and flood control. One activity led to the next, and today's sprawling Army Corps is the result of two centuries of mission creep. As an engineering-based agency, the Corps has had a pro-construction mentality since the beginning. It has always been eager to expand its budget and build new structures. At the same time, members of Congress have been eager to have the Corps tackle projects in their states and districts, especially those members from states that have major rivers, seaports, and other water resources. In 1824 the Supreme Court decision in Gibbons v. Ogden gave the green light to federal involvement in river navigation activities. The same year, Congress provided $75,000 to the Corps to improve navigation on the Ohio and Mississippi Rivers, and it also gave the Corps a role in civilian surveying activities.5 However, there have been concerns about the efficiency of the Corps' civilian activities since the beginning. In 1836 the House Ways and Means Committee called for reform because it discovered that at least 25 of the agency's projects were overbudget.6 Nonetheless, Congress kept expanding the Corps' civilian activities, and by 1882 the agency was spending $19 million annually on 371 separate projects.7 A number of congressional acts beginning in 1850 directed the Corps to aid with flood control on the Mississippi River. In 1861 an influential report set the Corps on a misguided "levees only" flood-control strategy.8 Repeated floods in subsequent decades that broke through levees did not deter the Corps from its strategy.9 After damaging floods in the early 20th century, Congress passed the Flood Control Act of 1917, which further expanded the Corps' levee-construction activities along major rivers. In 1927 one of the most damaging floods in U.S. history occurred when the Mississippi River and its tributaries broke out of extensive levee systems in many places. The flood dramatically illustrated the failure of the Corps' single-minded approach to flood control that focused on building levees. In annual reports leading up to the disastrous 1927 flood, the Corps had confidently told Congress that the Mississippi was safe from serious flooding.10 After the flood, Editorial Research Reports noted that many experts thought that the "levees only" policy was unwise, but the Corps still resisted reforms. In a 1927 story the news service said: "After each flood there has been sharp criticism of the policy of placing sole reliance on the levee system, but the Army engineers heretofore have always successfully defended their position before Congress."11 The Corps did adjust its strategy somewhat, but the scope of its construction increased under flood control acts of 1928 and later years. The agency had failed, but its budget was greatly boosted.12 Journalist Michael Grunwald noted of the "levees only" approach that worsened the 1927 flood: "Congress rewarded this failure by allowing the Corps to seize control of the entire river and its tributaries, an unprecedented big government project that foreshadowed the New Deal."13 During the 1930s, huge flood control projects were embraced as a way to create jobs, and the Corps—along with other federal agencies—spearheaded efforts to drain wetlands across the nation.14 In his classic book about federal water infrastructure, Cadillac Desert, Marc Reisner said that the Corps has "ruined more wetlands than anyone in history, except perhaps its counterpart in the Soviet Union."15 The Corps' efforts to dam rivers for flood control led to its involvement in hydroelectric power. At the beginning of the 20th century, a political battle was waged over private versus government development of hydropower. At first, the Army Corps teamed with private power companies to build plants at its dam sites. But in the 1920s Congress authorized the Corps to start building its own plants, and by the 1930s huge federal power projects were being pursued, such as Bonneville Dam in Oregon. Once the Corps was building dams and reservoirs, the next step was to build and operate recreation sites near its facilities, which Congress authorized it to do in legislation of 1944 and later years. Today, the Corps operates more than 4,200 recreation areas across the nation.16 The Corps has a history of supporting environmentally damaging projects, although it has tried to adopt a "green" image in recent years. Since 1992 the agency has expanded into municipal water supply and wastewater treatment facilities, and 400 such projects have been authorized to date.17 In 2000 the Corps helped launch an almost $8 billion effort to fix the Florida Everglades—a project that is needed in part because of the damage done by the Corps' own infrastructure in prior decades.18 For example, taxpayers paid for the Corps to straighten Florida's Kissimmee River in the 1960s, but that project was later determined to have been misguided. So today taxpayers are paying for the Corps to restore the Kissimmee River's original meandering course.19 Bad environmental decisions by the Corps have thus cost federal taxpayers doubly. While the Corps is part of the executive branch of government, the president has often had little control over its activities. The Corps has usually taken orders directly from Congress, and particularly from those members who have their hands on the agency's purse strings. For decades, presidents have complained about their lack of control over the Corps, and some have even tried to cancel its most wasteful projects. President Jimmy Carter famously tried to save taxpayer money and stop 19 environmentally damaging water resource projects in the 1970s. He wanted to "get the Corps of Engineers out of the dam-building business," but he misplayed the politics of the issue and Congress was "swift and angry" in blocking Carter's proposals.20 President Ronald Reagan's reform efforts were a bit more successful. He pushed to increase local cost-sharing for Corps' projects, and that reform passed in 1986. The reform increased "the price of pork" for project supporters, which marginally reduced the incentive for local interests to lobby for federal subsidies.21 President Bill Clinton tried to cut wasteful Corps' projects, but big-spending Republicans in Congress helped to block his efforts.22 President George W. Bush had some success at canceling wasteful Corps' projects, but a 2007 authorization bill for the agency was passed over his veto.23 Occasionally, the Corps has tried to save money by making its operations more efficient, such as by closing down some of its district offices. However, Congress has usually blocked such cost-saving efforts.24 Similarly, members of Congress usually block efforts to close unneeded post offices or farm offices in their districts. Such congressional parochialism is one reason why the government can never operate as efficiently as a private business. A Pork-Barrel Machine The decentralized and congressionally dominated structure of the Army Corps has made it an unparalleled pork-barrel machine. Virtually all the agency's construction budget is "earmarked" for individual projects in particular states. Politics dominates any rational process of trying to fund only those projects that have high returns. **Taxpayer money is often directed to low-value projects** in the districts of powerful politicians, not to those projects that make the most economic sense. While Corps' projects are supposed to be based on detailed economic and environmental analyses, political pull often determines the agency's priorities. In an investigation of the Corps in 2003, the Washington Post noted that "powerful members of Congress dictate the selection, pace, and price tag for major projects."25 While levee upgrades in central New Orleans were stalled prior to Hurricane Katrina, dubious projects elsewhere in Louisiana and other states moved ahead. Leading lawmakers have long used the Corps as a tool to aid farm businesses, shipping companies, barge firms, developers, and other businesses in their states. An observer of the Corps in 1952 noted that the agency makes alliances between local businesses and "two or three congressional committee chairmen. Together they drive through the Congress whatever proposals they wish, irrespective of the public interest."26 In recent years, many of the champions of dubious Corps' projects have been Republicans, including Sen. Thad Cochran (R-MS) and former senators Trent Lott (R-MS) and Christopher Bond (R-MO).27 The Corps' decentralized structure, which has been in place since 1893, encourages pork-barrel spending.28 The structure consists of headquarters, eight regional divisions, and 38 local district offices, which plan, construct, and maintain projects. Members of Congress and local interest groups are plugged into the projects of their particular offices, and they resist any cuts to them. Political scientist Melvin Dubnick noted that the Corps' "civil works management structure created a unique situation where political responsiveness was nurtured and constantly reinforced."29 A 2004 report by Taxpayers for Common Sense and the National Wildlife Federation described an "iron triangle" of interests between the Corps, members of Congress, and local special interests.30 The upshot is that the Corps' funding of infrastructure is often misallocated. State and local officials could **better balance** the costs and benefits of the Corps' local projects if their own taxpayers were paying the bills. Federal involvement in local infrastructure also creates a **lack of accountability.** For example, all three levels of government had responsibility for elements of flood control and hurricane response in New Orleans, but none of them had properly prepared for the disaster of Hurricane Katrina in 2005. A Legacy of Mismanagement The Army Corps has built some impressive structures, such as the Washington Monument and the Panama Canal. But the agency's projects have been prone to large cost overruns, and they have often not produced the large benefits promised. Some projects have suffered from major failures, such as the levee system in New Orleans, while other projects have damaged the environment. These sorts of problems started in the 19th century. Melvin Dubnick notes that in the post–Civil War period, "the wastefulness and mismanagement of Corps' operations were the subject of many articles in the professional and popular press of the time, and a growing list of fiascoes was being used by the agency's enemies to challenge its effort to develop a more comprehensive civil works program."31 In 1951 Arthur Maass wrote an influential book about the Army Corps, Muddy Waters, which detailed the agency's politically driven decisions and poor planning processes.32 In the forward to the book, former secretary of the Interior, Harold Ickes, said, "no more lawless or irresponsible federal group than the Corps of Army Engineers has ever attempted to operate in the United States, either inside or outside the law."33 The opinion of Ickes was harsh, but it reflected a common view that the Corps was outside of presidential control and working for special interests at the expense of the general public. A 1971 book by Arthur Morgan, Dams and other Disasters, was even more critical. The book rips into the Corps for its arrogant and damaging mismanagement. Morgan found that "there have been over the past 100 years consistent and disastrous failures by the Corps in public works areas . . . result[ing] in enormous and unnecessary costs to ecology [and] the taxpayer."34 Morgan was a former chairman of the Tennessee Valley Authority and a highly distinguished engineer, who had worked on water resource issues for decades. In his book, he documents how the Corps—with a bullheaded mentality—consistently underestimated the costs of its projects, followed shoddy engineering practices, treated Native American tribes poorly, lied to the public, hid information, pursued environmentally damaging projects, and demonized its enemies in order to silence dissent. Some of these charges still ring true. The nation was reacquainted with the Corps' shoddy engineering with the tragic failure of the levees in New Orleans during Hurricane Katrina. In recent years, the Corps has hidden information from the public, and has been caught distorting economic analyses to justify wasteful projects. Because of its pro-construction mindset, the Corps continues to pursue projects that would damage the environment and produce limited economic benefits. In recent decades, for example, "the Corps has channelized dozens of rivers for barges that never arrived."35 These longstanding problems are the result both of the agency's pro-building culture and congressional politics. The ad hoc way that the agency's projects are funded creates further problems. New projects are typically authorized in Water Resources Development Acts, which are passed every few years. The last of such acts was enacted in 2007 over a veto by President George W. Bush.36 After authorization, each project included may or may not receive funding a year at a time in annual appropriations bills. The problem is that Congress has crammed far too many projects into the Corps' pipeline, with the result that progress on each project is slow and erratic. For example, Congress has authorized more than 400 municipal water and sewer projects for the Corps, with a total price tag of more than $5 billion. However, only about $140 million or so is actually appropriated for these projects each year.37 The slow progress of Corps' projects contrasts with private sector construction projects, which are built as quickly as possible to hold down costs. A Government Accountability Office report on the Corps found that "funding projects in increments hinders project efficiency by increasing costs and timelines."38 One Corps' official told the GAO, "this is one of the reasons that a civil works project takes 20 years to execute, instead of 3 if we were fully funded from the start."39 The Corps currently has a backlog of more than 1,000 feasibility studies and construction projects worth more than $80 billion that have been authorized but not funded.40 The Corps is an engineering and construction organization, and in our economy such activities are usually carried out by private businesses. The Corps has never been run like a private business—it doesn't have an efficient structure, it doesn't pursue the highest-return projects, and it doesn't construct projects quickly and efficiently. Former Senate majority leader Tom Daschle (D-SD) said the Corps is "one of the most incompetent and inept organizations in all the federal government."41 The good news is that we don't need a civilian Army Corps organization because most of **its functions could be carried out by state and local governments** and the private sector. Wasteful Projects and Faulty Analyses The Army Corps is supposed to do a careful and detailed analysis of proposed projects to ensure that the benefits will outweigh the costs. However, the Corps has often pursued projects based on analyses that were theoretically flawed, had faulty data, or had been deliberately manipulated. The costs of projects are often underestimated and the benefits overestimated. The Corps does the analyses of proposed projects that it will build itself, thus it usually favors big and expensive projects.42 The Pentagon's inspector general found that the Corps has a "systemic bias" towards large-scale construction.43 A number of years ago, a series of leaked internal memos by Corps' leaders revealed a strategy to "get creative" in accounting in order to "get to yes as fast as possible" on proposed projects.44 The bias in the agency's analyses has been a problem for decades. In a 1952 book, Sen. Paul Douglas (D-IL) noted that the Corps has "never been restrained in estimating the benefits which will result from their projects and . . . in recent years [has] greatly underestimated the costs."45 As governor of Georgia in the 1970s, Jimmy Carter complained of "computational manipulation" and dishonesty by the Corps regarding a proposed dam in his state.46 Arthur Morgan's 1971 book provides many examples of how the Corps provided faulty analyses over many decades.47 He concludes that "many of the Corps' projects cost two or more times the amount of the first estimates."48 He quotes House Appropriations chairman Clarence Cannon in 1959 saying that the Corps was either "incompetent or deliberately misleading" Congress with its routinely faulty cost estimates.49 Corps' managers and analysts are encouraged to "get to yes" by the local interests that benefit from projects and by their congressional sponsors. Over the decades, the Corps has proactively searched the nation looking for places to pour concrete.50 The consequence of the agency's eagerness to build and the political pressure to spend is the construction of numerous white elephant projects.51 Journalist Michael Grunwald notes that investigations "have repeatedly caught the Corps skewing its analyses to justify wasteful and destructive projects that keep its employees busy and its congressional patrons happy."52 A 2006 Government Accountability Office report found that the analyses supporting a number of Corps' projects were "fraught with errors, mistakes and miscalculations, and used invalid assumptions and outdated data."53 Furthermore, the GAO report found that "the Corps' analyses often understated costs and overstated benefits."54 Studies for inland waterway projects, for example, have used inflated barge traffic projections to justify approval. In 2002 the GAO lambasted a Corps' study justifying a $332 million project to deepen a ship channel in the Delaware River. It said that the study "was based on miscalculations, invalid assumptions, and outdated information."55 The GAO found that "the project benefits for which there is credible support would be about $13.3 million a year, as compared to the $40.1 million a year claimed" by the Corps.56 Having efficient and modernized ports is important to the U.S. economy, and supporters of the Delaware project have completed newer analyses claiming large positive returns.57 But why does the federal government need to be involved? If this project makes economic sense, **state and local governments** and nearby businesses—such as oil refineries—should be willing to fund it themselves. The Corps and some members of Congress have pushed a $108 million project to drain tens of thousands of acres of flood-prone land in Southeastern Missouri to benefit a small number of corn, soybean, and cotton farmers.58 The area currently acts as a beneficial relief valve for the Mississippi River during floods. Many experts think that this project is absurd, but the Corps sought to speed project approval on the basis of a manipulated cost-benefit analysis.59 In 2007 D.C. District Court Judge James Robertson harshly criticized the Corps' analysis as "arbitrary and capricious," and he said that "the Corps has demonstrated its willingness to do whatever it takes to proceed."60 The Corps also cooked the books on a study for a $2 billion project for navigation improvements on the Upper Mississippi River. An initial Corps' analysis found that the project wasn't cost effective, so senior agency officials fiddled with the numbers to get a more favorable result.61 Studies by the Army's Inspector General and the National Academy of Sciences found that the Corps' study justifying this project was bogus.62 Members of Congress are often indignant when their pet projects are threatened by evaluations showing that they don't make economic sense. With regard to the Upper Mississippi project, then-senator Christopher Bond (R-MO) "vowed to make sure the projects are funded no matter what the economic studies ultimately conclude."63 Similarly, the former head of the Senate subcommittee overseeing the Corps, George Voinovich (R-OH), blurted out at a hearing, "We don't care what the Corps cost-benefit is . . . we're going to build it anyhow because Congress says it's going to be built."64 Or consider one senator's response when her project to aid the shipping industry in Louisiana was threatened: "After a $194 million deepening project for the Port of Iberia flunked a Corps cost-benefit analysis, Sen. Mary Landrieu (D-LA) tucked language into an emergency Iraq spending bill ordering the agency to redo its calculations."65 Aside from economics, many Corps' projects don't make sense from an environmental perspective. The Congressional Research Service says that "the Corps has been widely criticized for the environmental harm its water resources projects have caused to ecosystems."66 For example, the Corps' single-minded efforts since the 1940s to redirect water flows in Florida to aid developers and farmers have damaged the Everglades.67 Federal sugar subsides have added to the damage. Taxpayers are now footing the bill for an almost $8 billion Corps' effort to reverse the damage to the Everglades caused by prior federal policies.68 The Corps' navigation and flood-control structures on the Mississippi and other rivers may have actually made flooding worse over the decades by forcing rivers into narrow channels, destroying wetlands, and encouraging the development of flood-prone areas.69 River navigation is important to the economy, but the Corps seems to have long undervalued the negative effects that its projects are having. A study by Taxpayers for Common Sense and the National Wildlife Federation in 2004 identified 29 Corps' projects that they argued would impose environmental damage and waste a total of $12 billion.70 Similarly, a group of taxpayer and environmental groups produce an annual "Green Scissors" report, which lists billions of dollars in dubious Corps' spending.71 Environmental groups often support wrongheaded anti-development positions, but fiscal conservatives find common cause with environmentalists in opposing government subsidies for dubious projects. A good example of an anti-taxpayer and anti-environment boondoggle was a $220 million project to drain 67,000 acres of wetlands near the Yazoo River in Mississippi for the benefit of a small number of farmers and land owners. The area that was to be drained for farming acts as an emergency relief valve during rises in the Mississippi River. By draining and blocking the floodplain, the Corps would increase the risk of flooding for other areas along the river. This project was condemned by experts, but Republican politicians including Thad Cochran, Trent Lott, and Haley Barbour continued pushing it for years. The subsidies to the Corps for the project were bad enough, but the New York Times noted that the project would also help landowners gain more federal farm subsidies: "Increasing farmland increases the opportunity for federal price supports. Some of the nation's biggest recipients of the supports are in the lower Delta."72 Luckily, the George W. Bush administration blocked this project in 2008, and it now appears to be dead.73 It may make sense to proceed with projects that harm the environment if the economic benefits are large. The problem with government subsidies is that they tilt the balance in a pro-development direction. If the owners of swampy land want to drain their properties for farming with their own money, it is likely that the increased value of farm production outweighs the project's cost. But if farmers can lobby the Army Corps to get their land drained for free, government policy is biased in an anti-environmental direction. Economists generally support government spending on true "public goods." However, the purpose of many Corps' projects is to generate private gains, not broad public benefits. The Corps would look favorably on a project that cost taxpayers $100 million and generated private benefits to farmers, developers, or shipping companies of $110 million. But private interests should be willing to invest their own funds in such projects that have positive returns.74 In sum, the Corps' infrastructure activities have often been based on faulty economics and pork-barrel politics. To better ensure efficient investment decisions, policymakers should transfer those Corps' activities that can be supported in the marketplace to the private sector, and transfer most of the rest of the agency's activities to state and local governments. The Corps and Hurricane Katrina The dismal performance of the flood protection system in New Orleans was the focus of much attention after the Hurricane Katrina disaster in 2005. Michael Grunwald has researched Katrina and the Corps in detail, and he concludes that "it wasn't a natural disaster. It was a man-made disaster, created by lousy engineering, misplaced priorities, and pork-barrel politics."75 He argues that most of the damage to New Orleans was attributable to failures of the Corps.76 Prior to 1965 Louisiana generally handled its own storm protection systems. But Hurricane Betsy that year prompted Congress to pass the Flood Control Act of 1965, which directed the Corps to construct levees in New Orleans to withstand a category 3 storm. The project fell far behind schedule, went many times overbudget, and was not completed by the time of Hurricane Katrina in 2005.77 The huge damage caused by Katrina was largely the result of preventable design failures in the city's flood-control systems.78 The American Society of Civil Engineers concluded that "a large portion of the destruction from Hurricane Katrina was caused by . . . engineering and engineering-related policy failures."79 There are at least five ways that the activities of the Army Corps magnified the damage done to people and property from Hurricane Katrina. First, there were fundamental design flaws in Army Corps' infrastructure around New Orleans. The levees failed in numerous places because of engineering and construction defects, such as the use of unstable soils in levee structures. Most of the flooding was due to water breeching the levees at weak points. Second, the Corps' extensive levee and floodwall structures throughout the New Orleans area encouraged development in dangerous, low-lying areas. After Hurricane Betsy in 1965, the Corps was charged with improving the city's flood protection, but "rather than focusing its full efforts on protecting the existing city, the Corps decided to spend millions of dollars to extend levees into the virgin wetlands of New Orleans East specifically for the purpose of spurring development."80 That turned out to be a very bad idea: "Some of the areas in New Orleans where Katrina wreaked the greatest damage were intensively developed only recently as a result of the U.S. Army Corps of Engineers' flood-control projects."81 Third, the Corps' focus on building economic development infrastructure, such as ship channels, reduced available funds for hurricane protection. Louisiana had received $1.9 billion for Corps' projects in the five years before Katrina, but only a small share was spent on protecting central New Orleans from possible hurricanes.82 Grunwald notes: "Before Katrina, the Corps was spending more in Louisiana than in any other state, but much of it was going to wasteful and destructive pork."83 Fourth, Corps' infrastructure helped to deplete wetlands around New Orleans, which had provided a natural defense against hurricanes. The Corps' navigation and flood control structures have caused silt from the Mississippi to disperse into the Gulf over the decades, rather than being naturally used to rebuild the wetlands. As writer John McPhee noted, "sediments are being kept within the mainline levees and shot into the Gulf . . . like peas through a peashooter, and lost to the abyssal plain."84 As a result, the wetlands have shrunk decade after decade. Fifth, the Corps' Mississippi River Gulf Outlet (MRGO) shipping channel acted to funnel Hurricane Katrina into the heart of New Orleans. The 76-mile MRGO was built in 1965 at great expense based on optimistic projections of ship traffic, but the traffic never materialized. Constructing MRGO destroyed thousands of acres of protective wetlands, and it acted to channel salt water inland, which killed fresh water marshes and cypress forests.85 During Katrina, the channel is thought to have intensified the storm surge as it headed toward the city.86 In 2009 a federal judge found that the Corps' mismanagement of MRGO was responsible for part of the flood damage to the city.87 U.S. District Judge Stanwood Duval Jr. concluded, "the Corps' lassitude and failure to fulfill its duties resulted in a catastrophic loss of human life and property in unprecedented proportions."88 And he found that "the negligence of the Corps, in this instance by failing to maintain the Mississippi River Gulf Outlet properly, was not policy, but insouciance, myopia and shortsightedness."89 Some of the "natural disasters" of recent decades have been partly man-made disasters. Despite massive federal spending on flood control by the Corps and the Bureau of Reclamation over the decades, for example, floods cause more damage today in constant-dollar terms than they did in the earlier decades.90 One of the problems is that government infrastructure and subsidies have encouraged Americans to live in harm's way along ocean coasts and in river floodplains. Unfortunately, even after Katrina, that message does not seem to have sunk in with federal policymakers. Reform Options The first step toward cutting the budget of the Army Corps is to end passage of new water resource authorization bills. It makes no sense for Congress to keep putting new civilian projects into the Corps' pipeline when the agency already has hundreds of projects previously authorized but not funded. Then Congress should go through the Corps' budget and cut out all those activities that could be financed and operated by state and local governments or the private sector. Given the agency's long-standing mismanagement and misallocation of spending, it should be removed from those activities where federal involvement is not essential. Many of the Corps' activities should be privatized. Activities such as harbor construction and maintenance, beach replenishment, and hydropower generation could be provided by private construction, engineering, and utility companies. Those companies could **contract directly** with customers, such as local governments, to provide those services. Consider the Corp's harbor maintenance activities on the seacoasts. These activities are funded by a Harbor Maintenance Tax (HMT) collected from shippers based on the value of cargo. The tax generates about $1.4 billion a year and is spent on projects chosen by Congress and the Corps. But the federal government is an **unneeded middleman** here—port authorities could simply impose their own charges on shippers to fund their own maintenance activities, such as dredging. By cutting out the middleman, ports could respond directly to market demands, rather than having to lobby Washington for funding. Groups representing shipping interests complain that Congress is not spending enough on harbors to keep America competitive in international trade. But the current federal system allocates funds inefficiently, creating large cross-subsidies between seaports. The Congressional Research Service notes that harbor maintenance funds are often "directed towards harbors which handle little or no cargo" and "there is no attempt to identify particular port usage and allocate funds accordingly."91 The Port of Los Angeles, for example, generates a large share of HMT revenues, but it receives very little maintenance spending in return. The Congressional Research Service further explains: Examining where trust fund monies have been spent indicates that little or no shipping is taking place at many of the harbors and waterways that shippers are paying to maintain. . . . Given the amount of HMT collections not spent on harbors, and the amount spent on harbors with little or no cargo, a rough estimate is that less than half and perhaps as little as a third of every HMT dollar collected is being spent to maintain harbors that shippers frequently use.92 The solution to these sorts of inefficiencies is not more federal funding, but greater port independence and self-funding. One step toward that goal would be to privatize U.S. seaports, which are generally owned by state and local governments today. Britain pursued such reforms in 1983 when it privatized 19 seaports to form Associated British Ports (ABP).93 Today ABP operates 21 ports, and its subsidiary, UK Dredging, provides dredging services in the marketplace. ABP and UK Dredging earn profits and pay taxes. Today two-thirds of British cargo goes through efficient privatized seaports.94 One advantage of private seaports is that they can expand their facilities when market demands warrant, free of the uncertainties created by government budgeting. Privatization is also a good option for the Corps' 75 hydropower plants. More than two-thirds of the roughly 2,400 hydropower plants in the nation are privately owned.95 While federal facilities—including those of the Army Corps—dominate hydropower in some states such as Washington, other states such as New York and North Carolina have substantial private hydropower. The point is that the private sector is entirely capable of running hydropower plants, and thus Congress should begin selling the generating facilities of the Corps. Many of the Corps' assets should be turned over to state and local governments. These assets include flood control infrastructure, municipal water and sewer projects, the Washington, D.C., aqueduct system, and recreational areas. The financing and control of flood control infrastructure in Louisiana, for example, should be handed over to the State of Louisiana. That would give citizens direct responsibility over their hurricane defenses, rather than to have them rely on a distant Washington bureaucracy. State and local officials could **better balance** the costs and benefits of levees and other infrastructure if their own citizens were footing the bill. The Commerce Clause of the Constitution allowed the federal government to assert control over navigable rivers, and the Corps has taken the lead role in river navigation activities since the 19th century. However, Congress should consider reforms to reduce the costs on general taxpayers of these activities. Currently, a barge fuel tax generates revenues for the Inland Waterways Trust Fund, but this fund only pays half the cost of constructive projects on the inland waterways and none of the operation and maintenance costs.96 One reform step would be to raise fees to cover a higher share of system's costs, as proposed by the Simpson-Bowles fiscal commission in 2010.97 An expert on the system, Steve Ellis, testified to Congress last year about the inefficiency of the current funding structure. One problem is that "since users don't have to pay anything for maintenance, they are constant cheerleaders for new construction."98 Another problem is that spending is allocated based on politics, not on market demands such as barge traffic levels. Some rivers in the system receive very little barge traffic, yet receive substantial spending from the Corps. Ellis also notes that inland waterway projects suffer from the Corps' usual distorted analyses and cost overruns: "None of the inland navigation projects the Corps has green-lighted in recent decades have met their economic predictions."99 To create more efficient inland waterways, Congress should consider transferring the Corps' activities to state governments or private businesses. In 2002 the Bush administration determined that the Corps' civilian activities were not a "core competency" of the government and should be opened to private contractors.100 It proposed allowing private bidding for 2,000 Corps jobs involved in the operation of locks and dams on the waterways, but that plan did not come to fruition.101 Another idea is to create a self-funded organization to operate the inland waterways, either as an arms-length part of government or as a private entity.102 To conclude, the nation's long experience with the Army Corps illustrates how federal involvement in local infrastructure often leads to **mismanagement, inefficiency, and pork-barrel spending.** It's time to **revive federalism** in infrastructure investment and begin to privatize Army Corps activities or transfer them to the states. Those remaining activities of the Corps that are truly federal in nature should be moved to the Department of the Interior and the civilian side of the Corps closed down.

# SIB

**State funded SIB’s allow project flexibility**

**Christman and Riordan 11** (Anastasia and Christine, senior policy analyst for the National Employment Law Project, policy analyst for the National Employment Law Project, December 2011, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation”, http://www.nelp.org/site/about\_us/senior\_policy\_analyst///TS)

State-funded SIBs also allow state departments of transportation to establish their own regulatory criteria for projects that no longer fall under federal requirements for environmental studies, “Buy America” provisions, or requirements to pay prevailing wages.35 When Virginia announced some private-sector highway projects that might be financed by a new state-funded SIB, media reports noted that these projects were currently undergoing environmental scrutiny as federally-funded projects.36 Virginia has also announced it will implement a “design-build” method of funding projects that allows construction to begin before designs are finalized. While supporters say this method speeds up the construction process, others caution that by combining the phases of a project, it reduces public opportunities for input and could facilitate contractor shortcuts.37 And as the Ohio Department of Transportation explains, local projects using federal SIB funds are obligated to conduct full National Environmental Policy Act documentation of Environmental Impact or Environmental Assessment Statements,38 whereas local projects using state SIB funds need only adhere to state regulations concerning archaeological preservation,39 rules that state nature preserves may only be taken for other public uses,40 and Ohio Department of Transportation permits.41 State-funded SIBs can also be established for non-transportation projects. The Pennsylvania Infrastructure Investment Authority (PENNVEST), created in 1988, is a revolving fund that finances both public and private projects to improve sewer, storm water and drinking water projects through the state’s Clean Water State Revolving Fund and its Drinking Water State Revolving Fund.42 PENNVEST has also funded brownfields radiation projects when abandoned mines threatened drinking water supplies.43 Indiana created the Indiana Local Infrastructure Revolving Fund as part of the state budget agency in 1996 to identify infrastructure financing mechanisms available to local communities, including opportunities for the state to enhance the credit quality of municipal bonds and to manage investment pools. These funds can be used for transportation improvements but also for water projects, redevelopment of military bases, juvenile detention centers and other projects.44

**Federal funded SIB’s are best protected**

**Christman and Riordan 11** (Anastasia and Christine, senior policy analyst for the National Employment Law Project, policy analyst for the National Employment Law Project, December 2011, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation”, http://www.nelp.org/site/about\_us/senior\_policy\_analyst///TS)

SIBs have been authorized by the U.S. Department of Transportation for more than 15 years. In 1995, the National Highway Designation Act created a pilot program that allowed 10 states to use part of their federal-aid funds as “seed” money to finance transportation infrastructure. Three years later, the pilot was extended to 39 states and Puerto Rico, and 33 SIBs were created. The Transportation Equity Act for the 21st Century, passed in 1998, continued the program until the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETUA-LU) expanded the option so that all states and the District of Columbia could transfer a limited amount of the state’s Highway Trust Fund allocations to SIBs (generally, 10 percent).20 Federally-funded SIBs can either lend money to projects—public or private—with loan repayments and interest payments funding future rounds of loans, or help projects to borrow from the credit market using federal assistance funds as collateral. The lending can take a variety of forms, including loans (with subsidized rates and/or flexible repayment provisions to cover either short-term construction or long-term financing); Grant Anticipation Notes (GANs), which entail borrowing against future federal-aid funds for transportation under Title 49; or Certificates of Participation (COPs), a form of leveraging public assets and borrowing all or part of their value to finance other 4 assets. The SIB may provide credit enhancement by providing security for bond or debt instrument financing, giving letters of credit, giving lines of credit, or providing bond insurance and loan guarantees. The Pennsylvania SIB even offers zero-percent interest loans for those seeking loans due to natural disasters.21 Federally-funded SIBs need to ensure that approved projects are eligible either for Title 23 funding, which applies only to the construction of federal-aid highways, or Title 49 funding, which can be used to provide assistance to capital projects. But beyond these federal mandates, selection criteria can vary widely. All states assess the likelihood of the project being able to repay the loan, but some may also look at environmental benefits or how the project fits into overall state goals. The Harrisburg (PA) Transportation Center: SIB-Funded Multi-Modal Project A designated National Historic Landmark, the Harrisburg Union Station has been operating since 1885, although in the 1970s, the owner went bankrupt and Amtrak demolished part of the historic structure. By 1987, the building had started serving inter-city and local bus routes in addition to trains and was converted into the Harrisburg Transportation Center. Slated for $7.2 million in federal transportation funding in 1999, the Pennsylvania DOT was unable to fully fund the required state match, and the Pennsylvania Infrastructure Bank was tapped to lend the project $300,000 to cover construction costs. As a result of the loan, the Harrisburg Transportation Center benefitted from up-front financing for an earlier project start date. The loan was also instrumental in attracting other sources of funding to the project. Located within blocks of the Pennsylvania State Capitol building and near a university, the Harrisburg Transportation Center is an important link in the local transportation network. And with retail and restaurant businesses nearby, it supports infill development and fights sprawl. With service from Greyhound and other bus operators, the center connects Harrisburg to other parts of Pennsylvania and to nearby states, and connects passengers to the Amtrak system servicing the East Coast. Class B office space above the rehabilitated building is only blocks to a proposed Harrisburg University incubator and is being marketed especially to startup companies.

**SIB’s are more organized and efficient than NIB’s**

**Puentes 11** (Robert, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy”, 2011, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf///TS)

Create new public/private institutions. To finance the kind of major investments necessary to support the Next Economy, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies, states should establish a state infrastructure bank (SIB) or enhance it if one is already in place. Beginning in 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for states. Since then, 33 states have established SIBs to finance transportation projects. Most of this support comes in the form of below-market revolving loans and loan guarantees. States are able to capitalize their accounts with federal transportation dollars but are then subject to federal regulations over how the funds are spent. Others, including Kansas, Ohio, Georgia, and Florida, capitalize their accounts with a variety of state funds and are not bound by the federal oversight which they feel helps accelerate project delivery. Other states—such as Virginia, Texas, and New York—are also examining ways to recapitalize their SIBs with state funds.24 But rather than bringing a tough, merit-based approach to funding, many SIBs are simply used to pay for the projects selected from the state’s wish list of transportation improvements, without filtering projects through a competitive application process. A better approach would be for states to use their infrastructure banks more strategically, focusing on those transportation projects that will facilitate the flow of exports or connect workers to jobs. The projects should be evaluated according to strict return on investment criteria, not selected with an eye towards spreading funding evenly across the state. (Such an approach is analogous for how the federal government should establish a national infrastructure bank.) States should also think beyond just transportation and create true infrastructure and economic development banks to finance not just roads and rails, but also energy and water infrastructure, perhaps even school and manufacturing development. California’s Infrastructure and Economic Development Bank (“I-Bank”) provides a compelling model. After its initial capitalization of $181 million in 1999, the I-Bank has funded itself on interest earnings, loan repayments, and other fees, and has supported over $400 million in loans.25 Then, either as part of the augmented SIB or separate, states should help broker the often complex infrastructure partnerships between the public and private sectors. A poll by the financial advisory firm Lazard shows strong willingness for states to consider private investments rather than increas­ing taxes, cutting budgets, or taking on more debt.26 However, the private sector is now seeking more legislative certainty prior to bidding on projects and has little appetite for negotiating transactions that are subject to legislative or other major political approvals. While half of the states have enacted enabling statutes for public/private partnerships (PPPs), the wide differences between them makes it time consuming and costly for private partners wishing to engage in PPPs in multiple states to handle the different procurement and management processes.27 States should therefore move to enact comprehensive PPP legislation that is accountable, transparent, and permanent. They should also push the federal government to play a helpful role with its state and metropolitan partners by creating standards and providing technical advice to be considered in PPPs. The GAO recently noted that the federal government has done much to promote the benefits of PPPs but it needs to do more to assist states and metro areas in this way.28

**SIB’s lower the cost in three ways**

**Yusuf and Liu 08** (Juita-Elena Yusuf and Gao Liu, “State Infrastructure Banks and Intergovernmental

Subsidies for Local Transportation Investment”, <http://web.ebscohost.com.proxy.lib.umich.edu/ehost/pdfviewer/pdfviewer?vid=3&hid=123&sid=2bcc198c-30be-4409-ab63-92421d3d8f18%40sessionmgr112>///TS)

The primary role of SIBs in local transportation financing is to lower the overall cost of capital for specific transportation projects and thus reduce the overall cost of the project. 5 This can be achieved in three ways. First, SIBs can offer low interest or interest-free loans, which could be used to partially or fully replace taxable or even tax-exempt debt. Second, SIBs can offer credit enhancements that allow transportation projects to attain higher ratings for their debt issues. Finally, SIBs can assist smaller jurisdictions and infrequent borrowers in obtaining debt financing by pooling bond issues, thus spreading the risk and reducing the overall cost of capital. In most cases, the savings that can be attributed to SIBs are derived from reductions in borrowing interest costs. This is particularly true given the current state of SIB practice, which has tended to focus on providing low interest loans rather than other types of credit assistance. Accordingly, this study only examines the impact on borrowing costs of SIB loans. The expectation of savings from reductions in interest costs are borne out of previous studies which analyzed the impact of environmental SRFs and state bond banks. Solano, 6 for example, determined that state bond banks netted an average interest savings of 79 basis points. Similarly, a study by the Council of Infrastructure Financing Authorities7 found that interest rates for SRF loans averaged 300 basis points below the 20-year General Obligation (GO) Bond Index. This study focuses on SIB loan interest rates, because they determine the extent to which the federal government and states are subsidizing local government investments in transportation. This emphasis on the below-market nature of SIB loan interest rates is also relevant, because, as argued by Holcombe,8 the General Accounting Office9 and the DOT in its SIB Review,10 the interest rate is the most critical element for revolving loan funds. ‘‘SIB financing terms should provide a distinct advantage when compared with private lender rates and terms, otherwise applicants will prefer to use less expensive sources of capital.’’11 However, SIBs must be cautious in setting interest rates, as the corpus of funds could be damaged and become insufficient for continued lending.

# AT: Ineffective

**SIB’s reduce the price for transportation infrastructure- Ohio proves**

**Yusuf and Liu 08** (Juita-Elena Yusuf and Gao Liu, “State Infrastructure Banks and Intergovernmental

Subsidies for Local Transportation Investment”, <http://web.ebscohost.com.proxy.lib.umich.edu/ehost/pdfviewer/pdfviewer?vid=3&hid=123&sid=2bcc198c-30be-4409-ab63-92421d3d8f18%40sessionmgr112>///TS)

State Infrastructure Banks (SIBs), state-run revolving loan funds that offer financial assistance for transportation projects mainly through low interest loans, have developed rapidly since the initial pilot program was set up in 1996. As of September 2006, 32 states (and Puerto Rico) had active loan programs through their SIBs, having issued 520 loans, for a total loan amount of over $6 billion. An additional six states have established SIBs but have not yet put them into operation. Given such popularity and the reauthorization for SIBs in the 2005 federal transportation legislation, research on the operation and effectiveness of SIBs is both necessary and timely. To date, no study, to the best of the authors’ knowledge, has compared the borrowing costs through SIBs and through alternative financing methods. In response, the present research has a dual purpose. First, it introduces and reviews SIBs as an innovative financing mechanism for allowing federal and state governments to assist local governments in securing funding for transportation projects. As such, SIBs provide an alternative source of financing for local governments other than conventional municipal debt financing. Second, it estimates the cost savings realized by local governments from receiving SIB loans. The cost savings the interest rate spread between SIB loans and municipal bonds represent an intergovernmental subsidy provided by state and federal governments. Using data consisting of loans made by the Ohio SIB and municipal bonds issued by entities in Ohio, the study’s analysis suggests that SIBs do in fact provide a mechanism through which states can subsidize local transportation investments. Specifically the estimates show that, by obtaining SIB financing, localities realized average borrowing cost savings of between 34 and 184 basis points. Between 83 and 98 percent of the projects receiving SIB loans benefited from lower borrowing costs than if they had obtained debt financing through the municipal bond market.

**Ext: SIB’s lower the cost for transportation infrastructure**

**Yusuf and Liu 08** (Juita-Elena Yusuf and Gao Liu, “State Infrastructure Banks and Intergovernmental

Subsidies for Local Transportation Investment”, <http://web.ebscohost.com.proxy.lib.umich.edu/ehost/pdfviewer/pdfviewer?vid=3&hid=123&sid=2bcc198c-30be-4409-ab63-92421d3d8f18%40sessionmgr112>///TS)

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

**NIB is inefficient- SIB’s finance infrastructure projects on a sustainable basis**

**Poole 09** (Robert, Searle Freedom Trust Transportation Fellow and Director of Transportation Policy Reason Foundation, February 3, 2009, “A National Infrastructure Bank?”, <http://reason.org/news/show/a-national-infrastructure-bank>///TS)

Projects would be selected by the NIB's board on the basis of "national or regional significance," with the amount of federal investment determined on a "sliding scale" based on the type of infrastructure, location, project cost, current and projected usage, non-federal revenue, promotion of economic growth and community development, reduction in congestion, environmental benefits, and land-use policies that promote smart growth." My initial reaction to this proposal is "Huh?" There's no question that this country has not been investing enough in either rebuilding and modernizing existing infrastructure or adding much-needed new capacity. But is a new federal entity of this sort a sensible response? One clue that this is mostly smoke and mirrors is the paltry $60 billion amount. With estimates of infrastructure funding shortfalls at or above a trillion dollars, this seems like the proverbial drop in the bucket. Second, it is hard to see how this entity would constitute anything like a bank, in the normal meaning of the term. A bank is an enterprise that lends money, on a sustainable basis. That mean the borrowers have to pay it back, with interest, so that the bank can remain a going concern. If you look at what the sponsors list as the kind of financing the NIB would provide, you get the following list: Direct subsidies [grants] Direct loan guarantees Long-term tax credits General-purpose bonds Long-term tax-credit infrastructure bonds. Conspicuously absent from this list is revenue bonds-i.e., finance that is based upon the users paying for the services provided by the new infrastructure. One of the crying needs in U.S. infrastructure investment is better targeting of investment to projects that provide significantly more benefits than costs (i.e., are not Bridges to Nowhere). Yet the NIB proposal, as written, seems to ignore sound principles of project finance, such as user-fee-based financing. Moreover, most of the articles and speeches by proponents of NIB have tended to single out federal *tax-credit bonds* as the main funding vehicle they envision. This idea has been around for nearly a decade without going anywhere, but its proponents keep trying. Unlike a revenue bond, where the principal and interest are repaid out of revenues from fees paid by users (water bills, tolls, etc.), with a tax-credit bond the interest would be paid by the government's general fund, while the principal would be repaid by setting aside a portion of the initial bond offering and investing that in Treasury securities sufficient to pay off the principal at maturity. Thus, this is a way of having the federal government's hard-pressed general fund go even further into debt to fund infrastructure. Back in 2002, the Government Accountability Office compared federal tax-credit bonds with conventional federally tax-exempt bonds, TIFIA direct loans, and outright federal grants. GAO estimated the total (societal) costs and the federal government costs of each of these alternatives, over a 30-year period. GAO concluded that "Federal costs would be the highest under the tax credit bond alternative." (GAO-02-1126T, p. 9). That same year then-Treasury Secretary John Snow said that if a tax credit bond proposal were enacted by Congress, he would recommend a presidential veto. The idea of targeting investment to "projects of national and regional significance" has merit, but it's questionable whether an entity beholden to the President and Congress would really be able to do that. As part of SAFETEA-LU, Congress actually created a program called Projects of National and Regional Significance. It appropriated $1.7 billion for the PNRS program, intended to fund a handful of projects of great benefit but with such high costs or benefits beyond the jurisdiction of a single state or region that those entities could or would not fund them. What happened? Members of Congress proceeded to earmark the entire $1.7 billion, parceling it out to 25 highway, railroad, intermodal, and transit projects. If Congress wants to assist the financing of infrastructure projects on a sustainable basis (i.e., as a real bank would), it could expand a number of existing programs that already do this-in transportation, we have TIFIA, Private Activity Bonds, and State Infrastructure Banks, and in water and wastewater there are State Revolving Funds. All of these are intended as self-sustaining activities, in which revenues from the funded projects pay back the loans, which enables new projects to be funded.

**States solve highway owning, funding, and managing better than the federal government**

**Roth 11** (Gabriel, Research Fellow at the Independent Institute, May 17, 2011, “Testimony on Financing Infrastructure”, <http://www.independent.org/issues/article.asp?id=3092>///TS)

States are in a better position than the federal government to reform the current systems of owning, funding and managing highways. For example, they could introduce road-use charges based on distances traveled (rather than on fuel consumed), and give private providers opportunities to maintain existing roads and provide new ones on a commercial basis, eliminating the need for government financing, even by “Infrastructure Banks.”

Abolition of federal financing is likely to encourage state and private sector funding, and successful reforms pioneered by some states could quickly be replicated in others.

**SIB’s have adequate funding to do the plan**

**Summers 11** (Adam, Senior Policy Analyst at the Reason Foundation, July 31, 2009, “Is it finally time for public pension reform in California?”, http://reason.org/blog/archive/2009-07-26.html///TS)

State Infrastructure Banks (SIBs) are revolving loan funds to finance highway and transit projects. SIBs are in place in 35 states, although more than 95 percent of the funding is concentrated in eight states, and one state accounts for more than half.  Today SIB’s have provided more than $6.2 billion for 693 transportation projects.

# USFG Models

**Federal government models state action**

**Katz et al 10** (Bruce Katz, Jennifer Bradley, and Amy Liu, November, “Delivering the Next Economy: The States Step Up,” The Brookings Institution, Brookings- Rockefeller Project on State and Metropolitan Innovation //MGD)

State innovation is part of the genius of our federalist system.1 Health care reform was law in Massachusetts years before the recent passage of federal legislation. During the 1980s, governors from both parties experimented with welfare and healthcare reforms, paving the way for federal advances in the next decade. Throughout the 1950s, public university systems, established by states like California and North Carolina, set the stage for the federal technology investments of the 1960s and 1970s. And before he was president, New York Gov. Franklin D. Roosevelt experimented with interventions that foreshadowed the New Deal.

**Obama will follow state leadership**

**Kinkaid, 10** – John, Robert B. and Helen S. Meyner Professor of Government and Public Service and Director of the Meyner Center for the Study of State and Local Government at Lafayette College (“State-Federal Relations: Cooperative Coercion,” *The Book of States 2010,* The Council of State Governments, <http://dspace.lafayette.edu/bitstream/handle/10385/886/Kincaid-BookoftheStates-2010.pdf)RK>

Generally, Democrats oppose total preemption of state authority in many matters of social and business regulation such as consumer protection, product liability and environmental protection. The Obama administration supports what some have called progressive federalism, whereby state and local governments **forge ahead** of the federal government on such things as consumer and environmental protection. The administration also supports states developing policies **that can be adopted by the federal government.**32

**Obama will model effective state policies**

**Schwartz, 09** (John, “Obama Seems to Be Open to a Broader Role for States,” NYTimes, 1/29/09, <http://www.nytimes.com/2009/01/30/us/politics/30federal.html?_r=1)RK>

The Obama administration seems to be open to a movement known as “progressive federalism,” in which governors and activist state attorneys general have been trying to **lead the way** on environmental initiatives, consumer protection and other issues, several constitutional experts say. A recent decision by President Obama that could open the way for California and other states to set their own limits on greenhouse gases from cars and trucks represents a shift in the delicate and often acrimonious relationship between the federal government and the states, legal experts say, possibly signaling a new view of federalism. “I think it’s quite significant,” said Samuel Issacharoff, a professor of constitutional law at New York University law school. “It shows the Obama administration’s more benign view of government intervention,” Professor Issacharoff said, and “may indicate a spirit of cooperative federalism” in which **Washington will look to the states for new ideas and** even a measure of **guidance.** Tom Miller, the attorney general of Iowa, who met with the transition team in December to discuss federalism and other issues, said he believed the Obama administration would “usher in a new era in federal-state relations.” Members of the new administration, Mr. Miller said, “are open to what we’re talking about, what we’re thinking.” They also appreciate, he said, the fact that state attorneys general often achieve a level of bipartisan cooperation when they band together to pursue lawsuits. The general trend under previous administrations had favored federal pre-emption, the belief that the best law comes from Washington, a concept still favored by business leaders. William L. Kovacs, a vice president for environmental and regulatory issues at the United States Chamber of Commerce, said free-for-all federalism was bad for business and would lead to a “patchwork of laws impacting a troubled industry.” Detroit, Mr. Kovacs said, would have to produce different cars for different parts of the country, and the environmental protection agency would grow tremendously to meet the new regulatory burden. Many liberal thinkers skeptical of states’ rights and state actions since the days of segregation have begun to see that the states, to use Justice Louis Brandeis’s words from the 1930s, **can “serve as a laboratory;** and try novel social and economic experiments without risk to the rest of the country.” Professor Issacharoff said states were often quicker than Washington to spot a problem when it emerged, and so “it may be the states that have the best initial take on it, and try different regulatory methods until we fasten on a single national solution.” States have taken up the challenge of consumer protection, addressing issues like predatory lending well before the federal government took action, and often achieving reforms by suing the federal government to force it to enforce its laws and through legal settlements with industry. In October, 11 states reached an $8.4 billion settlement with Countrywide Financial in which it agreed to modify home loans to help people at risk of foreclosure. And in 2006, 49 states and the District of Columbia reached a $325 million settlement with the Ameriquest Mortgage company to change its policies. Attorneys general also pressured major universities to adopt a code of conduct regarding their relationships with student lending companies. Eliot Spitzer, the former New York attorney general, achieved a settlement with the pharmaceutical company GlaxoSmithKline in 2004 in which it agreed to release more information about the risks to patients that had come out in clinical trials. The Obama administration, then, is **embracing** a **states’ rights** movement that a liberal could love. “The pro-regulatory folks realized in the last eight years that the old line on federal power being the only good power wasn’t correct,” said William Marshall, a law professor at the University of North Carolina who was deputy White House counsel in the Clinton administration and a former solicitor general of Ohio.

# AT Certainty

**State legislature and partnerships solve certainty**

**Puentes 12- master’s from UVA, affiliated professor with Georgetown University's Public Policy Institute, Senior Fellow at the Brookings Institution, former director of infrastructure programs at the Intelligent Transportation Society of America** ( Robert, April 11, “New Approaches for Infrastructure Finance: State and Local Perspective,” http://www.brookings.edu/research/testimony/2012/04/11-infrastructure-finance-puentes//MGD)

Increasingly, public infrastructure investment is taking place through innovative finance tools, revolving loan funds, trusts, and so-called "banks." Most of these offer direct loans at low interest rates to public and private entities, while some also offer grants, loan guarantees, bonds, and other financial instruments. According to forthcoming Brookings research, since 1995 thirty-three states have used infrastructure banks and funds to invest nearly $7 billion in over 900 different projects. These projects range from local road maintenance and highway construction to emergency relief for damaged infrastructure. The structure of the banks and projects in which they invest reflect the diversity of needs and resources across the U.S.[5] On the local level, Mayor Rahm Emanuel recently announced the creation of the Chicago Infrastructure Trust (CIT) as a market-oriented institution that attracts private capital interested in steady returns and makes investment decisions based on merit and evidence rather than politics. Like California's I-Bank it cuts across different types of infrastructure such as transportation and telecommunications, and like Connecticut's Green Bank it emphasizes the generation, transmission, and adoption of alternative energy. The CIT will be capitalized through direct investments from private financing organizations some of which have already expressed interest that could reach $1 billion or more in total investment capacity. The Chicago plan highlights an important point with respect to differences among states and municipalities in the U.S. today. While some states and cities are ambitiously pursuing innovative sources of infrastructure finance-such as partnerships with private and foreign investors-many others are not. For example, only 24 states undertook at least one public/private partnership (PPP) transportation project since 1989. Florida, California, Texas, Colorado, and Virginia alone were responsible for 56 percent of the total amount of all U.S. transportation PPP projects during this time.[6] So why are some states more active in attracting private infrastructure financing? No doubt this is partly based on the unique conditions, traditions and cultures in certain places. But there are also a number of other, more practical, reasons. For one, it is difficult to attract private interest in public projects if investors do not know what kinds of projects are available. Latin American countries regularly pull together trade shows to showcase opportunities for Bus Rapid Transit projects, for example. Partly to address this problem in the U.S., California, Oregon, and Washington are partnering on something called a West Coast Infrastructure Exchange as a platform to spotlight and catalog specific projects, opportunities, and grow the market for private infrastructure firms to invest in domestic infrastructure. Next, other than the obvious legal authority that provides the necessary statutory allowance to get into contracts with a range of partners, state legislation is also essential to send a strong signal that a state is open to private and foreign involvement in infrastructure financing and delivery. It provides predictability for the private sector engaging in a partnership with the public sponsor. On the other hand, the lack of state PPP legislation can prove a real hindrance to the development of the PPP market. The 2007 failed $12.8 billion bid for the lease of Pennsylvania Turnpike would have benefited from having state PPP legislation in place before the negotiation began. Thirty-one states have PPP enabling legislation for highways, roads, and bridges, and 21 have PPP legislation for transit projects. Finally, many states simply lack the technical capacity and expertise to consider such deals and fully protect the public interest. To address this problem, countries, states, and provinces around the world have created specialized institutional entities-called PPP units-to fulfill different functions such as quality control, policy formulation, and technical advice. Today no less than 31 countries have a PPP unit at the national or subnational level. In the U.S., three states (Virginia, California, and Michigan) have established dedicated PPP units. Lastly, I want to briefly describe how metropolitan areas around the country are increasingly acting on their own to envision, design, and finance the next generation transportation system in America. Those places-especially in the West-are taxing themselves, dedicating substantial local money, and effectively contributing to the construction of the nation's critical infrastructure system.[7]

# AT: FG Key

**CP doesn’t eliminate the FG, just puts the states in charge – federal help allows for best practices and multisate cooperation**

**Koch, 06** – Christopher, President & CEO of the World Shipping Council (Remarks at the 6th Annual Trans-Pacific Maritime Conference, “Government Policy and Action Regarding Improvement of the Nation’s Intermodal Transportation Infrastructure,” World Shipping Council, 3/6/06, http://www.worldshipping.org/pdf/transpacific\_maritime\_conference\_paper\_march\_2006.pdf)RK

At the same time, there are many examples of how freight transportation projects can work effectively when the private sector works closely state DOTs and local authorities. For example: • The Chicago Region Environmental and Transportation Efficiency Program better known as the CREATE project is one of the most extensive public-private partnerships underway. It is a $1.5 billion project involving the State of Illinois, the City of Chicago, and major freight and passenger railroads serving Chicago. It’s plan calls for separation of track and highways to speed vehicle travel and reduce congestion for motorists; updating track connections and expanding rail routes; and, adding separate, passenger-only tracks in key locations to remove bottlenecks that have increased freight transit times for decades. Although this has clearly been a problem for government and its citizens for some time, it took the active engagement of the private sector to finally deliver an actionable solution plan. During a recent discussion on this topic in Washington, DC, an official from the Illinois DOT was asked how IDOT made the “CREATE” intermodal project in Chicago work. His response was that IDOT’s job had been made much simpler because the railroads had provided sophisticated modeling on traffic flows, recommended solutions, and investment dollars ready to spend. The railroads approached IDOT to say, “We think we have a solution, but we need your help to make it work.” The Illinois DOT then went to work to find additional funding from state, local and federal sources and modify its transportation plans to incorporate the project.9 The activity associated with the development of the new APM Terminals facility in Portsmouth, Virginia is a series of public-private partnerships, all carefully linked together. The city of Portsmouth faced revenue shortfalls and had been trying for decades to develop a 568-acre riverfront parcel with deepwater access – then known as the Cox property. The Virginia Port Authority identified in 2000 that it would have a capacity shortfall by 2010 in its existing facilities. So in 2001, A.P. Moller-Maersk purchased the Cox property with the intention of developing it as a primary East Coast shipping hub. In 2004 the company, together with the governor, Congressional, and local representatives jointly announced plans not only for APM Terminals to spend one half billion private capital dollars to construct the terminal, but for the state to expand road access to the facility; and for both the state and federal governments to support rail expansion. The latter ultimately led to the development of the Heartland Corridor project – a $266 million project that will remove height impediments along rail track from Virginia to Ohio enabling the use of double-stack trains, as well as extend the rail line directly into the new facility and adjust the capacity of the roads that feed the railroad and the terminal. Most of the funding is coming from the private sector, and the federal government contributed $143 million in the last highway bill; Virginia originally approved $53.4 million for roads and more is proposed. Collectively, these projects will provide the national economy with additional freight capacity; the local Virginia economy with more jobs and more tax revenue; and, reduce the environmental impact of freight movement to communities all along the Heartland Corridor route by taking more trucks off the highways. • The $2 billion Alameda Corridor project remains one of the best known examples of a public-private partnership in part because it involved two highly competitive railroads, two ports, and local, state and federal governments – all who came together to find a solution that would expand port capacity, provide for more efficient rail freight movements, reduce noise and delays on local streets and highways; improve safety, and achieve significant reductions in pollution from vehicles and locomotives. The complexity of the “partners” involved and the importance of sustaining public benefit resulted in the creation of a new local government entity – the Alameda Corridor Transportation Authority – to collect revenue from users and continue to operate the new throughway in the manner in which it was intended. (More information about rail public-private partnerships can be found at: http://www.aar.org/ViewContent.asp?Content\_ID=2800 ) Highway transportation infrastructure solutions have to be implemented location by location by the owners of the system, either individually or collectively, in cooperation with the users of the system. That means state governments, MPOs and COGs must work closely with the shippers and transportation service providers operating within the state. This is at the heart of solution planning. The federal government will continue its policy work, will continue to provide funding to the extent that the NHTF allows, will continue to manage federal financing programs like those created for special projects or for grants and loans, will be a resource for the states and local governments in addressing various financing options available and how to use them, and **can help facilitate discussion** among states for projects that cross state borders and serve the national interest -- the concept behind the “Projects of Regional and National Significance” program. But in the end, the solutions will be driven at the **state and local level**, and those interested in improving the efficiency of moving freight in a region need to develop close working relationships with state and local planners.

**Federal action decreases efficiency – states solve**

**Roth, 10** – Gabriel, civil engineer and transportation economist, research fellow at the Independent Institute (“Federal Highway Funding,” Cato, June 2010, http://www.downsizinggovernment.org/transportation/highway-funding)RK

Overview The federal government plays a large role in transportation policy through subsidy programs for state governments and a growing array of regulatory mandates. Modern federal highway aid to the states began in 1916. Then the interstate highway system was launched in 1956 and federal involvement in transportation has been growing ever since. Today, the interstate highway system is long complete and federal financing has become an increasingly inefficient way to modernize America's highways. Federal spending is often misallocated to low-value activities, and the regulations that go hand-in-hand with federal aid stifle innovation and boost highway costs. The Department of Transportation's Federal Highway Administration will spend about $52 billion in fiscal 2010, of which about $11 billion is from the 2009 economic stimulus bill.1 FHWA's budget mainly consists of grants to state governments, and FHWA programs are primarily funded from taxes on gasoline and other fuels.2 Congress implements highway policy through multi-year authorization bills. The last of these was passed in 2005 as the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Congress will likely be reauthorizing highway programs in 2011, and it is currently pursuing many misguided policy directions in designing that legislation. One damaging policy direction involves efforts to reduce individual automobile travel, which will harm the economy and undermine mobility choice. Another damaging policy direction is the imposition of federal "livability" standards in transportation planning. Such standards would federalize land-use planning and pose a serious threat to civil liberties and the autonomy of local communities. Finally, ongoing federal mandates to reduce fuel consumption have the serious side effect of making road travel more dangerous. The federal government pursues these misguided goals by use of its fiscal powers and regulatory controls, and by diverting dedicated vehicle fuel taxes into less efficient forms of transportation. This essay reviews the history of federal involvement in highways, describing the evolution from simple highway funding to today's attempts to centrally plan the transportation sector. It describes why federal intervention reduces innovation, creates inefficiencies in state highway systems, and damages society by reducing individual freedom and increasing highway fatalities. Taxpayers and transportation users would be better off if federal highway spending, fuel taxes, and related regulations were eliminated. State and local governments can tackle transportation **without federal intervention.** They should move toward market pricing for transportation usage and expand the private sector's role in the funding and operation of highways.

**Federal involvement escalates costs and causes delays**

**Roth, 10** – Gabriel, civil engineer and transportation economist, research fellow at the Independent Institute (“Federal Highway Funding,” Cato, June 2010, http://www.downsizinggovernment.org/transportation/highway-funding)RK

3. Federal Intervention Increases Highway Costs The flow of federal funding to the states for highways comes part-in-parcel with top-down regulations. The growing mass of federal regulations makes highway building **more expensive** in numerous ways. First, federal specifications for road construction standards can be more demanding than state standards. But one-size-fits-all federal rules may ignore unique features of the states and not allow state officials to make efficient trade-offs on highway design. A second problem is that federal grants usually come with an array of extraneous federal regulations that increase costs. Highway grants, for example, come with Davis-Bacon rules and Buy America provisions, which raise highway costs substantially. Davis-Bacon rules require that workers on federally funded projects be paid "prevailing wages" in an area, which typically means higher union wages. Davis-Bacon rules increase the costs of federally funded projects by an average of about 10 percent, which wastes billions of dollars per year.27 Ralph Stanley, the entrepreneur who created the private Dulles Greenway toll highway in Virginia, estimated that federal regulations increase highway construction costs by about **20 percent**.28 Robert Farris, who was commissioner of the Tennessee Department of Transportation and also head of the Federal Highway Administration, suggested that federal regulations increase costs by **30 percent**.29 Finally, federal intervention adds substantial administrative costs to highway building. Planning for federally financed highways requires the detailed involvement of both federal and state governments. By dividing responsibility for projects, this split system encourages waste at both levels of government. Total federal, state, and local expenditures on highway "administration and research" when the highway trust fund was established in 1956 were 6.8 percent of construction costs. By 2002, these costs had risen to 17 percent of expenditures.30 The rise in federal intervention appears to have pushed up these expenditures substantially.

# \*DEVOLUTION\*

# Sample Text

\*remember to write your own based on the aff and the cards available on both sides\*

**Text: The United States federal government should eliminate the federal gas tax and devolve all authority for transportation infrastructure to the 50 states, relevant territories and the District of Columbia. The 50 states, relevant territories and the District of Columbia should (((PLAN))).**

# Generic

**Devolution is key – federal involvement escalates costs and undermines effective investment**

**Goff, 12** – Emily, research associate at the Herritage Foundation (“State Can't Afford "Free" Rail Money,” The Heritage Foundation, 5/24/12, http://www.heritage.org/research/commentary/2012/05/state-cant-afford-free-rail-money)RK

The federal-state transit courtship ritual is by now a well-rehearsed dance. Washington's alluring checkbook tempts states enough that they commit matching funds to projects they otherwise would not even dream of pursuing. Take high-speed rail and other passenger rail projects – they are expensive to build and maintain, and states are faced with many other pressing infrastructure needs but limited resources to pay for them. So, "free" money from Washington seems too good to be true. Then come project delays and construction cost overruns. Federal grants also have strings attached, such as union wage requirements, **which send costs skyward.** Soon, the price tag of an HSR project is substantially more than what states signed up for. Once the HSR line is built, another pesky fact materializes: Actual rail ridership rates do not necessarily equal capacity estimates. Poor ridership translates into large funding gaps, and befuddled states then have trouble covering operating expenses, let alone capital costs. Taxpayers are on the hook subsidizing the rail line long after the federal money train has left the station. For example, passenger rail lines in Japan and the United Kingdom required significant government subsidies, which prompted these countries to begin privatizing the rail systems. In the United States, new governors of Wisconsin and Ohio rejected federal funds for HSR projects once it became clear that HSR's upfront costs and long-term financial liabilities far outweighed any potential benefits. **A glaring flaw in the prevailing approach to transportation is that it is increasingly Washington-centered**; bureaucrats make decisions about projects hundreds of miles away, in which they have little or no vested interest. **This** trend **is based on the belief that** Washington knows best, and, therefore, every cent of **every transportation dollar must flow through Washington.** By this logic, President Obama's so-called livability proposals, such as building street cars and forcing high-density living arrangements, can be cast as a wise use of transportation dollars. In reality, such transportation technology is 19th century nostalgia wrapped in 21st century packaging. This approach also generates **misleading incentives** for states to commit limited resources to costly projects like HSR, which do not deliver on promises to mitigate road congestion and improve air quality. **Instead, they threaten to stain state budget ledgers with unsightly amounts of red ink.** Rather than hoarding transportation funds and keeping decision-making in Washington, **Congress should give states more control over how to spend the transportation dollars their motorists pay in** federal **gas taxes.** **Doing so will pave the way for turning over responsibility for transportation to the states, who know their transportation priorities much better than Washington.** With full devolution, states would no longer see funds diverted to transit and enhancement projects they may not find useful. Instead, they would be able to identify and meet their unique infrastructure needs efficiently and cost-effectively.

**Devolution eliminates waste – leads to more effective transport investment**

**Horowitz, 12** – Daniel, deputy political director Madison Project (“Devolution of Transportation Authority is Solution to Earmark Problem,” Red State, 5/3/12, http://www.redstate.com/dhorowitz3/2012/05/03/devolution-of-transportation-authority-is-solution-to-earmark-problem/)RK

There is no doubt that many localities are in need of some infrastructure updates. But there is an obvious solution to this problem. Let’s stop pooling the gas tax revenue of all 50 states into one pile for the inane and inefficient process of federal transportation policy. Every state, due to diverse topography, population density, and economic orientation, has its own transportation needs. By sucking up all the money into one pile in Washington, **every district is forced to beg** with open arms at the federal trough. Moreover, a large portion of the transportation funds are consumed by federal mandates for **wasteful projects**, mass transit, Davis-Bacon union wages, and environmental regulations. This is why we need to devolve most authority for transportation projects to the states. That way every state can raise the requisite revenue needed to purvey its own infrastructure projects. The residents of the state, who are presumably acquainted with those projects, will easily be able to judge on the prudence of the projects and decide whether they are worth the higher taxes. If they want more airports, mass transit, or bike lanes, that’s fine – but let’s have that debate on a local level.

**Turn-back solves – leads to innovation and efficiency**

**Roth, 10** – Gabriel, civil engineer and transportation economist, research fellow at the Independent Institute (“Federal Highway Funding,” Cato, June 2010, http://www.downsizinggovernment.org/transportation/highway-funding)RK

To make progress toward a market-based highway system, we should first end the federal role in highway financing. In his 1982 State of the Union address, President Reagan proposed that all federal highway and transit programs, except the interstate highway system, be "turned back" to the states and the related federal gasoline taxes ended. Similar efforts to phase out federal financing of state roads were introduced in 1996 by Sen. Connie Mack (R-FL) and Rep. John Kasich (R-OH). Sen. James Inhofe (R-OK) introduced a similar bill in 2002, and Rep. Scott Garrett (R-NJ) and Rep. Jeff Flake (R-AZ) have each proposed bills to allow states to fully or partly opt out of federal highway financing.47 Such reforms would give states the freedom to innovate with toll roads, electronic road-pricing technologies, and private highway investment. Unfortunately, these reforms have so far received little action in Congress. But there is a **growing acceptance** of innovative financing and management of highways in many states. With the devolution of highway financing and control to the states, **successful innovations** in one state would be **copied in other states.** And without federal subsidies, state governments would have stronger incentives to ensure that funds were **spent efficiently.** An additional advantage is that highway financing would be more transparent without the complex federal trust fund. Citizens could better understand how their transportation dollars were being spent. The time is ripe for repeal of the current central planning approach to highway financing. Given more autonomy, state governments and the private sector would have the power and flexibility to meet the huge challenges ahead that America faces in highway infrastructure.

**CP solves – better model for growth**

**Glaeser, 12** – Edward, economics professor at Harvard University (“Spending Won’t Fix What Ails U.S. Infrastructure: Edward Glaeser,” Bloomberg, 2/13/12, http://www.bloomberg.com/news/2012-02-14/spending-won-t-fix-what-ails-u-s-transport-commentary-by-edward-glaeser.html)RK

President Barack Obama’s announcement yesterday of a six-year, $476 billion surface transportation reauthorization bill, as part of his 2013 budget, is the latest demonstration of a longstanding presidential propensity for transportation projects. The U.S. owes its emergence as a great power to magnificent investments in infrastructure. The emerging giant of today, China (TBBLCHNA), is following that example. Many imagine that we must again build big to stay on top. But success in middle-age -- for people and nations -- requires wisdom and cunning more than pumped-up brawn. America’s infrastructure needs intelligent reform, not floods of extra financing or quixotic dreams of new moon adventures or high-speed railways to nowhere. When the U.S. was new, it had a hinterland with seemingly unlimited natural resources that was virtually inaccessible to the population centers of the East and the markets of the Old World. It cost as much to move goods 30 miles over land as to ship them across the Atlantic. Our first leaders dreamed of building waterways that would open the West; George Washington founded the Potomac Canal Company before he became president. The Erie Canal was a wonder of the age, running 363 miles and paying for itself within a decade. Interstate Highway System Abraham Lincoln helped win the West by supporting the construction of the Transcontinental Railroad, with public land grants and lending. Of all of Theodore Roosevelt’s myriad presidential achievements, he may have been proudest of the Panama Canal, which sped transport by water between California and the East Coast. President Dwight D. Eisenhower may have been conservative in most things, but not when it came to building the Interstate Highway System that reshaped America around the automobile. American urbanites see the remnants of our engineering greatness all around them. New York City has three great bridges that were all, at some point, the longest suspension bridge in the world: the Brooklyn Bridge, the George Washington Bridge and the Verrazano Narrows Bridge. The Golden Gate Bridge in San Francisco was also the world’s longest suspension bridge for more than two decades. Today, six of the 10 longest bridges are in Asia. The spate of bridge and rail construction in China taps into American insecurities and leads many to wonder whether we are falling behind because we aren’t building more. Politicians understand the magical promise of bold new projects, like superfast trains across California or missions to space, but that promise can be false. Spain’s current fiscal woes owe much to its overly ambitious high-speed rail investments. Similar rail projects in China have produced more allegations of corruption and safety problems than economic transformation. Infrastructure investment only makes sense when there is a clear problem that needs solving and when benefits exceed costs. U.S. transportation does have problems -- traffic delays in airports and on city streets, decaying older structures, excessive dependence on imported oil -- but none of these challenges requires the heroics of a 21st century Erie Canal. Instead, they need smart, incremental changes that will demonstrate more wisdom than brute strength. Here are seven ways to improve U.S. transportation: LET USERS PAY: More than two centuries ago, Adam Smith wrote that “When the carriages which pass over a highway or a bridge, and the lighters which sail upon a navigable canal, pay toll in proportion to their weight or their tonnage, they pay for the maintenance of those public works exactly in proportion to the wear and tear which they occasion of them,” and “it is scarce possible to imagine a more equitable way of maintaining such works.” He then wisely noted that “when high-roads, bridges, canals, etc., are in this manner made and supported by the commerce which is carried on by means of them, they can be made only where that commerce requires them, and, consequently, where it is proper to make them.” User fees support the maintenance of aging infrastructure. Like all prices, they allocate scarce resources to the people who value them most. Perhaps most importantly, as Smith emphasized, user-fee financing discourages white elephants, because projects that can pay for themselves are practically guaranteed to deliver plenty of value. In the early days, we paid for infrastructure, such as the Erie Canal and the Brooklyn Bridge, by charging tolls. That was easy to do, as demand for these improvements was enormous. But our fondness for big projects gradually and dangerously moved us away from this ideal. The Highway System is meant to be funded with gas taxes paid into the Highway Trust Fund, but funding formulas mean that the taxes each state pays into the fund rarely match the money received. The stimulus delivered a dollop of highway spending provided with general tax dollars, and the Congressional Budget Office projects that the Trust Fund will be broke by 2014. Yet Congress is now promoting a vast new road spending bill. The budget the president presented yesterday supports paying for infrastructure with “current user-financed mechanisms,” but also proposes tapping “part of the savings from ending the war in Iraq and winding down operations in Afghanistan,” which just means using general tax revenue to pay for highways. Given our energy problems, we shouldn’t be bribing anyone to drive. We should make sure that users pay for their travel. Ideally, this should be done with electronic tolling that ties the revenue to the road, but failing that, at least we should ensure that gas taxes are high enough to cover our highway costs. IMPLEMENT CONGESTION PRICING: We should expect drivers to pay for more than just the physical costs of their travel. We should also expect them to pay for the congestion that they impose on other road users. If you have a scarce commodity, whether groceries or roads, and you insist on charging prices below market rates, the result will be long lines and stock outs, like those that bedeviled the Soviet Union decades ago. Yet U.S. roads are still running a Soviet-style transport policy, where we charge too little for valuable city streets. Traffic congestion is the urban equivalent of a stock out. The idea of congestion pricing was advanced by the economist William Vickrey 50 years ago. He wanted to charge enough so that streets would move fluidly. Singapore adopted the proposal in 1975, and it now has an electronic system that keeps the roads in the world’s second-densest country moving quickly. London is a more recent example of a congestion-pricing system, and that city has also become more livable as a result. Congestion pricing should have been allowed in Manhattan years ago, and it could help many U.S. cities. Our highways could become more efficient if they raised tolls during peak commuting hours, which would encourage alternative means of travel and commuting during off-peak hours. Airports, too, could make traffic delays rarer by charging higher fees, especially during peak periods. We could build more roads to deal with traffic, but the work of Gilles Duranton and Matthew Turner casts cold water on that approach. They devised a “Fundamental Law of Road Congestion”: highway miles traveled increase almost one-for-one with highway miles built. If you build it, they will drive. The better approach to ensure that a scarce resource is used efficiently is to charge higher prices during peak use periods. DE-FEDERALIZE TRANSPORT SPENDING: Most forms of transport infrastructure overwhelmingly serve the residents of a single state. Yet the federal government has played an outsized role in funding transportation for 50 years. Whenever the person paying isn’t the person who benefits, there will always be a push for more largesse and little check on spending efficiency. Would Detroit’s People Mover have ever been built if the people of Detroit had to pay for it? We should move toward a system in which states and localities take more responsibility for the infrastructure that serves their citizens. The federal government does have a role. It should ensure coordination in nationwide networks. It can embrace smart policies, such as the Education Department’s Race to the Top initiative, that provide incentives for innovation and reform, and the president’s budget seems to move in that direction. The government must go beyond just being the big spender cutting checks. Our current approach has produced a highway system in which, as the Office of Management and Budget once noted, “funding is not based on need or performance and has been heavily earmarked.” The House’s new highway bill may be earmark-free, but it does little to tie spending to need or performance.

**CP is superior – allows for state specific policies not ruined by earmarks**

**Utt, 11** – Ronald D., Ph.D., Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies, at The Heritage Foundation (“Federal Highway Program: How Opting Out Would Help States,” The Heritage Foundation, 7/6/11, http://www.heritage.org/research/reports/2011/07/federal-highway-transportation-program-why-states-should-opt-out)RK

How Opt-Out Would Work Under an opt-out program, a state would forgo its annual authorization from the highway trust fund—with its many mandates, regulations, and dozens of specific spending allocations—and instead choose to receive its share of the federal fuel taxes collected within its borders. Depending on which bill became law, the state would either receive these revenues as a block grant from the USDOT equal to the federal fuel tax revenues collected in that state or directly collect, keep, and spend the 18.3 cents per gallon fuel tax once collected by the federal government in the state. **Freed from federally imposed one-size-fits-all policies, states could use the funds to finance their own transportation priorities,** not those of the many influential lobbyists and trade associations that seek to gain at taxpayers’ expense or those of the anti-road, anti-car activists who want to return America to a nostalgic vision of how they thought we lived in 1905. States and motorists could also escape Transportation Secretary Ray LaHood’s peculiar “livability” agenda, which he claims “means being able to take your kids to school, go to work, see a doctor, drop by the grocery or post office, go out to dinner and a movie, and play with your kids in a park, all without having to get in your car.” Because the plan is voluntary, states that preferred to operate under presidential and congressional micromanagement and regulation and the whimsy of fashionable opinion could “opt in” and continue to serve their transportation needs in the warm embrace of Washington’s bureaucracy. At the same time, states opting out would have to agree to maintain certain standards of performance, including safety and interstate maintenance, and would also be required to use these freed-up funds on surface transportation projects as opposed to other public purposes such as health care or education.

# Decentralization – Federalism = NB

**Transportation devolution uniquely key to federalism**

**Horowitz, 12** – Daniel, deputy political director Madison Project (“A Real Solution to the Gridlock Over the Highway Bill,” Madison Project, 3/21/12, http://madisonproject.com/2012/03/a-real-solution-to-the-gridlock-over-the-highway-bill/)RK

Moreover, the fact that Washington gridlock is able to encumber the majority of transportation projects for 50 states just serves to underscore the reason why we should devolve transportation spending to the states. Since the completion of the Interstate Highway System in 1992, there is simply no reason why states shouldn’t levy their own taxes and manage their own highway projects, leaving the few projects with national scope to the federal government. If a state wants to fund public transportation, then let them have the debate about higher gasoline taxes on a local level. At present, there are 28 donor states – states that contribute more money than they receive in transportation funding. This is utter nonsense. Instead of proposing yet another “pale-pastel” alternative to the Senate highway bill, let’s opt for a bold contrast and rally behind Tom Grave’s Transportation Empowerment Act (H.R. 3264). This bill would gradually transition gas tax revenue to the states over a period of four years. By 2017, every state would keep 14.7 cents of the current federal gasoline tax, leaving 3.7 cents in the hands of the DOT for the purpose of national projects. That way, each state can have a fair debate about their transportation needs and fund their priorities accordingly. If states conclude that they need more money for infrastructure, as the special interest groups have suggested, then it will become obvious to the local residents that the individual state needs to raise their gas tax or prioritize their spending in a different way. With 50 states that are diverse in geography and population, Tom Grave’s **devolution** bill **represents true federalism at work.** **If we can’t coalesce behind federalism in transportation** issues, then **what will we ever devolve** to the states? Liberals want to maintain federal control over transportation spending to they can implement their social engineering, urban planning, and environmental regulations. It’s time for Republicans to block highway spending from being used as the conduit for the statist agenda.

# Decentralization – Federalism NB/AT: Perm

**Decentralization is key to effective policy – federal involvement tanks solvency**

**Katz, 12** – Bruce, Vice President and Director of the Metropolitan Policy Program at Brookings (“Remaking Federalism to Remake the American Economy,” Brookings, 2/16/12, http://www.brookings.edu/research/papers/2012/02/16-federalism-katz)RK

Second, states and metropolitan areas must innovate where they should to drive and enable bottom-up economic strategies that fully align with the distinctive competitive assets and advantages of disparate places. That will require a radical restructuring of the federal government. As Mark Muro wrote in his seminal MetroPolicy treatise in 2008: New technologies, globalization, and deregulation, ha[ve] brought a new era of speed, entrepreneurship, innovation, flux and complexity—as well as new challenges—for organizations. . . . Compelled by the new conditions, firms, governments and organizations of all types have embarked upon an urgent search for new, more flexible and effective forms of organization out of which the outlines of a distinctive 21st century style of governance have begun to emerge. Top-down planning and control structures are **giving way to decentralized, “federated” systems** —because pre-set central plans cannot encompass the complexity and variation of contemporary reality—to build in space for decisive front-line responsiveness, problem-solving, experimentation, and learning (emphasis added). Against this backdrop, the federal government largely remains a legacy government rooted in a different era. The current federal agencies are siloed and stove-piped, highly compartmentalized and specialized, allergic to risk in the face of challenges that are multi-dimensional and multi-layered. Most federal structures, policies, programs and rules are prescriptive and technocratic, narrowly defined, poorly coordinated and, in general, **ill-suited** to support creative state and metropolitan problem-solving. The **proliferation of federal programs is alarming.** The Simpson-Bowles Commission, for example, found that there are over 44 job training programs across nine different federal agencies, and 105 programs meant to encourage STEM education. Throughout the federal government, an inspector-general culture prevails, **stifling innovation and limiting latitude for invention and experimentation**. Despite the diversity of the country, a “one size fits all” categorical approach drives national investment, enticing different regions to compete for discrete federal funds whether they need them or not.

# Abolish Gas Tax Solvency

**The CP gives states control of highway funding to states – allows them to effectively implement policy**

**Horowitz, 12** – Daniel, deputy political director Madison Project (“Devolve Transportation Spending to States,” Red State, 1/19/12, http://www.redstate.com/dhorowitz3/2012/01/19/devolve-transportation-spending-to-states/)RK

One of the numerous legislative deadlines that Congress will be forced to confront this session is the expiration of the 8th short-term extension of the 2005 surface transportation authorization law (SAFETEA-LU). With federal transportation spending growing beyond its revenue source, an imbalance between donor and recipient states, inefficient and superfluous construction projects popping up all over the country, and burdensome mass transit mandates on states, it is time to inject some federalism into transportation spending. Throughout the presidential campaign, many of the candidates have expressed broad views of state’s rights, while decrying the expansion of the federal government. In doing so, some of the candidates have expressed the conviction that states have the right to implement tyranny or pick winners and losers, as long as the federal government stays out of it. Romneycare and state subsidies for green energy are good examples. The reality is that states don’t have rights; they certainly don’t have the power to impose tyranny on citizens by forcing them to buy health insurance or regulating the water in their toilet bowels – to name a few. They do, however, reserve powers under our federalist system of governance to implement legitimate functions of government. **A quintessential example of such a legitimate power is control over transportation and infrastructure spending.** The Highway Trust Fund was established in 1956 to fund the Interstate Highway System (IHS). The fund, which is administered by the DOT’s Federal Highway Administration, has been purveyed by the federal gasoline tax, which now stands at 18.4 cents per gallon (24.4 for diesel fuel). Beginning in 1983, Congress began siphoning off some of the gas tax revenue for the great liberal sacred cow; the urban mass transit system. Today, mass transit receives $10.2 billion in annual appropriations, accounting for a whopping 20% of transportation spending. Additionally, the DOT mandates that states use as much as 10% of their funding for all sorts of local pork projects, such as bike paths and roadside flowers. **As a result of the inefficiencies and wasteful mandates of our top-down approach to transportation spending, trust fund outlays have exceeded its revenue source by an average of $12 billion per year**, even though the IHS – the catalyst for the gasoline tax – has been completed for 20 years. In 2008, the phantom trust fund was bailed out with $35 billion in general revenue, and has been running a deficit for the past few years. Congress has not passed a 6-year reauthorization bill since 2005, relying on a slew of short-term extensions, the last of which is scheduled to expire on March 31. Short-term funding is no way to plan for long-term infrastructure projects. In their alacrity to gobble up the short-term money before it runs out, state and local governments tend to use the funds on small time and indivisible projects, such as incessant road repaving, instead of better planned long-term projects. It’s time for a long-term solution, one which will inject much-needed federalism and free-market solutions into our inefficient and expensive transportation policy. **It is time to abolish the Highway Trust Fund and its accompanying federal gasoline tax.** Twenty years after the completion of the IHS, **we must devolve all transportation authority to the states,** with the exception of projects that are national in scope. Each state should be responsible for its own projects, including maintenance for its share of the IHS. **Free of the burden of shouldering special interest pork projects of other states, each state would levy its own state gas tax to purvey its own transportation needs.** If a state wants a robust mass transit system or pervasive bike lanes, let the residents of that state decide whether they want to pay for it. That is true federalism in action. The most prudent legislation that would transition responsibility for transportation spending back to the states is Rep. Scott Garrett’s STATE Act (HR 1737). Under this legislation, all states would have the option to opt out of the federal transportation system and keep 16.4 cents of their federal gasoline tax contribution. States would have the ability to use that money to raise their state gasoline tax and direct those funds more efficiently for their own needs. **States would be free to use the funds for vital needs, instead of incessant repaving projects that are engendered by short-term federal stimulus grants, and which cause unnecessary traffic juggernauts. States could then experiment with new innovations and free-market solutions that open up infrastructure projects to the private sector.** The Tenth Amendment is not just a flag-waving principle; it works in the real world. It takes a lot of impudence on the part of the President to blame Republicans for crumbling infrastructure. It is his support for a failed central government system that is stifling the requisite innovations that are needed to deal with state and local problems.

**CP is superior – allows for state specific policies not ruined by earmarks**

**Utt, 11** – Ronald D., Ph.D., Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies, at The Heritage Foundation (“Federal Highway Program: How Opting Out Would Help States,” The Heritage Foundation, 7/6/11, http://www.heritage.org/research/reports/2011/07/federal-highway-transportation-program-why-states-should-opt-out)RK

How Opt-Out Would Work Under an opt-out program, a state would forgo its annual authorization from the highway trust fund—with its many mandates, regulations, and dozens of specific spending allocations—and instead choose to receive its share of the federal fuel taxes collected within its borders. Depending on which bill became law, the state would either receive these revenues as a block grant from the USDOT equal to the federal fuel tax revenues collected in that state or directly collect, keep, and spend the 18.3 cents per gallon fuel tax once collected by the federal government in the state. **Freed from federally imposed one-size-fits-all policies, states could use the funds to finance their own transportation priorities,** not those of the many influential lobbyists and trade associations that seek to gain at taxpayers’ expense or those of the anti-road, anti-car activists who want to return America to a nostalgic vision of how they thought we lived in 1905. States and motorists could also escape Transportation Secretary Ray LaHood’s peculiar “livability” agenda, which he claims “means being able to take your kids to school, go to work, see a doctor, drop by the grocery or post office, go out to dinner and a movie, and play with your kids in a park, all without having to get in your car.” Because the plan is voluntary, states that preferred to operate under presidential and congressional micromanagement and regulation and the whimsy of fashionable opinion could “opt in” and continue to serve their transportation needs in the warm embrace of Washington’s bureaucracy. At the same time, states opting out would have to agree to maintain certain standards of performance, including safety and interstate maintenance, and would also be required to use these freed-up funds on surface transportation projects as opposed to other public purposes such as health care or education.

**Returning spending to the states eliminates waste and creates a more effective program**

**Utt, 10** – Ronald D., Morgan Senior Research Fellow at the Heritage Foundation (“Can the Federal Government Still Afford to Run the Federal Highway Program?,” The Heritage Foundation, 4/27/10, <http://www.heritage.org/research/reports/2010/05/can-the-federal-government-still-afford-to-run-the-federal-highway-program>)RK

What to Do Now is the time to consider the proposal put forth in 1995 by former Senator Connie Mack (R–FL) and former Representative John Kasich (R–OH) to return to the states the responsibility for operating the federal surface transportation program **and to fund it by giving states the authority to collect the 18.3 cents per gallon fuel tax now collected by Washington.** This proposal is called “turnback,” to reflect its goal of restoring surface transportation policy to the states, where it was once held. By shifting resources and responsibility to the states, turnback offers the traveling public five key benefits: The motorists and truckers who fund the system would get a more equitable return on the taxes they pay, and overall mobility would improve; The inequitable geographic allocations in the current system would be eliminated; It would end the corrupt congressional earmarking process in transportation; Transportation priorities would be set by state officials, not by Washington bureaucrats; and Reform-minded state officials, no longer hobbled by federal prohibitions and costly mandates, could introduce promising reforms. Most turnback plans establish a gradual phase-out of the federal fuel tax while maintaining minimum spending levels on a series of mandated projects to smooth the transition from federal to state control. At the same time, the federal fuel tax would be reduced each year from its current level of 18.3 cents per gallon to, say, 16.3 cents in the next, 11.3 cents in the third, etc., until it is eliminated over a five-year transition period. As the federal fuel tax rate declines, states could, if they so desired, **raise their own fuel tax** by the amount that the federal fuel tax declines, thereby **maintaining total transportation spending in their state by replacing lost federal resources with new state resources,** with no change in the total tax burden on truckers or motorists. Other Costs and Benefits Some worry that a turnback program might lead to the neglect of the interstate highway system, which, while owned by the states, is viewed as a federal responsibility. To the extent that that is a legitimate concern—and some question this because the current poor condition of the interstate under federal stewardship leaves much to be desired—**turnback** legislation **could link the privilege of leaving the federal system with the responsibility of maintaining the interstate up to a certain standard.** Others note that, absent the current federal general fund bailout, the quality of surface transportation could fall if spending was limited just to gas tax revenues. While nominally true, motorists could still gain because a turnback plan would also end the non-road diversions now mandated by federal law, which today **siphon away about 30 percent of federal transportation spending.**

# \*FEDERAL BUREAUCRACY\*

# Local Knowledge

**Federal programs create a technology lock-in that prevents states from pursuing more effective, sustainable, and locally specific systems**

**Brown 3** – PhD in Urban Planning from UCLA (Jeff Richard, 2003, “The Numbers Game: The Politics of the Federal Surface Transportation Program,” <http://uctc.net/research/diss109.pdf)JCP>

At the same time, we must reconsider the wisdom of the very high matching ratios we use in our federal transportation programs. In many cases the federal government is willing to pick up more than 80 percent of the cost of a highway or transit project. This makes a lot of less essential (in transportation terms) projects more desirable from the standpoint of local or state officials. Many things appear quite desirable when you only have to cover 20 percent of the capital cost.

It was just this sort of matching ratio incentive that influenced urban freeway development to favor modern interstate-style highways rather than some of the smaller-scale, multi-modal concepts being planned by local engineers and planners. State and local governments took the interstate money, and accepted the interstate rules and design requirements, because the federal government was willing to pay 90 percent of the cost (Taylor 2000). It could expect no federal aid were it to decide to build an alternative. It’s hardly surprising what the results of such a financial incentive can be. We merely have to look at our cities to see the results—and look at how different the situation is in other nearby countries (for example Canada) which lacked a federal program with such large dollars and distorting matching share incentives.

**Federal government is out of touch- only states have vital local knowledge**

**Utt 03- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, November 21, “Proposal to Turn the Federal Highway Program Back to the States Would Relieve Traffic Congestion,” The Heritage Foundation//MGD)

Representative Jeff Flake (R–AZ) has introduced legislation that would devolve, or “turn back,” the federal highway and transit programs to the states by allowing them to take over collection of the federal fuel tax and spend those revenues on transportation priorities of their own choosing, not Washington’s. The policies embodied in this bill—the Transportation Empowerment Act (H.R. 3113)—would significantly improve the efficiency and effectiveness of surface transportation programs without imposing a tax increase. Problems With the Status Quo With the completion of the interstate highway system more than 20 years ago and the increased urbanization of the population, America’s transportation problems have become increasingly local and regional in nature. As a result, Washington officials have little to offer in the way of effective solutions to distant problems. Indeed, a case could be made that the existing top-down, one-size-fits-all approach embodied in the 1998 Transportation Equity Act for the 21st Century (TEA–21) has become a counterproductive waste of money that increasingly benefits influential constituencies at the expense of the ordinary motorists who fund the program through their taxes.

**Transportation need is increasingly local- it can’t be managed from DC**

**Utt 03- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, November 21, “Proposal to Turn the Federal Highway Program Back to the States Would Relieve Traffic Congestion,” The Heritage Foundation//MGD)

Having completed the authorized task of constructing a 41,000-mile interstate highway system from coast to coast and border to border, the federal government has found it difficult to resolve surface transportation problems that are increasingly local in nature and beyond the skill of the Washington bureaucracy and congressional committees. Despite record levels of highway spending, congestion is worsening and roads are deteriorating, and many in Congress and the Administration appear to have little interest in doing much more than continuing the status quo, albeit at higher levels of taxpayer funding. Such an unfortunate outcome would do little more than perpetuate this defective system for another six years and lead to more congestion and infrastructure deterioration.

# Inefficiency

**States function better- federal inefficiency**

**Utt 12- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, February 6, ““Turn Back” Transportation to the States,” The Heritage Foundation, http://thf\_media.s3.amazonaws.com/2012/pdf/bg2651.pdf//MGD)

Now free of the federal one-size-fits-all program, states could tailor their spending and investment strategies to their particular needs, not those of a Washington bureaucracy or the privileged constituencies appended to it like barnacles on an aging ship. States would also be free of the costly and time-consuming regulatory mandates that the federal program now imposes on their transportation programs. Finally, as a consequence of these improvements and the more efficient use of resources that turnback would yield, transportation service for the traveling public would improve at a much lower cost than the attainment of that same measure of improvement would have required under the old system. At the same time, and once an improved economy restores fuel tax revenues to their long-run trend, donor states that lose money under the current system would be made whole, while donee states would no longer benefit from undeserved subsidies.

# Wasteful Spending

**Federal control leads to pork barrel spending and unequal resource distribution**

**Utt 03- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, November 21, “Proposal to Turn the Federal Highway Program Back to the States Would Relieve Traffic Congestion,” The Heritage Foundation//MGD)

Over the six-year period from 1998–2003, TEA–21 authorized the federal government to spend $217 billion on roads and transit,1 but very little of this money went for new road capacity. As a consequence of this misspending, traffic congestion has continued to worsen throughout the United States. According to annual calculations provided by the Texas Transportation Institute, the 75-city congestion index increased from 1.08 in 1996 to 1.17 in 2001, the percentage of freeway lane-miles that are congested during peak period rose from 43 percent in 1990 to 55 percent in 2001, and the percentage of daily travel in1 congestion rose from 30 percent in 1996 to 34 percent in 2001.2 Among the many problems with the existing centralized, command-and-control program are longstanding regional inequities between “donor” states— those whose motorists pay more in fuel taxes than they receive back from the program—and “recipient” states—those that get back more than they pay. Over the past several decades, many of the southern and western states have found themselves in the position of donors, while states in the northeast and central regions of the country are most often recipients. In the year leading up to the 1998 reauthorization of the federal highway program, many of the donor states organized themselves into STEP 21, an advocacy group that sought to ameliorate the inequity with a federal guarantee that each state would receive at least a 90.5 percent return on its tax revenues. While such a provision was included in TEA– 21, many argued that it was not likely to be effective, and this seems to have been the case as many traditional donor states still receive share returns below 90 percent. Under allocation formulas embodied in the current law, Mississippi, the poorest state in the Union, pays more than it gets back, while Connecticut, the richest state, gets back more than it pays. Moreover, fast-growing states tend to do worse than slowgrowing states under the current formula. Fastgrowing states like California, Florida, Texas, Georgia, North Carolina, and South Carolina are longstanding donors—year after year shipping a portion of their fuel tax revenues to perennial recipient states like New York, Massachusetts, and Pennsylvania. 3 For example, Texas does exceptionally poorly under the federal highway program. In 2001, its motorists accounted for 8.65 percent of the revenue paid into the Highway Trust Fund but received only 6.93 percent of the money paid out of the fund. If Texas had been entitled to a return share equal to its contribution to the trust fund, it would have received an additional $585 million in federal transportation money in 2001.4 Another major problem with the existing federal program is the mandated diversion of as much as 40 percent of federal fuel tax revenues to non–general purpose highway projects that benefit small but influential fractions of the population, including the billions of dollars wasted on the thousands of questionable pork-barrel projects that Members of Congress inserted into the legislation. The largest diversion of all is the federal transit program that shifts a disproportionate share of the federal transportation money (20 percent) from roads to transit systems that carry only a small portion (1.8 percent) of the traveling public.

**Federal programs have inherent political bias towards rural constituencies and influential states resulting in an ineffective and unsustainable form of infrastructure – even if the USFG has more money they are worse at spending it**

**Brown 3** – PhD in Urban Planning from UCLA (Jeff Richard, 2003, “The Numbers Game: The Politics of the Federal Surface Transportation Program,” <http://uctc.net/research/diss109.pdf)JCP>

I hypothesize that a number of factors produce the patterns of revenue and expenditure that we find. First, I suspect there is an anti-urban bias in the distribution of transportation dollars, particularly in the federal highway program. I believe federal highway dollars are being redistributed from urban to rural states. I suspect this tendency is partly a legacy of the program’s origins as a rural-only highway program, but is perpetuated by a formula allocation process negotiated in a political environment in which the benefiting areas are disproportionately influential.

Second, I believe the states and localities represented on the key policymaking and oversight committees in congress disproportionately benefit from the federal surface transportation program. The disproportionate representation of rural politicians and interest groups in the policymaking process, including membership on the congressional committees that oversee the program, is one possible explanation for the anti-urban bias noted above. I strongly suspect that those urban states that have been large beneficiaries of the Federal program have also been at the committee table.

Third, there has been a shift in the patterns of redistribution and influence over the past few decades, but only a slight one. I don’t believe that the changes enacted in ISTEA and TEA-21 have had a large effect on the patterns of transportation expenditures. For all the changes over the course of their history, the surface transportation programs have been remarkably consistent and stable—except in a very few moments of crisis and genuine policy change.

Fourth, political and interest group wrangling have caused a distortion in favor of capital expenditures, as opposed to maintenance and operations, and the same maneuvers have given certain kinds of mass transit capital initiatives, particularly rail projects in a handful of favored localities, a disproportionate share of transit resources.

# \*AT PERM\*

# Crowdout

**Perm fails- crowd-out theory uniquely applies to transportation funds**

**Clark and Whitford 10- \*PhD in Public Administration from UGA, assistant prof @ Cleveland State, \*\*Professor of Public Administration and Policy @UGA** (Benjamin and Andrew, “Does More Federal Environmental Funding Increase or Decrease States’ Efforts?” Journal of Policy Analysis and Management, Vol. 30, No. 1, 136–152, Wiley//MGD)

Yet economists have long seen federal funds as an explanation of malformed incentives in a public finance system driven by politics. Bradford and Oates (1971a, 1971b) argue that grants-in-aid alter the amount of state spending through crowding out. Knight (2002) found empirical support for Bradford and Oates—that federal highway spending crowds out state highway spending. Essentially, money is fungible. Money that a state receives from the central government has the same impact as money that that government could have taxed from its citizens; it could have raised those funds by increasing taxes on the median voter. Likewise, receipt of federal funds presents an opportunity to raise the disposable income of the median voter (Brooks & Phillips, 2008). As such, states can return dollars to voters via tax cuts, which means the passed-down federal funds are spent on private goods instead of being used for public purposes in the government sector. As noted, though, this compelling theoretical argument has received little empirical support in the literature.

# Free-Riding

**Federal Government oversight and funding discourages state self reliance**

**Nicholson-Crotty and Theobald 10** (Sean and Nick, Ph.D in American Political Institutions and Public Policy and political science professor at the University of Missouri, Associate at [Mission Analytics Group](http://www.linkedin.com/company/mission-analytics-group?trk=ppro_cprof) and Research Associate at Acumen, LLC, “Claiming Credit in the U.S. Federal System: Testing a Model of Competitive Federalism”, October 11, 2010, <http://publius.oxfordjournals.org.proxy.lib.umich.edu/content/41/2/232.full.pdf+html>///TS)

The findings from the analysis herein suggest, however, that, at least in the case of transportation policy, that empirical expectation is not supported. No matter how the state’s ability to raise additional revenue is operationalized, what control variables are included, or whether actual or per capita allocations are considered, the credit claiming incentive does not induce states to increased federal production more aggressively when they are limited in their ability to increase own source production. Instead, they appear to do the opposite, reducing their own spending when increases in federal production correspond with limited ability to raise revenue via taxation. In other words, they respond not as if they can receive credit only for the proportion of transportation infrastructure that they actually pay for, but instead as if they can free-ride on national government production.

# Efficiency

**State control is key- ends bureaucracy and funding disparities**

**Utt 03- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, November 21, “Proposal to Turn the Federal Highway Program Back to the States Would Relieve Traffic Congestion,” The Heritage Foundation//MGD)

By shifting resources and responsibility to the states, the Transportation Empowerment Act offers the traveling public four key benefits: • The motorists and truckers who fund the system would get a more equitable return on the taxes they pay, and overall mobility would improve. • The inequitable geographic allocations in the current system would be eliminated. • Transportation priorities would be set by state officials, not by Washington bureaucrats trying to satisfy politically influential constituencies. • Reform-minded state officials, no longer hobbled by federal prohibitions and costly man-dates, could introduce promising reforms that have succeeded elsewhere.5

**State independence is most efficient- experience, connectivity and lack of federal meddling**

**Poole and Samuels 07- \*M.S. in engineering from MIT, advisor to Reagan, Clinton, and Bush administrations, Searle Freedom Trust Transportation Fellow and Director of Transportation Policy at the Reason Foundation, \*\*senior fellow at the Reason Foundation** (Robert and Peter, May 22, “Federal Interference in State Highway Public-Private Partnerships Is Unwarranted,” The Reason Foundation, http://reason.org/news/show/1002800.html//MGD)

State officials do not need to be warned by U.S. congressmen against signing agreements that are not in the public interest. State officials make their own judgments of what agreements are in the best interests of their publics. In all the recent transportation public-private partnership agreements of which we are aware, the state and local officials concerned have followed a rigorous approval process and been advised by both in-house and outside experts, specialist attorneys and financial analysts. The letter repeatedly alleges states are in a "rush" to sign public-private partnership deals. There is no rush. The states have each taken time to consider and pass public-private partnership legislation, moving carefully to make amendments where problems have arisen. For example, Texas is currently updating its public-private partnership law to address taxpayer concerns. The states that are furthest advanced - Texas, Georgia and Virginia - now have a carefully evolved legislative and regulatory framework for PPPs and considerable expertise based on experience in handling them. Other states like Illinois, New Jersey, and Pennsylvania are newer to the process, but they are approaching it in the same deliberative fashion, hiring expertise where it isn't available in-house, learning from the experience of others, seeking legislative support, and analyzing how concession agreements can be detailed in order to protect the public interest. In every state and in every project, concession companies have to pass an initial screening that weeds out those lacking adequate financial backing or experience. Unsolicited proposals are subject to competitive bids. Proposals are assessed by panels of experts, and final selections are subject to negotiation on every last detail. Agreements are only finalized after top officials have signed off. The only "rush" here is Oberstar and DeFazio's misguided rush to condemn this useful, vital infrastructure tool. States with collectively many more years of close involvement in the public-private partnership process, and far more knowledge on this topic than resides in Congress, do not need warnings or threats from Washington, D.C. Oberstar and DeFazio also threaten that their committee will "work to undo" any state public-private partnership agreements which they judge deficient. This is an outrageous threat and abuse of power. Federal legislators' role is to legislate, not to attempt to undo state contracts legitimately entered into. If there are disputes over contracts, the courts will adjudicate them, though concession contracts have carefully crafted provisions for negotiation, conciliation, and arbitration before litigation. Congressional committees have no business interfering in contracts entered into by state authorities. The chairmen express various specific concerns about toll concessions in general, concerns that on detailed examination have little grounding in reality. One major complaint they have is that private concessions "threaten to undermine the integrity of the national (highway) system." Except in national parks, national forests, on Indian reservations, and on military bases, the federal government has never been directly involved in planning or managing highways. The Interstate system and the National Highway System have always been under diverse control of the 50 state DOTs, metropolitan planning organizations, counties, cities, public toll authorities, bi-state agencies, and a few private facilities. The federal role has been limited to overall network planning, setting standards, and providing partial funding. Interconnections between states have been managed through ad-hoc bilateral arrangements, corridor associations, and other avenues of give and take. There is no detailed central planning as assumed by the chairmen's notion of a national system under threat. Public-private partnerships fit easily into the existing ad-hoc framework, just as state toll authority roads have done for over 50 years. Concessionaires have a strong self-interest in cooperating to provide connectivity since the more connections they have with the larger road system, the more toll-paying traffic they will have.

**CP encourages efficiency and bolsters federalism – federal involvement limits innovation**

**Salam, 12** (Reihan, “The Implications of the Path to Prosperity’s Long-Term Spending Trajectory,” The National Review Online, 3/20/12, http://www.nationalreview.com/agenda/293990/implications-path-prosperitys-long-term-spending-trajectory-reihan-salam)RK

(b) It could be that state governments will pick up the slack, i.e., income security, infrastructure, education, workforce programs, etc., will be “downloaded” to the states. Some states might retain and expand policy efforts and expenditures in these domains while others will “disinvest” in them and allow private firms and other voluntary organizations to take the lead. I am broadly sympathetic to this approach, as it represents a break from cartel federalism. States that are unusually good at running efficient public services will gain a significant **competitive advantage** over those that do not, which might **encourage a broader embrace of efficiency**-enhancing policies. This goal, however, might be in tension with Ryan’s commitment to Medicaid block grants. A better model might involve federalizing the Medicaid program and then downloading various functions to state governments. One potential concern is that Medicaid and income security programs might be best handled at the federal level, as there is a countercyclical element to spending on social transfers that makes debt finance useful during downturns. Brad Plumer considers the implications of the Path to Prosperity for particular policy domains, e.g., transportation: So how might these cuts affect the real world? Let’s take transportation as an example. Right now, the United States is facing a number of pressing infrastructure challenges. The National Highway System, first built in the 1950s, is reaching the end of its natural lifespan. Our air-traffic control system is outdated, causing airport delays around the country. About one-quarter of the country’s bridges are either “structurally deficient” or inadequate to today’s traffic needs, according to the GAO. A variety of non-partisan think tanks and analysts have pegged the cost of fully repairing and upgrading our transportation networks at somewhere between $200 billion and $262 billion per year over the next decade. The White House’s budget envisions spending an average of about $120 billion per year. Ryan’s budget, meanwhile, allocates about $78 billion per year. In his summary, Ryan claims he can meet the country’s needs by cutting back on “imprudent, irresponsible, and downright wasteful spending,” though it’s not clear what waste Ryan has in mind, much less whether it would make up the large gap. Upgrading our transportation networks may well cost between $200 and $262 billion over the next decade, or perhaps even more. It’s not obvious, however, that all of this money has to come from federal coffers. Other approaches might involve relying more heavily on state governments and private investors, as Edward Glaeser has suggested, and perhaps focusing federal efforts on a “fix it first” agenda. This doesn’t mean that Ryan’s approach is the only answer. But it’s worth decoupling federal spending from transportation spending — the categories do not and should not overlap, and it seems entirely reasonable to argue that the non-federal share of the transportation spending pie should grow over time. My view is that a 19% federal revenue cap will be very hard to achieve, and that it implies increases at the state and local level. The virtue of shifting the locus of spending to the state and local level, however, is that this de-federalization of various programs has the potential to effectively de-cartelize government. Residents “vote with their feet” in search of more cost-effective government even now, but shifting more responsibilities to the states will give the states more opportunities to pursue different strategy and to serve a wider array of preferences.

**States are organized better- make fewer mistakes with funding**

**Edwards 11** (Chris, is the director of tax policy studies at the Cato Institute, October 21, 2011, http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it///TS)

When the federal government "thinks big," it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, it replicates the mistakes across the nation. Today, for instance, Reclamation's huge underpricing of irrigation water is contributing to a water crisis across much of the West. Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities. When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. The solution is to move as much infrastructure funding as we can to the state, local and private levels. That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It's true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren't automatically repeated across the country. The states should be the laboratories for infrastructure. We should further encourage their experiments by bringing in private-sector financing. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed — the densely populated Northeast. As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation's massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports. The recent infrastructure debate has focused on job creation, and whether projects are "shovel ready." The more important question is who is holding the shovel. When it's the federal government, we've found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let's give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They're ready.

# Highways

**Federal interference fails- highways should be left to the states alone**

**Utt 12- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, February 6, ““Turn Back” Transportation to the States,” The Heritage Foundation, http://thf\_media.s3.amazonaws.com/2012/pdf/bg2651.pdf//MGD)

With the latest dispute still unresolved, Congress and the President should try to escape this predictable money morass and instead craft a plan that benefits the motorists, bus operators, and truckers who pay the federal fuel tax that fills the trust fund and finances the system. To accomplish this, any new legislation should: • Be limited to programs that enhance mobility and safety; • Add capacity where needed on modes that people want to use; • Relieve congestion; • Upgrade existing infrastructure; and • Devolve the resources and decision making to the states, which know their priorities better than Washington does. The government could accomplish these goals with a simple, efficient, and attractive option: Return the federal highway programs to the states, where much of the responsibility had been lodged until the Federal Aid Highway Act was enacted in 1956.

**States solve best alone- federal corruption**

**Utt 12- PhD in economics from Indiana University, Senior Research Fellow in the Institute for Economic Policy Studies at The Heritage Foundation, former senior economist at the Office of Management and Budget** (Ronald, February 6, ““Turn Back” Transportation to the States,” The Heritage Foundation, http://thf\_media.s3.amazonaws.com/2012/pdf/bg2651.pdf//MGD)

The federal transportation program has lost its way: It is less and less about transportation and mobility and, for the most part, has evolved into a costly spending program distributing financial rewards to a growing number of influential constituencies on a pay-to-play basis. One reform proposal that could substantially change this is legislation to “turn back” the federal highway program to the states, where it once was lodged. Arguing that the program was created to build the interstate highway system—a goal that was met in the early 1980s—turnback advocates believe it is time to declare victory and shift the resources back to the states, recognizing that today’s surface transportation problems are largely local or regional in nature and that a Washington-based, centrally planned, command-and-control program has little to offer in the way of solutions. Also, as the record of the past few authorizations reveals, a Washington-based program is more vulnerable to a wheeling-and-dealing political process that has contributed to many of the existing diversions and regional inequities as elected officials pander to influential constituencies at the expense of the taxpaying motorist.

# Links to Politics

**Perm links- fiscal concerns and GOP tradition of decentralization**

**Huerta 12- Master’s Candidate in Urban Planning at Columbia University** (Claudia, May, “Transit Funding; Why the Politics? A Comparative Study of Public Transportation Infrastructure Funding in New York City and Los Angeles”//MGD)

The federal government assists local transit agencies through the Mass Transit Account of the Highway Trust Fund that provides federal formula grant funding. Public transportation only receives a fraction of the funding in comparison to road infrastructure. Today’s federal transportation policy is still haunted by the ghost of Ronald Regan’s New Federalist policies of government devolution and decentralization. The economic development potential behind transit projects from the direct building of the system and for the economic multiplier effect generated by the increased access to transit certainly make transit investment an attractive option for the Obama administration. However, each year cities and regions receive less and less from the federal funding formula allocations for transportation as whole and to a higher degree for transit. Roger Biles in his 2011 book “The Fate of Cities” finds that transit funding between the Ronald Reagan era and the Clinton presidency gradually decreased by over 50 percent (Biles 2011). It started with reduced federal transit subsidies during the Regan years in the 1980s (Wolch et al. 2004). The legacy of a decentralized government from the Regan years that favored road funding to transit funding still resonates in Congress and to a lesser degree in the Senate. As seen with the three different transportation budget proposals in 2011 and 2012 by President Obama, the Senate, and Congress the debates over transportation funding are constant and funding for transit is uncertain. To a certain degree pro-transit policies are pointless without money to support transit operations, maintenance and capital programs. The bottom-line is that money is needed to plan and build great projects.

# P3s

**Federal involvement in the management of P3s kills state initiatives**

**Reinhard and Utt, 12** – \*William G., is the editor and publisher of Public Works Financing, \*\*Ronald D., is the Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at the Heritage Foundation (“Can Public–Private Partnerships Fill the Transportation Funding Gap?,” The Heritage Foundation, 1/13/12, <http://www.heritage.org/research/reports/2012/01/can-public-private-partnerships-fill-the-transportation-funding-gap)RK>

As for the proposal that the federal government should offer guidance on and standardization of P3s, whenever the federal government begins to promulgate policies and manuals, it often ends up managing projects, especially if it has a $1 billion program (i.e., TIFIA) for leverage. Opening the door to federal manuals and standard contracts for these very local, innovative, and evolving deals could kill P3s.

# SIB

**The Permutation results in wasteful spending**

**Furchtgott-Roth 11** (Diana, a contributing editor of RealClearMarkets, a senior fellow at the Manhattan Institute, and a columnist for the Examine, May 26, 2011, "Let's Leave Our Roads to the States," http://www.ncpa.org/sub/dpd/index.php?Article\_ID=20723///TS)

Gabriel Roth, a witness at the Senate hearing, disagreed about the need for a government-funded infrastructure bank. He testified that even with existing funding systems, transportation finance could be provided by the states in partnership with the private sector, rather than by the federal government. There are many examples of private sector investments in roads. A road in the suburbs of Washington, the Dulles Greenway, and California's electronically-tolled express lanes on Route 91 were conceived, designed, financed and built by private sector consortia, for example. The private sector is also operating other formerly-public infrastructure, such as garbage collection, water systems and wastewater treatment plants. With state budgets in difficulties, bringing in the private sector saves crucial dollars. A federal infrastructure bank, although ostensibly independent, would be swayed by political criteria and would be tempted to invest in low-return projects, such as roads to nowhere, says Furchtgott-Roth.

# \*AT FUNDING\*

# Audits

**Audits solve funds and streamline construction**

**Puentes 11- master’s from UVA, affiliated professor with Georgetown University's Public Policy Institute, Senior Fellow at the Brookings Institution, former director of infrastructure programs at the Intelligent Transportation Society of America** (Robert, February, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” Brookings- Rockefeller Project on State and Metropolitan Innovation//MGD)

Use market discipline to find savings and new revenue sources. Governors should order a full audit of their state’s transportation program to ensure it is functioning in the most efficient, effective manner possible. The audit should start with standard (and useful) examinations of the inner workings of transportation departments’ accounting, procurement rules, fleet management, and training. When he took over as Governor of Virginia in January 2010, Bob McDonnell called for an independent assessment of his transportation department’s organizational structure, programs, and operations. His request was approved by the state legislature and in September 2010, the audit found over $600 million in immediate savings due mainly to better contracting and project acceleration.20 A January 2009 audit of Idaho’s transportation department found over $30 million in one-time savings over five years, and $6 million annually thereafter.21

# Department Coordination

**Cross-department coordination solves efficiency**

**Puentes 11- master’s from UVA, affiliated professor with Georgetown University's Public Policy Institute, Senior Fellow at the Brookings Institution, former director of infrastructure programs at the Intelligent Transportation Society of America**

(Robert, February, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” Brookings- Rockefeller Project on State and Metropolitan Innovation//MGD)

Use transportation dollars to leverage other state investments and the strengths of metropolitan areas. All too often, state agencies pursue goals and activities that work at cross-purposes or are counterproductive to one another, such as transportation and environment. The resulting duplicated services, haphazard spending, and wasted tax dollars are untenable under normal circumstances but have greater urgency as state budgets are tightening. As the governors are putting together their cabinets they should consider strategic reorganization and appoint a “super secretariat” with the authority to link up those departments that have responsibility over investments related to transportation, economic development, commerce, housing, land conservation, and other infrastructure such as water and sewer. In this way, the state can coordinate investments to maximize economic returns in the short term (such as job creation), strategically invest for the future, and increase governmental efficiency. The state benefits not only from strategic funding and alignment of programs, but also from mechanisms for state departments to collaborate and work together in pursuit of common state goals. For example, in California the secretary of the agency for Business, Transportation, and Housing coordinates and oversees 14 departments and several economic development programs and commissions. By executive order, Connecticut’s Governor Jodi Rell established the Office of Responsible Growth in 2006 to link up policy development and capital planning in the areas of economic and community development, environmental protection, agriculture, and transportation.13 In 2003, Massachusetts Governor Mitt Romney created a super agency called the Office of Commonwealth Development to coordinate the capital budgets of agencies responsible for environment, transportation, housing, and energy.14 These examples were intended mainly to coordinate resources around sustainability-type goals, but today states would benefit from better cabinet-level coordination between transportation and economic development. Michigan, for example, has a department of Energy, Labor & Economic Growth that brings together job, workforce, and economic development functions under a single agency. That office could be expanded to include transportation and environment and to centralize the economic development planning that is now carried out by the state’s 14 regional agencies. New York also has a multiplicity of these agencies and has made some attempts at coordination through entities such as the Economic Recovery and Reinvestment and Smart Growth Cabinets, but there is room for deeper synchronization of these efforts. State investments must also be coordinated with the land use and zoning regulations that localities fiercely protect. So after the policy link-up described above, they should sponsor an interagency, statewide Sustainability Challenge Competition to ensure that land use, housing, transportation, and energy conservation and efficiency are always taken into account when planning regionally for new land use and development. The competition would encourage multi-jurisdictional planning efforts and broad visions for needs like congestion relief and carbon reductions (a long-term necessity for the next economy) and reward those that can pull these disparate strands together with extra flexibility in using those funds. The sustainability challenge idea is similar to, but more ambitious than, Ohio’s $1 million Local Government Services and Regional Collaboration Grant Program which is intended to improve and enhance collaboration and regional economic development among the state’s municipalities.15

**Laundry list to solve**

**Puentes 11- master’s from UVA, affiliated professor with Georgetown University's Public Policy Institute, Senior Fellow at the Brookings Institution, former director of infrastructure programs at the Intelligent Transportation Society of America** (Robert, February, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” Brookings- Rockefeller Project on State and Metropolitan Innovation//MGD)

While state governors and legislatures recognize that their systems are job and economic engines, infrastructure investments and the decision-making process around transportation priorities have not kept pace with the growth and evolution of the economy.3 A more export-oriented economy will require revolutionizing our ports to support next generation shipping and telecommunications exchanges. A lower carbon future means we need to remake a transportation system almost totally dependent on petroleum-based fuels. To lead on innovation, we need to make quantum leaps on new, clean infrastructure technologies. And to ensure our investments are opportunity-rich they can no longer be sprawl-inducing and decentralizing. But these elements tend to receive insufficient consideration in state transportation programs and planning. To bridge this gap, states should: n Use transportation dollars to leverage other state investments and the strengths of metropolitan areas. n Use market discipline to find savings and new revenue sources n Create or augment new public/private institutions like State Infrastructure Banks

# Efficiency Solves

**Removing federal regulations allows states to fund new projects**

**Frankel et al, 12** – Emily, Visiting Scholar at the Bipartisan Policy Center, with Robert Poole, Director of Transportation Policy at the Reason Foundation, Mary E. Peters, Former Secretary U.S. Department of Transportation, and others (Letter to Senators Boxer and Inhofe and Congressmen Mica and Rahall, Building America’s Future, 5/16/12, Bipartisan Policy Center, and Reason Foundation, http://reason.org/files/bipartisan\_coalition\_urges\_fixes\_to\_transportation\_bill.pdf)RK

In the current era of severely constrained investment resources for surface transportation at all levels of government, states and metropolitan regions should be afforded greater flexibility to **fund and finance** their transportation facilities and networks. Congress does not seem inclined to raise funding for surface transportation through increasing federal motor fuels taxes or by replacing those taxes with other dedicated funding. In the absence of new funding sources, at a minimum, Congress should provide states and metropolitan regions with the tools to develop and expand their potential sources of revenue and investment capital. To that end, federal barriers to state innovation and flexibility should be substantially reduced, and no new ones should be erected. While the Senate-passed surface transportation authorization bill, S. 1813, Moving Ahead for Progress in the 21st Century (MAP-21), contained many important steps toward the establishment of a performance-based transportation program, it did not reduce these barriers. A bipartisan amendment to extend the Federal Highway Administration’s tolling and highway user pilot programs and to expand the number of eligible participants was offered by Senators Carper of Delaware, Kirk of Illinois, and Warner of Virginia, but was ultimately withdrawn. This means that several states that wish to fund the reconstruction of aging and deteriorating Interstate highways with tolls under existing pilot programs will be unable to do so. Additionally, it will limit the ability of states to utilize some of the innovative tolling programs that would assist in managing traffic congestion, such as establishing high occupancy-tolled (HOT) and variably priced or managed lanes. Fifteen states are currently moving major projects forward thanks to innovations allowed under the Value-Pricing Pilot Program, Urban Partnership Agreements, and Congestion Reduction Demonstration Programs, and we would not want to see the pace of these innovations falter. More fundamentally, in failing to include such provisions in MAP-21, the Senate has denied states and metropolitan regions the ability to create innovative and flexible programs to finance their transportation needs, as federal funding stagnates or declines. While we recognize that the scope of this conference may limit Congressional authority to expand the flexibility of states and metropolitan regions to introduce tolling and user-charge regimes beyond current law, we urge the conferees to seek all available opportunities to maximize such state and local discretion. The ability to establish these new user-related revenue streams would greatly enhance the capacity of states and metropolitan regions to leverage additional private capital for investment in the **restoration, rehabilitation, and expansion of major transportation facilities** through such credit and credit-enhancement programs as TIFIA and through public-private partnerships (PPPs). MAP-21 would greatly expand TIFIA, and a comparable expansion of TIFIA was contained in the bill adopted by the House Transportation and Infrastructure Committee (T & I) in this session of Congress. Such a provision would have much greater impact in the context of expanded opportunities for tolling and user-based fees at the state and local levels. We are also are concerned that certain provisions incorporated into MAP-21 could discourage states from partnering with the private sector and from developing innovative tools to attract private capital to transportation investment, for fear of losing a percentage of federal funding. These provisions would also eliminate the option to use private activity bonds (PABs) to finance leased highway projects and would substantially lengthen depreciation timetables for long-term highway leases, making them less attractive to investors. While we respect the intent to protect the public interest that motivated these provisions, we are concerned that, as currently drafted, they do not respect the ability of states and localities to make such determinations of the public interest on behalf of their citizens and would make it more difficult to attract important new sources of investment capital for transportation infrastructure. With the federal government apparently less able or less willing to provide funds to states and localities for surface transportation, we hope that the scope of the conference committee’s work will allow you to adopt a report that will expand the flexibility and capacity of states and localities to address their funding and investment challenges. Old obstacles should be dismantled, and no new barriers should be erected. If states and metropolitan regions are going to be asked to do more in transportation, and if more of the funding and investment responsibilities are to devolve to them, it is essential that this legislation remove the restrictions to their capacity to innovate. Such provisions in the final legislation can be central elements, in advancing innovation, progress, and global competitiveness.

# Innovations Solve

**Various state funding mechanisms solve**

**Puentes 12- master’s from UVA, affiliated professor with Georgetown University's Public Policy Institute, Senior Fellow at the Brookings Institution, former director of infrastructure programs at the Intelligent Transportation Society of America** ( Robert, April 11, “New Approaches for Infrastructure Finance: State and Local Perspective,” http://www.brookings.edu/research/testimony/2012/04/11-infrastructure-finance-puentes//MGD)

Transit projects in Denver, New Mexico, and the Salt Lake City area are all substantially financed by voter-authorized payroll or sales tax increases and epitomize the new spirit of bottom-up initiative. In metropolitan Phoenix, voters approved a proposition in 2004 that extended a half-cent sales tax for regional transportation for another 20 years. That bit of local effort will generate over $11 billion over time to expand regional transit service but, like Los Angeles' Measure R, it will also dedicate billions for freeway upgrades, additional lanes, and improved interchanges, including substantial improvements to the national interstate system. Other major metro areas like Las Vegas, Charlotte, St. Louis, Oklahoma City, Seattle, and Milwaukee have also gone to their voters for approval of ballot initiatives to fund a mix of light rail and bus lines, highway projects, commuter rail, and corridor preservation. A coalition of business and civic leaders in the Dallas Metroplex is pushing the state legislature to give metros in Texas the authority to do the same. In short, metropolitan areas across the country are laboring hard to keep up with system maintenance, enhancement, and expansion needs-even along national corridors-on which they are investing substantial local resources. At the Brookings Metropolitan Policy Program we are working with a set of high level civic, corporate, political, and philanthropic leaders across the U.S. on dedicated policy and research agenda that describes both the opportunities and challenges in financing the next generation of U.S. infrastructure investments. By doing so we hope to "crack the code" and lay out a federalist policy and practice agenda to expedite implementation, unlock the capital, and create jobs and economic value in the U.S.

**The CP facilities state innovations which would fill the gap**

**Jimenez and Pagano 12** (Benedict, Assistant Professor, School of Public Affairs and Administration, Rutgers, and Michael, Dean, CUPPA and Professor Ph.D., Government at the University of Illinois, March 18, 2012, What Factors Affect Management Quality? “State Infrastructure Management and the Government Performance Project”**,** http://pwm.sagepub.com.proxy.lib.umich.edu/content/17/2/124.full.pdf+html///TS)

Not one of the fiscal condition indicators had statistically significant effects on the GPP grades (contrary to Hypotheses 10 through 12). Other possible measures of state fiscal condition, such as short-term end-of-year debt, and changes in tax revenues, or 1- to 2-year lags of these different measures, were introduced in different specifications of the model, but the results were not encouraging. The analysis failed to provide evidence to support the hypothesis that access to sufficient resources is a sine qua non for implementing management reforms. This is contrary to studies which find that slack resources matter for the adoption of innovative management practices in public organizations (Berry, 1994; de Lancer Julnes, & Holzer, 2001) and consistent with Tolbert, Mossberger, and McNeal’s (2008) conclusion that slack resources are not critical for state government officials’ decision to implement management innovations.

# \*FEDERALISM\*

# UNIQUENESS

**States are restoring federalism now**

**Katz 12** (Bruce Katz, Vice President and Director, Metropolitan Policy Program, Global Cities Initiative, “Will the Next President Remake Federalism?” Brookings, March 18, 2012, http://www.brookings.edu/research/articles/2012/03/18-federalism-katz, Sawyer)

With federal transportation policy in limbo, metro areas like Jacksonville and Savannah and states like Michigan are modernizing their air, rail and sea freight hubs to position themselves for an expansion of global trade.

What unites these disparate efforts is intent. After decades of pursuing fanciful illusions (e.g., becoming the next Silicon Valley) or engaging in copycat strategies, states and metros are deliberately building on their special assets, attributes and advantages using business-planning techniques honed in the private sector.

**Federalism is high now and increasing**

**McGuigan 11** (Patrick B. McGuigan, editor, more than three decades of experience in news reporting, policy analysis, and commentary, “Transportation Federalism – and Flexibility – Proposed in New Bill Form from Coburn, Lankford,” CapitolBeatOK, July 29, 2011, http://capitolbeatok.com/reports/transportation-federalism-and-flexibility-proposed-in-new-bill-from-coburn-lankford, Sawyer)

A bill giving greater authority and control over transportation funding was introduced in Congress yesterday, with U.S. Sen. Tom Coburn of Muskogee and U.S. Rep. James Lankford of Oklahoma City as leading proponents. Governor Mary Fallin and Oklahoma Secretary of Transportation Gary Ridley applauded the proposal, as did a representative of the state's leading free market “think tank.”

According to a press release from advocates in the nation's capital, “the State Transportation Flexibility Act that would allow state transportation departments to opt out of the Federal-Aid Highway and Mass Transit programs. Instead, these states would be able to manage and spend the gas tax revenue collected within their state on transportation projects without federal mandates or restrictions.”

A total of of 14 members of the Senate and 24 members of the House of Representatives have joined as co-sponsors. Besides the pair of Oklahomans, supporters included Sens. John McCain of Arizona, David Vitter of Louisiana, Orrin Hatch of Utah, John Cornyn of Texas, Johnny Isakson of Georgia, Daniel Coats of Indiana, Mike Lee of Utah, and Rob Portman of Ohio. Rep. Jeff Flake of Arizona is advocating for the bill in Congress, alongside Lankford.

In Oklahoma, a vice president at the Oklahoma Council of Public Affairs (OCPA) immediately applauded the bill's introduction.

In his statement, sent to CapitolBeatOK, Sen. Coburn said, “Washington’s addiction to spending has bankrupted the Highway Trust Fund. For years, lower-priority projects like earmarks have crowded out important priorities in our states, such as repairing crumbling roads and bridges.

“Instead of burdening states and micromanaging local transportation decisions from Washington, states like Oklahoma should be free to choose how their transportation dollars are spent. I have no doubt that Oklahoma’s Transportation Director Gary Ridley will do a much better job deciding how Oklahoma’s transportation dollars are spent than bureaucrats and politicians in Washington.”

Lankford applauded Coburn's leadership in the matter, observing, “This has been one of my top priorities since coming to Congress, and I’m happy to join Senator Coburn in this effort. This bill is a giant step for states by increasing transportation flexibility while improving efficiency.

“By allowing states to opt-out of the federal bureaucracy, they will be able to take more control of their own resources. It will free Oklahoma to keep our own federal gas taxes and to fund new projects at our own discretion.”

Joel Kintsel, executive vice president at OCPA, told CapitolBeatOK, "I am so proud of the leadership shown by Senator Coburn and Congressman Lankford. Hopefully, **this is the beginning of a broader effort by Congress to return to federalism and withdraw from areas of activity rightfully belonging to the States.”**

Sen. McCain, the 2008 Republican nominee for president, said, “As a Federalist, I have long advocated that states should retain the right to keep the revenue from gas taxes paid by drivers in their own state. This bill would allow for this to happen and prevent Arizonans from returning their hard earned money to Washington. Arizonans have always received 95 cents or less for every dollar they pay federal gas taxes. This continues to be unacceptable, and for that reason I am a proud supported of the State Highway Flexibility Act.”

Sen. Vitter asserted, “It’s very apparent how badly Congress can mismanage tax dollars, especially the Highway Trust fund which has needed to be bailed out three times since 2008. The states know their transportation needs better than Congress, so let’s put them in the driver’s seat to manage their own gas tax.”

Hatch contended, “The federal government’s one-size-fits all transportation policies and mandates are wasting billions of taxpayer dollars and causing inexcusable delays in the construction of highways, bridges and roads in Utah and across the nation.

Sen. Cornyn said the Lone Star State can manage public transportation spending just fine, and the bill, “will provide Texas more flexibility to make transportation decisions locally and encourage innovative solutions to addressing our transportation infrastructure needs.

Kintsel, whose areas of focus for OCPA include constitutional and other legal policy issues, said, “Federalism is an indispensable check and balance between the States and the federal government and remains an important feature of our constitutional system. Unless it is a power expressly reserved by the Constitution to the federal government, Congress should not attempt to control the decisions of individual states. The more local decision making is eroded by an overbearing national government, the less freedom and ingenuity survives in states and local communities. In this instance, Oklahoma leaders will know how to use these transportation dollars far more efficiently than anyone outside of Oklahoma.

“The Oklahoma Council of Public Affairs applauds this move towards more federalism and is presently crafting a proposal to pursue federalism on a much larger scale. Under OCPA’s concept, federal dollars used for activities constitutionally reserved to the States will be returned to Oklahoma because the people, through their representatives in the Oklahoma Legislature, will know much better how to allocate resources within the State of Oklahoma.”

# Federalism UQ - Generic

**GOP resurgence is bolstering state leadership**

**deGolian, 12** (Crady, “The Evolution of Interstate Compacts,” Council of State Governments, 6/8/12, http://knowledgecenter.csg.org/drupal/content/evolution-interstate-compacts)RK

Once again, such a dramatic jump in the use of compacts from 2010 to 2011 is difficult to explain. It seems reasonable to conclude that the November 2010 elections, which resulted in Republicans gaining control of the U.S. House of Representative and making significant gains in the number of gubernatorial seats held and the number state houses and senates controlled, played a significant role. With Republicans advocating a reduced reliance on the federal government, states have become **more active** in addressing policy challenges by working on an interstate basis.

# Federalism UQ – Transportation Specific

**Federalism for mass transit and transportation is balanced now**

**Bianco and Canon 10** (William T. Bianco, professor of political science at Indiana University Bloomington and Co-Chair of the Working Group on the Political Economy of Sustainable Democracy at the Workshop in Political Theory and Policy Analysis, David T. Canon, professor of political science at the University of Wisconsin–Madison, “American Politics Today,” EBook at W.W. Norton, Chapter 3 Review, December 2010, http://www.wwnorton.com/college/polisci/ampol/ch/03/review.aspx, Sawyer)

Although the American system of government is predominantly characterized by cooperative federalism, elements of national supremacy, dual federalism, and states’ rights are still prevalent. **The current period could therefore be considered the “era of balanced federalism.”**

Cooperative Federalism Lives On: Grants in Aid and Fiscal Federalism

The cooperative relationship between the national and state governments is rooted in the system of transfer payments from the national government to lower levels of government, which is called fiscal federalism. Three types of grants are common under this system:

Categorical grants consist of federal aid to state or local governments that is provided for a specific purpose, such as a mass transit program within the transportation budget or a school lunch program within the education budget.

**States are leading on transportation now – more effective model**

**Katz, 12** – Bruce, Vice President and Director of the Metropolitan Policy Program at Brookings (“Remaking Federalism to Remake the American Economy,” Brookings, 2/16/12, http://www.brookings.edu/research/papers/2012/02/16-federalism-katz)RK

While Washington dithers and delays, metros and their states are embracing the next-economy model and innovating in ways that build on their distinctive competitive assets and advantages: With federal innovation funding at risk, metros like New York and states like Ohio and Tennessee are making sizable commitments to attract innovative research institutions, commercialize research and grow innovative firms. With the future of federal trade policy unclear, metros like Los Angeles and Minneapolis/St. Paul and states like Colorado and New York are reorienting their economic development strategies toward exports, foreign direct investment and skilled immigration. With federal energy policy in shambles, metros like Seattle and Philadelphia are cementing their niches in energy-efficient technologies, and states like Connecticut are experimenting with Green Banks to help deploy clean technologies at scale. With **federal transportation policy in limbo**, metros like Jacksonville and Savannah and states like Michigan are modernizing their air, rail and sea freight hubs to position themselves for an expansion in global trade. What unites these disparate efforts are intentionality and purpose. After decades of pursuing fanciful illusions (becoming “the next Silicon Valley”) or engaging in copycat strategies, states and metros are deliberately building on their **special assets**, attributes and advantages, using business planning techniques honed in the private sector. The bubbling of state and metro innovation is pervasive and viral—**crossing political, regional, jurisdictional and sectoral lines.** It offers an affirmative and practical counterpoint to a Washington that has increasingly become hyper-partisan and overly ideological and gives the next President an opportunity to engage states and metropolitan areas as true, working partners in the quest to restructure the economy.

# AT: Power Spheres Blurred

**No impact – vote neg to not abandon the search**

**Nivola 10** (Pietro S. Nivola, senior fellow and C. Douglas Dillon Chair in Governance Studies at the Brookings Institution, “Rebalancing American Federalism,” The American Interest, March-April 2010, http://www.the-american-interest.com/article-bd.cfm?piece=787, Sawyer)

One way to disencumber the government and sharpen its focus would be to rehabilitate federalism, in other words, to re-set the balance among Federal, state and local government according to the principle that problems should be solved as close to their source as possible—subsidiarity. And the key here is understanding in a detailed way what “close as possible” means in practice today, which is not the same as what it meant fifty or a hundred or two hundred years ago. The fact that conditions change means that the proper understanding and application of subsidiarity has to change, as well. That is one of the main reasons that theorists and jurists of the American Federal system since the Founding have proven unable to draw a bright line between the proper spheres of national and local authority. But that does not mean we ought to abandon the search for a middle ground between conceptions of “dual federalism” and the view that everything, including the garden-variety problems of local jurisdictions, is fair game for national aggrandizement.

For officials at the national tier, applying the principle of subsidiarity today would require several fundamental changes. In general terms it would mean less fussing with the routine management of local public schools, municipal staffing practices, sanitation standards, common criminal justice and countless other chores customarily in the purview of states and localities. It also would call for less preemption of state initiatives in other, less prosaic questions of public policy. For example, if many state governments, acting individually or in concert, are already taking important steps to curb carbon emissions, is it necessarily better for Congress to take over climate policy? Finally, there ought to be greater willingness to denationalize disputes that may otherwise degenerate to bitter, diversionary polemics in Washington.

# LINKS

# CCS Pipeline

**CCS is evolving in line with federalism now – the plan interrupts this trend and infringers on state power**

**Monast et al. 11** (Jonas Monast, Director of the Climate and Energy Program at Duke University’s Nicholas Institute for Environmental Policy Solutions, Brooks Rainey Pearson, Policy Council at Duke University’s Nicholas Institute for Environmental Policy Solutions, Dr. Lincoln Pratson, Truman and Nellie Semans/Alex Brown and Sons Professor of Earth and Ocean Sciences at Duke University’s Nicholas School of the Environment, “A Cooperative Federalism Framework for CCS Regulation,” Nicholas Institute for Environmental Policy Solutions, Duke University, Aug 1, 2011, http://nicholasinstitute.duke.edu/climate/lowcarbontech/a-cooperative-federalism-framework-for-ccs-regulation/, Sawyer)

CCS regulation is already evolving in a cooperative federalist direction, as is evidenced by the SDWA’s Class VI well program, where the federal government grants states the authority to regulate the underground injection of CO2 for the purpose of long-term sequestration.92 As is often the case with cooperative federalism in environmental regulation, the SDWA UIC program includes baseline standards set by the federal government that act as a floor for state regulatory programs. The federal government grants states the authority to run the program, provided they meet or exceed the set minimum requirements.

**A** cooperative **federalist approach would minimize the extent to which the pursuit** of the federal goal of GHG emissions reduction **would infringe on state sovereignty.** It would also allow states discretion on how to achieve the best results— recognizing states have diverse political, economic, and geologic circumstances.

**Federalism is high now for CCS – states are taking the lead – extending its legal precedent is key**

**Monast et al. 11** (Jonas Monast, Director of the Climate and Energy Program at Duke University’s Nicholas Institute for Environmental Policy Solutions, Brooks Rainey Pearson, Policy Council at Duke University’s Nicholas Institute for Environmental Policy Solutions, Dr. Lincoln Pratson, Truman and Nellie Semans/Alex Brown and Sons Professor of Earth and Ocean Sciences at Duke University’s Nicholas School of the Environment, “A Cooperative Federalism Framework for CCS Regulation,” Nicholas Institute for Environmental Policy Solutions, Duke University, Aug 1, 2011, http://nicholasinstitute.duke.edu/climate/lowcarbontech/a-cooperative-federalism-framework-for-ccs-regulation/, Sawyer)

In the U.S., it will also be necessary to implement an appropriate legal structure to govern all three major phases of a CCS system—capturing emissions, transporting emissions, and sequestering emissions. The regulatory landscape as it stands now is a patchwork of state and federal regulations, with the states taking the lead in many instances. Some existing federal environmental regulations will apply to CCS activities, including the Safe Drinking Water Act (SDWA), the National Environmental Policy Act (NEPA), and potentially the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)13 and the Resource Conservation and Recovery Act (RCRA).14 Legal uncertainties and differing legal standards could affect the manner, timing and location of the build out of carbon capture and storage networks.

Rather than allowing the legal framework for CCS to evolve in a piecemeal fashion, policymakers have the opportunity to think critically about the appropriate roles each level of government should play. The significant cost projections for installing and operating CCS technologies indicate the desirability of a legal structure that encourages efficient system design. Given the existing regulatory approach to CCS and the legal challenges it still faces, it appears a legal structure for CCS will likely best evolve within a cooperative federalism framework—with roles for the federal and state governments. This paper provides an overview of CCS and analyzes if and how the issues are addressed under current law, reviews the history of cooperative federalism and how it may provide a framework to determine appropriate roles for federal and state governments, and applies that framework to the gaps in the CCS regulatory structure.

# Gas Tax

**The plan abrogates federalism and precludes a balance of state power**

**DeHaven 11** (Tad DeHaven, budget analyst on federal and state budget issues for the Cato Institute, former deputy director of the Indiana Office of Management and Budget, “Federal Gas Taxes and Federalism,” CATO Institute, May 19, 2011, http://www.downsizinggovernment.org/federal-gas-taxes-and-federalism, Sawyer)

Last week I discussed the Obama administration’s decision to redistribute federal high-speed rail money rejected by Florida Gov. Rick Scott. I noted that “Florida taxpayers were spared their state’s share of maintaining the line, but they’re still going to be forced to help foot the bill for passenger-rail projects in other states.” My underlying point was that the states should be allowed to make their own transportation decisions with their own money.

Two Michigan state policymakers — both Republican — want to send the same message to Washington. State representatives Paul Opsommer and Tom McMillin have introduced resolutions that call on the federal government to allow the states to keep the federal gasoline taxes that they send to Washington. (Opsommer’s resolution would have to pass both state chambers, whereas McMillin’s resolution would only need to pass in the Michigan House.)

Michigan would no longer send its money to Washington so that it can be washed through Congress and the federal bureaucracy and sent back to Michigan (and the other states) with costly federal strings attached. Instead, highway financing and control would be left to the states. As a Cato essay on federal highway funding argues, re-empowering the states is clearly preferable to the current top-down approach:

With the devolution of highway financing and control to the states, successful innovations in one state would be copied in other states. And without federal subsidies, state governments would have stronger incentives to ensure that funds were spent efficiently. An additional advantage is that highway financing would be more transparent without the complex federal trust fund. Citizens could better understand how their transportation dollars were being spent.

The time is ripe for repeal of the current central planning approach to highway financing. Given more autonomy, state governments and the private sector would have the power and flexibility to meet the huge challenges ahead that America faces in highway infrastructure.

Some people, particularly those with an interest in the current convoluted arrangement, argue that it’s necessary for the enlightened beings in Washington to provide us with a national “vision” or “plan.” But the redirection of Florida’s high-speed rail allotment to other states shows that decision-making in Washington usually has more to do with politics than economics.

Conspicuously left out of the Obama administration’s re-spreading of high-speed cheese was Wisconsin, which tried to grab some of the Florida money for an intercity rail line that connects the state to Chicago. Reason’s Sam Staley points out that Wisconsin Gov. Scott Walker also said “no thanks” to the administration’s high-speed rail money. Staley says “the snubbing of the State of Wisconsin smells a lot like political payback,” and links to a piece from a Milwaukee Journal-Sentinel columnist who doesn’t have any doubts.

If either or both of the Michigan resolutions pass, Congress can simply choose to ignore the message. Hopefully, more states will take a cue from Michigan, which could make it harder for the folks in Washington to simply look the other way. Regardless, Opsommer and McMillan deserve a round of applause for trying to score one for fiscal federalism.

# Generic

**Ownership is the key issue for federalism – federal control is naive**

**Fukuyama 05** (Kei Fukuyama, associate professor, Graduate School of Information Sciences, Tohoku University, “Regional Competition and Cooperation on Provision of Inter-Regional Transportation Infrastructures,” http://dspace.ucalgary.ca/bitstream/1880/44375/1/TransportPaper-Fukuyama.pdf, Sawyer)

The unity of such collective bodies is sustained by mobility of money, goods, and people. The flows of goods and people are enabled by appropriate transportation services (transportation infrastructures) connecting member regions each other. One specific question arises when considering the federalism under open economy sustained by transportation infrastructure; who will be in charge of the transportation network system (infrastructure) in order to sustain the connection of regions as an efficient one united economic institution. The naïve answer will be ‘by the national or central authority’. If the central government or upper authority has full information and its object is ‘right’ and ‘fair’ (such as maximization of social welfare, which reflects welfare of each member region fair enough), it can provide the socially efficient level of transportation infrastructure. Unfortunately, it is often pointed out, sometimes by the name of ‘failure of government’, that central authority fails to provide efficient solutions for this kind of resource allocation problems due to lack of information needed for right decision, political and other incentives, and others. For example, one of the heaviest criticisms for decisive reform goes to highway constructions that have been solely determined under the governmental agency of centralized Japanese government.

**Federal passage hurts federalism – states won’t support the plan**

**Clay 08** (Casey Clay, “Should the Federal Government Make Transportation Infrastructure a Funding Priority,” Helium, July 3, 2008, http://www.helium.com/items/1100824-yes, Sawyer)

Today, many Americans are thinking of new ways to stretch their paychecks. The current economic recession has many citizens concerned about the future. Gas prices are at an all-time high and current projections only see the price increasing. As more and more people across America begin to feel the pinch of these current events, they look more and more to the government for a solution.

Many government officials say that they have little control over the economy. This is true. We live in a regulated capitalistic economic system. The market system largely responds to the economic laws of supply and demand. While the government has little control over the prices of goods and services, they do have the power to regulate commerce. This right is granted to the legislative branch through the first article of the Constitution of the United States. While many are blaming the President they should, instead, be writing to their Representatives.

It is Congress that decides what regulations should be created for our nation's economy. The President does, however, play a role in this process. He has the power to veto legislation passed by the Congress. He also must execute the laws once they have been created. This is done through the various governmental departments that are overseen by the President and his cabinet. If legislation were to pass that would increase funding for transportation infrastructure the department that would be in charge of overseeing such a project would be the United States Department of Transportation.

**The problem with getting such a measure passed is federalism.** Our federal government brings all of our 50 states together under one central government. Our Congress is composed of individuals who represent each of these states. The problem that measures of this type run into is gaining the support of enough representatives to pass both houses of Congress. If certain states do not benefit from such a proposal, then they will most likely not support it. The way for such a measure to gain enough support to pass is through the activism of concerned citizens.

# High Speed Rail

**The plan oversteps the federal government’s role – breaks down federalism**

**DeHaven 11** (Tad DeHaven, budget analyst on federal and state budget issues for the Cato Institute, former deputy director of the Indiana Office of Management and Budget, “High-Speed Rail and Federalism,” Cato @ Liberty, May 11, 2011, http://www.cato-at-liberty.org/high-speed-rail-and-federalism/, Sawyer)

Florida Governor Rick Scott deserves a big round of applause for dealing a major setback to the Obama administration’s costly plan for a national system of high-speed rail. As Randal O’Toole explains, the administration needed Florida to keep the $2.4 billion it was awarded to build a high-speed Orlando-to-Tampa line in order to build “momentum” for its plan. Instead, Scott put the interests of his taxpayers first and told the administration “no thanks.”

That’s the good news.

The bad news is that the administration is going to dole the money back out to 22 passenger-rail projects in other states. Florida taxpayers were spared their state’s share of maintaining the line, but they’re still going to be forced to help foot the bill for passenger-rail projects in other states.

Here’s Randal’s summary:

Instead, the Department of Transportation gave nearly $1 billion of the $2.4 billion to Amtrak and states in the Northeast Corridor to replace worn out infrastructure and slightly speed up trains in that corridor, as well as connecting routes such as New Haven to Hartford and New York to Albany. Most of the rest of the money went to Midwestern states—Illinois, Iowa, Minnesota, Michigan, and Missouri—to buy new trains, improve stations, and do engineering studies of a few corridors such as the vital Minneapolis-to-Duluth corridor. Trains going an average of 57 mph instead of 52 mph are not going to inspire the public to spend $53 billion more on high-speed rail.

The administration did give California $300 million for its high-speed rail program. But, with that grant, the state still has only about 10 percent of the $65 billion estimated cost of a San Francisco-to-Los Angeles line, and there is no more money in the till. If the $300 million is ever spent, it will be for a 220-mph train to nowhere in California’s Central Valley.

Why should Floridians be taxed by the federal government to pay for passenger-rail in the northeast? If the states in the Northeast Corridor want to pick up the subsidy tab from the federal government, go for it. (I argue in a Cato essay on Amtrak that if the Northeast Corridor possesses the population density to support passenger-rail then it should just be privatized.)

I don’t know if taxpayers in Northeast Corridor would want to pick up the federal government’s share of the subsidies, but I’m pretty sure California taxpayers wouldn’t be interested in footing the entire $65 billion for their state’s high-speed boondoggle-in-the-works. As I’ve discussed before, the agitators for a national system of high-speed rail know this:

If California’s beleaguered taxpayers were asked to bear the full cost of financing HSR in their state, they would likely reject it. High-speed rail proponents know this, which is why they agitate to foist a big chunk of the burden onto federal taxpayers. The proponents pretend that HSR rail is in “the national interest,” but as a Cato essay on high-speed railexplains, “high-speed rail would not likely capture more than about 1 percent of the nation’s market for passenger travel.”

According to the Wall Street Journal, congressional Republicans aren’t happy that the administration is taking Florida’s money and spreading it around the country:

Monday’s announcement drew criticism from House Republican leaders, who questioned both the decision to divide the money into nearly two-dozen grants around the country—instead of concentrating it into fewer major projects—and the fact that many of the projects will benefit Amtrak, the federally subsidized passenger-rail operator.

I heartily agree with the Amtrak complaint, but I’m not sure why as a federal taxpayer I should feel better about instead “concentrating [the money] into fewer major projects.” **Subsidizing passenger-rail is** **no more a proper role of the federal government than education or housing.** Unfortunately, for all the criticisms of the Obama administrations and the constant talk about spending cuts, Republicans don’t appear to possess much more desire to limit the scope of the federal government’s activities than the Democrats.

# Highways

**The plan expands federal power – crushes federalism**

**Weingroff 11** (Richard F. Weingroff, “Backbone: Creation Of The National Highway System,” Department of Transportation, April 7, 2011, http://www.fhwa.dot.gov/infrastructure/backbone.cfm, Sawyer)

\*\*\*note – NHS = National Highway System

At the same time, some **States were calling for delay based on doubts about** the **NHS** concept. Senator Connie Mack (R-Fl.), **reflecting** the new Republican **emphasis on federalism,** proposed to delay action on the NHS map, which he said creates "the specter of an expanded federal system." Delay would allow time to rethink the State and Federal roles in transportation. He thought "it may well be time to overhaul the cumbersome, centralized, one-size-fits-all federal transportation mentality of the past.

# Highway Trust Fund

**The plan is an infringement on state rights – collapses federalism**

**Dilger 11** (Robert Jay Dilger, Senior Specialist in American National Government, “Federalism Issues in Surface Transportation Policy: Past and Present,” Congressional Research Service, January 5, 2011, http://www.fas.org/sgp/crs/misc/R40431.pdf, Sawyer)

The Highway Trust Fund’s sustainability, and the means employed to retain sustainability, could have a significant impact on federalism relationships in surface transportation policy. For example, some have argued that states should be provided additional flexibility to use tolling and other congestion pricing strategies to both combat traffic congestion and generate additional revenue for surface transportation projects. 10 Others have suggested that sustainability should be achieved by having the federal government supplement Highway Trust Fund revenue with funding from the general fund account. If that took place, it could change the nature of the donor-donee debate, as some of the donor states are donee states in terms of overall federal tax and spending flows. Others have advocated an increase in federal fuel taxes to achieve sustainability in the Highway Trust Fund. 11 State officials have historically opposed federal fuel tax increases because, as a practical matter, such increases make it more difficult for **states** to increase their state fuel taxes, and in principle, they **view such** increases **as an** **infringement on state sovereignty.** Secretary of Transportation Ray LaHood indicated in February 2009 that he had interest in exploring alternative means to ensure the Highway Trust Fund’s sustainability, including the possibility of a VMT tax, but other Obama Administration officials indicated that the President had no interest in imposing a VMT tax. 12 Still others have proposed taxing oil or transactions in oil futures and options as a means to achieve sustainability in the Highway Trust Fund.

# Maintenance

**The plan infringes on state sovereignty – this upsets the balance of power**

**Dilger 11** (Robert Jay Dilger, Senior Specialist in American National Government, “Federalism Issues in Surface Transportation Policy: Past and Present,” Congressional Research Service, January 5, 2011, http://www.fas.org/sgp/crs/misc/R40431.pdf, Sawyer)

\*\*\*note – MOE = maintenance-of-effort

Because state revenue growth has declined in recent years, it could be argued that states facing a budgetary shortfall are not likely to substitute federal funds received from the economic recovery plan for existing state funds. Instead, it could be argued that at least some states, particularly those facing budgetary shortfalls, might have a difficult time finding state revenue to maintain their previous spending levels. In either case, state MOE requirements may become an issue during SAFETEA’s reauthorization and will be the subject of congressional interest and oversight during the implementation of the American Recovery and Reinvestment Act of 2009.

States have traditionally opposed state MOE requirements as an infringement on their sovereignty. For example, on January 15, 2008 the National Governors Association, National Conference of State Legislatures, and State Higher Education Executive Officers sent a letter to the chairs and ranking Members of the House Committee on Education and Labor and Senate Committee on Health, Education, Labor, and Pensions opposing a proposed MOE mandate in the College Opportunity and Affordability Act (H.R. 4137) because they believed that it infringed on state autonomy:

# Mass Transit

**Federal intervention in mass transit is the litmus test for future federalism**

**Staley 09- PhD in Public Administration from Ohio State, professor of urban planning and economics at FSU, senior research fellow at Reason Foundation** (Samuel, November 16, “Federal Takeovers of Subways: Another Blow to Federalism,” http://reason.org/blog/show/federal-takeover-of-subways-anmm//MGD)

The Federal government's approach to its proposed takeover of subway and light rail safety regulation is an all too common way it approaches problem solving: Identify a problem, identify a political solution, but the federal government in charge. Secretary Ron LaHood says as much based on statements reported in the Washington Post: "Administration officials said they are responding to a growing number of collisions, derailments and worker fatalities on subways -- and in particular to the fatal June 22 crash on Metro's Red Line and failures in oversight that have surfaced in its wake. Those failures have been the subject of an ongoing investigative series in The Washington Post. "After the [Metro] train crash, we were all sitting around here scratching our heads, saying, 'Hey, we've got to do something about this,' " Transportation Secretary Ray LaHood said in an interview. "And we discovered that there's not much we could do, because the law wouldn't allow us to do it." "Metro spokeswoman Lisa Farbstein said the agency had not seen details of the proposal. "The bottom line is we welcome additional safety oversight with open arms," she said. This Administration has shown little tolerance for boundaries established by tradition or Constitutional principle. Perhaps this is because the President is a former law professor who taught Constitutional law; he knows how to get around the law to make the system work for him. Subways are particularly noteworthy, as both a test case for the breakdown of federalism as well as setting the tone for how local governance will be handled by the Federal Government in the future. Most transit agencies, unlike Amtrak and airlines, are well within state jurisdictional boundaries (Washington, D.C. Metro being a notable exception). The Obama Administration will use its funding precedent--most capital costs for transit agencies are funded by the Federal Government--as the mechanism for taking over rail transit agencies. The trick will be trying to accomplish this, like highway funding, through incentives instead of direct mandates.

# Transportation Key

**Transportation is the key issue – spills over and impacts the entirety of federalism**

**Edner and McDowell 02** (Sheldon Edner, Director, Center for Federal Management Leadership, George Mason University, former Associate Director for Financial Management at the Department of Transportation, Bruce D. McDowell, President, Intergovernmental Management Associates, Project Director, National Academy of Public Administration, “Surface-Transportation Funding in a New Century: Assessing One Slice of the Federal Marble Cake,” JSTOR, Publius, The Journal of Federalism, Vol. 32, No. 1, Winter 2002, pp. 7-24, Sawyer)

This article examines American federalism through the prism of the surface transportation program, one of the nation's largest grant-in-aid programs. No matter how pragmatic or intense the desire to express assessments in simple terms, federalism is a time-sensitive reflection of our collective experiential understanding. Facts, values, hypotheses, and concepts are derived from this collective understanding. The experience of the **surface transportation** program under ISTEA and TEA-21 **illustrates the challenge of** achieving a clear picture of **federalism** when radical changes occur. ISTEA **and** TEA-21 **have** **significantly altered traditional intergovernmental relationships,** particularly as the federal role in transportation appears to have become more ambiguous than at any time in the past 45 years. Thus, at the outset of the twenty-first century, the federal role in transportation is shifting, becoming far less focused. Other goals are emerging, leading the federal transportation role to become more of a means to an end than the central focal point. During the past two decades, American federalism has been anything but static. Efforts at reform have been many; taking the pulse of the system has been difficult. Contending political agendas in and between presidential administration's and Congress have wrought significant changes in the character and direction of federalism. Presidents Jimmy Carter, Ronald Reagan, George Bush, and Bill Clinton each sought reforms to simplify intergovernmental relationships and return some responsibilities to the states, but these efforts remain a work in progress. Coupled with continuing crosscurrents in congressional actions, these presidential efforts have combined to further stir the batter in America's marble-cake federalism. The outcomes have been hard to characterize with clarity. **Transportation** is one of the policy areas that **has been a bellwether in characterizing the status of the federal-state relationship.**

# IMPACTS

# Economy

**Federalism is key to the economy**

**Katz 12** (Bruce Katz, Vice President and Director, Metropolitan Policy Program, Global Cities Initiative, “Will the Next President Remake Federalism?” Brookings, March 18, 2012, http://www.brookings.edu/research/articles/2012/03/18-federalism-katz, Sawyer)

With the national and global economy in a period of disruptive change, now is a good time to challenge states and metropolitan areas to invent the next growth model. Several states and metro areas might, for example, pioneer a new way of supporting advanced manufacturing. Others might do the same with exports and attracting investment from foreign firms or with upgrading the skills of key advanced-industry workers. With federal direction, this could be a golden era of state and metropolitan innovation.

Federalism is not a gift that Washington bestows on statehouses and city halls. Rather, it is a special, often dormant vehicle for galvanizing and unleashing the talents and energies of an entrepreneurial nation. The next president has a historic opportunity to usher in a new era of pragmatic, collaborative **federalism** that **capitalizes on the economic power of metropolitan areas and the policy creativity of state** and local **leaders.** Remaking federalism is the path toward an economy that is productive, sustainable and inclusive. More broadly, it can be a vehicle for economic prosperity, fiscal solvency and political comity - if the next president is willing to take it.

**Federalism key to the economy**

**Katz, 12** – Bruce, Vice President and Director of the Metropolitan Policy Program at Brookings (“Remaking Federalism to Remake the American Economy,” Brookings, 2/16/12, http://www.brookings.edu/research/papers/2012/02/16-federalism-katz)RK

Federalism is not a gift that Washington bestows on state houses and city halls. Rather, it is a special, often dormant, vehicle for galvanizing and unleashing the talents and energies of an entrepreneurial nation. The president has an historic opportunity to usher in a new era of pragmatic, collaborative federalism that capitalizes on the **economic power** of metros and the **policy creativity** of state and local leaders. Remaking federalism is the path toward an economy that is productive, sustainable and inclusive. More broadly, it can be a **vehicle for economic prosperity,** fiscal solvency and political comity—if the next president is willing to take it.

# Laundry List

**Federalism is key to prevent federal overstretch**

**Nivola 10** (Pietro S. Nivola, senior fellow and C. Douglas Dillon Chair in Governance Studies at the Brookings Institution, “Rebalancing American Federalism,” The American Interest, March-April 2010, http://www.the-american-interest.com/article-bd.cfm?piece=787, Sawyer)

Whatever else it is supposed to do, a federal system of government should offer policymakers a division of labor. Perhaps the first to fully appreciate that advantage was Alexis de Tocqueville. He admired the federated regime of the United States because it enabled its central government to focus on primary public obligations (“a small number of objects”, he stressed, “sufficiently prominent to attract its attention”), leaving what he called society’s countless “secondary affairs” to lower levels of administration.1 Such a system, in other words, could help the central authorities keep their priorities straight.

Thinking along those lines warrants renewed emphasis today. America’s national government has had its hands full coping with a deep and lingering economic crisis and onerous security challenges around the world. It cannot, or at any rate ought not, keep piling on top of those daunting tasks a second-tier agenda that injudiciously dabbles in too many decisions and duties best consigned to local entities. Turning every imaginable issue into a Federal case, so to speak, diverts and polarizes political leaders at the national level, and erodes recognition of local responsibilities. A kind of attention deficit disorder besets anybody who attempts to do a little of everything rather than a few important things well. Although not **a root cause of catastrophes like** the submersion of a historic American city by a hurricane in 2005, the terrorist attacks of **September 11,** 2001, **the great financial bust of 2008 or the successful resurgence of the Taliban in Central Asia, an overstretched and distracted government stands less chance of mitigating such tragedies.**

# AT: Federalism Bad

**Total federal control is impossible – state inclusion is inevitable – it’s only a question of the extent of balance**

**Super 05** (David A. Super, Associate Professor, University of Maryland School of Law, “Rethinking Fiscal Federalism,” JSTOR, Harvard Law Review, Vol. 118, No. 8, pp. 2544-2652, June 2005, Sawyer)

A perfect division of functions is, of course, impossible to implement. In several important areas, the Constitution's grant of power to the federal government is not exclusive. Moreover, many functions that fall indisputably within the enumerated powers of the federal government are practically inseparable from, or require coordination with, functions traditionally and most efficiently performed by states. **This has become all the more true** as advances **in transportation** and communications continue to shrink the sphere of the truly local. After 1937, the Court essentially abandoned attempts to enforce a constitutional division of functions that constrained Congress's ability to regulate in areas of traditional "local concern."70 The recent renaissance in restrictive readings of the Commerce Clause only chips away at the edges of a vast zone of overlapping federal-state interests. Yet the Court has been even less aggressive in trying to constrain federal spending programs, at least in part because it has restricted standing to challenge Congress's fiscal decisions.

# \*\*\*AT: State Budget Das – Nebraska\*\*\*

# NEG ANSWERS

# Nebraska Econ High

**Econ high- the aff’s studies are flawed**

**Lincoln Journal Star 6/16** (2011, “Biz Bits: Getting to the bottom of Nebraska's growth, (or lack thereof)” http://journalstar.com/business/local/biz-bits-getting-to-the-bottom-of-nebraska-s-growth/article\_aa7247dc-ae17-5647-be82-5fd68f4f4095.html)

Nebraska’s anemic economic performance as measured by “real” gross domestic product had some of the state’s most respected economic experts scratching their heads. A report earlier this month said the state’s real GDP, which is adjusted for price influences, grew only 0.1 percent in 2011. That was in contrast to a host of other economic measures -- farm income, unemployment, tax collections -- that suggest the Nebraska economy is growing at a much faster pace. Eric Thompson, who head’s UNL’s Bureau of Business Research, was one of those doing the head-scratching, telling the Journal Star in a June 10 story he was “at a loss” as to why federal data pegged our economic growth so low. Thompson did some digging and now thinks he’s found what’s dragging us down. “Manufacturing real GDP increased, consistent with the recovery in the manufacturing sector. However, agriculture real GDP declined (despite record farm income in 2011),” Thompson said in an email. “There were rapid increases in the prices of crops and other agricultural outputs from 2010 to 2011, so after adjusting for these relevant prices, real GDP in agriculture declined, which obviously contributed to the very slow growth (0.1 percent) in real overall GDP.” Thompson reiterated what he told me last week, though: Despite the GDP figure, the state’s economy is doing fine. "(L)ast year was a strong one for Nebraska agriculture, so I believe that the 0.1 percent real aggregate growth figure, while correct technically, paints an inappropriately pessimistic figure of last year's growth,” he said. “I hope that people don't take this number and conclude that the Nebraska economy failed to grow last year. Rather, I think that there was slow but steady growth in Nebraska.” Nebraska good for small biz A recent report says Nebraska is one of the best places in the country to own a small business. The 2012 Thumbtack.com Small Business Survey gave the Cornhusker State an A- overall for small-business friendliness. Nebraska came in No. 1 among the states for the revenue growth rate of its small businesses last year and small-business optimism about the next 12 months. The state also ranked No. 2 for current economic health of small businesses and fourth for the lowest cost of hiring new employees. If you are wondering what Thumbtack.com is (I was), it’s a website that helps link people with commercial services they are seeking. However, the survey was done in conjunction with the Kauffman Foundation of Kansas City, which gives it at least a modicum of credibility. Fewer unemployed vets Nebraska officials have been doing a lot lately to help veterans find jobs, with two job fairs in just the past two months specifically for veterans, and it appears to be paying off, at least for recent vets. According to statistics from the state Department of Labor, the unemployment rate for the youngest veterans in Nebraska is about half of what it is nationally and is lower than the rate for non-veteran Nebraskans of the same age. Veterans ages 18-34 in Nebraska had an unemployment rate of 6.1 percent in 2010, the most recent data available. That may sound high, considering it's much higher than the state rate -- 3.9 percent -- as a whole. But non-veterans 18-34 in Nebraska had a 7.4 percent unemployment rate and the national unemployment rate for veterans who served in Afghanistan or Iraq was 12.7 percent in May of this year. The news is not so good for older veterans, with those in the 35-54 and 55-64 age groups both having higher unemployment rates than non-veterans of a similar age. However, the unemployment rates of those groups of Nebraska veterans were much lower than the rates nationally for similar groups.

**Per capita GDP higher than 2007**

**AP 6/11** (2012, “Report paints perplexing picture of Nebraska's sluggish 2011 growth in gross domestic product,” http://www.therepublic.com/view/story/8e100b1a78be4e728f959155f0ae8fd7/NE--Nebraska-Economy-Perplexing-Report//MGD)

Goss said Nebraska hadn't been as sick economically as many other states, so its economy didn't have to go as far to reach recovery. He also said the data that make up the Commerce Department GDP growth numbers could just be wrong. "These numbers will be revised, so maybe there are some measurement problems," Goss said. In any event, UNL's Thompson said, the GDP number isn't the only, or necessarily the best, measuring stick. "I don't believe that people should conclude that Nebraska's economy did not grow in 2011," Thompson said. Evidence of economic well-being includes increases in personal income and tax collections and a further drop in the state's unemployment rate. Goss said per-capita GDP is a better measure of the state's growth. And in that, Nebraska was among only nine states that have a bigger economy now than in 2007.

# Environmental Support Guaranteed

**Environmental support is a guarantee for Obama- they know Romney policies would be worse**

**LA Times 12** (4/18, “Prominent Environmental Groups Endorse Obama’s Reelection Bid,” http://articles.latimes.com/2012/apr/18/news/la-pn-prominent-environmental-groups-endorse-obamas-reelection-bid-20120418//MGD)

WASHINGTON -- The Sierra Club, the League of Conservation Voters, Environment America and Clean Water Action have jointly endorsed President Obama in his reelection bid, signaling steps that the Democratic base is taking to rouse its members now that the general-election race has begun for all practical purposes. The announcement Wednesday is the earliest any of the groups have issued a presidential endorsement, with the exception of the League of Conservation Voters' 2004 backing of Sen. John Kerry against President George W. Bush. It also marks the first time the groups have jointly endorsed a candidate, a move that could make for a louder collective voice as Democrats begin to tune in to the presidential race. Over the last three years, members of the environmental community, including the four groups endorsing Obama, have had an often contentious relationship with the administration. They have praised what they consider important steps to reduce greenhouse gas emissions and to boost cleaner air and water, such as rules to hike vehicle fuel efficiency and to curtail mercury emissions from power plants. But they have slammed the administration for inaction in other areas, such as its decision last year to halt the development of a long-awaited rule to reduce smog. Nonetheless, in a matchup between Obama and presumptive Republican nominee Mitt Romney, the groups said the contrast for environmentalists was clear. Romney has called the Environmental Protection Agency "out of control." He has walked back his earlier position that climate change is occurring and that human activity is the prime factor, asserting now that "we don't know what's causing climate change on this planet." "Elections are about choices -- and for those who care about building a clean energy economy and confronting the climate crisis, the choice is clear: President Obama is a clean energy champion and Mitt Romney is a climate denier,” LCV President Gene Karpinski said. “While President Obama has fought to put Americans in control of our energy future, Mitt Romney and his Big Oil buddies would take us back to the failed dirty energy policies of the past.” The groups said that they planned to help the Obama campaign through get-out-the-vote efforts, commercials and social media. “There’s a lot at stake in this year’s election,” said League of Conservation Voters spokesman Mike Palamuso. Given the sharp differences between the two candidates, “we felt it was important to beginning mobilizing our members and communicating with voters now,” he said.

**No competition**

**Goldenberg 12- US environment correspondent of the Guardian** (Suzanne, April 23, “Obama launches fundraising campaign to win back environmental voters,” http://www.guardian.co.uk/environment/2012/apr/23/obama-launches-fundraising-environmental-voters//MGD)

Obama is unlikely to get much competition for the green vote. Over the last four years, Republicans have moved sharply away from environmental causes, and many Tea Party activists have been vocal in expressing their disbelief in human-made climate change. Obama is nearly 40 points ahead of Mitt Romney, the Republican presidential candidate, among environmental voters.

**Will support Obama no matter what**

**Eilperin 12** (Juliet, April 18, “Obama endorsed by major environmental groups,” http://www.washingtonpost.com/blogs/44/post/obama-endorsed-by-major-environmental-groups/2012/04/18/gIQAAX7lQT\_blog.html//MGD)

In one of the least-shocking political developments of 2012, four major environmental groups simultaneously endorsed President Obama’s reelection bid Wednesday. The leaders of the Clean Water Action Fund, Environment America, League of Conservation Voters and the Sierra Club announced in a conference call with reporters that they would turn their members out in force to support Obama this fall. League of Conservation Voters President Gene Karpinski described the presidential election as ”a clear choice between someone who’s going to be a champion and someone who’s best buddies with Big Oil and climate deniers.” All four groups endorsed Obama in 2008, but this is the first time they have done it concert. This was the earliest point in the election cycle that three of the groups had ever backed a presidential candidate, though the League of Conservation Voters endorsed Sen. John Kerry (D-Mass.) in January 2004 in his unsuccessful effort to unseat President George W. Bush. The environmental leaders noted that they did not embrace all of Obama’s policies—the Sierra Club, for example, has questioned the extent to which the administration supports domestic natural gas development—but praised his work on promoting renewable energy and denying a federal permit to the controversial Keystone XL pipeline. “Clearly there is a lot of work to do, but this president has made historic progress in breaking our dependence on [fossil fuel] energy,” said Sierra Club executive director Michael Brune. “It is no surprise that liberal environmental groups support President Obama’s agenda of shutting down energy sources, driving up energy prices, and shoveling billions of taxpayer dollars to their favorite green projects,” said Andrea Saul, a spokeswoman for Republican presidential candidate Mitt Romney. “Governor Romney is focused on earning support across the country from Americans who are committed to protecting the environment while promoting instead of stifling economic growth.”

# Obama Lose

**Romney will win- momentum, health care debacle, economy**

**Fox News 6/25** (2012, State of the race favors Romney ahead of health law scramble,” http://www.foxnews.com/politics/2012/06/25/state-race-favors-romney-ahead-health-law-scramble//MGD)

After a rocky start to his re-election effort, Obama will this week have to deal with his greatest political liability, his 2010 health law, try to whip up another showdown with Congress, dive into the year’s main wedge issue of illegal immigration and worry over his controversial attorney general whose own battle with lawmakers over secret documents has now landed in the president’s lap. With his challenger on the rise, his own clout waning and the national mood souring again, this is an unhappy time for Obama to face these hurdles. The hope for Obama’s campaign team must be that this chaotic week will mark the end of a difficult spring and clears the decks for the remaining 19 weeks of the general election. Republicans, meanwhile, hope that losses this week set a new baseline for the embattled president’s woes. The biggest issue facing Obama is the Supreme Court decision on his health law, an unpopular program that may be struck down or upheld in full, or have its central funding mechanism – the mandatory purchase of insurance – ripped out. Power Play holds that the president is least harmed for November if the entire law is pitched so that he neither has to defend nor repair the legislation. But when your best-case scenario involves the highest court in the land tossing out the central accomplishment of your term in office, your options aren’t very attractive. Obama opted not to move to the middle after his 2010 shellacking, but instead tried to shift the blame for a weak economy to Republicans. As the president and his team like to do, they went on offense, rather than recalibrating their strategy. While Team Obama imagined casting the president as a tenacious fighter, it was also a guarantee that he would accomplish nothing of substance on the domestic front for two years. That leaves the president looking like someone who is bogged down and overwhelmed. He may be effective at casting blame on Congress, but that does nothing to reduce the image of a president who is simply stuck. For a nation that is increasingly pessimistic about the future after a few months of modest optimism, stuck is not the best adjective for an incumbent president to be carrying. Also this week, the Supreme Court ruled on Obama’s effort to prevent a crackdown on illegal immigration in Arizona. The court struck down three provisions but upheld, for now, a fourth provision requiring police to check immigration status of people suspected of being in the country illegally. While there may be support for the president’s executive action offering a temporary amnesty and work visas for illegal immigrants who came to the country as children, the Arizona law is also very popular. Later on this week, Obama also faces a House of Representatives vote on whether to find Attorney General Eric Holder in contempt for not turning over documents relating to a botched gunrunning sting that ended up arming the killers of a U.S. Border Patrol agent. Obama has moved to protect Holder by invoking executive privilege. More friction, more stuck. There’s also the fact that at the end of this week the funding for highways and other transportation will dry up, but Obama simultaneously wants to pick a fight with Congress over extending a Democratic program that subsidizes new student loans. The president needs the transportation bill since the last thing he wants to see is summer road crews laying off workers just as unemployment is worsening. But the president also has his political agenda of trying to show himself fighting for parts of his base coalition – in this case college students. Today’s Washington Post editorial page counseled Obama to ditch the student loan subsidy and focus on getting the highway bill through Congress. But the president has clung tightly to his belief that he is best served by being seen in constant conflict with House Republicans. But that’s all chicken feed compared to the health law. What the court decides about the president’s program for a new health-insurance entitlement will substantially remake this race. So where do we stand now? Mitt Romney’s chances at becoming just the fifth challenger in a century to unseat a sitting president are best summed up by the distance between two unrelated statistics: his personal favorability among voters and the overall sense of the direction of the country. These are answers to the two driving questions of a presidential re-election: Would voters like to keep what they’ve got and is the alternative plausible. Romney’s favorables have floated up, taking him now to 42.9 percent in the Real Clear Politics average. And after some late-winter optimism on the economy was dashed, the average of respondents who think the country is on the right track slipped back down to an anemic 31.3. The gap between them is currently 11.6 points On May 18, the gap stood at 6.7 points. A month before that, it was 3.3 points. Going into this pivot week, Romney has the momentum and, more importantly, he has been mostly able to lay low. Rather than a summer news lull, in which the challenger is in the spotlight, the big stories keep on coming, most of them unhappy and most of them involving Obama.

**Romney is decisively leading the middle class**

**Gallup 6/4** (2012, “Romney edges Obama in battle for middle-income voters,” http://www.gallup.com/poll/155030/Romney-Edges-Obama-Battle-Middle-Income-Voters.aspx?utm\_source=google&utm\_medium=rss&utm\_campaign=syndication//MGD)

PRINCETON, NJ -- Mitt Romney currently has a 49% to 45% edge over Barack Obama among middle-income voters, those whose annual household income is between $36,000 and $89,999. Romney has the same lead among upper-income voters, while Obama maintains a wide advantage among lower-income voters. The results are based on Gallup Daily tracking of 2012 election preferences by demographic group, including more than 9,000 interviews with registered voters conducted between May 14 and June 3. During this period, Obama and Romney were tied at 46% among all registered voters. Voting preferences by income group have been fairly well-established since Gallup began tracking the general election on April 11. Obama's lead over Romney among low-income voters has ranged between 13 and 16 percentage points in each of the three-week rolling averages of the vote by demographic group that Gallup has reported since late April. Meanwhile, Romney's edge among middle-income voters has been between four and seven points, and among upper-income voters, between four and six points. Romney, the wealthy former head of Bain Capital, has slightly greater appeal to the highest-income voters in Gallup's data, those making $180,000 or more in annual income. This group has shown a 53% to 42% preference for Romney since mid-April, compared with 50% to 45% for Romney among those earning between $90,000 and $179,999.

**That’s k/t the election**

**Gallup 6/4** (2012, “Romney edges Obama in battle for middle-income voters,” http://www.gallup.com/poll/155030/Romney-Edges-Obama-Battle-Middle-Income-Voters.aspx?utm\_source=google&utm\_medium=rss&utm\_campaign=syndication//MGD)

It will be especially important for Obama to improve his standing among middle-income voters because his large advantage among lower-income voters is offset to a degree by their lower level of voting participation. Gallup's tracking data show that an average of 69% of lower-income voters say they will "definitely" vote in the election this fall, compared with 83% of middle-income voters and 87% of upper-income voters.

**Gains in battleground states**

**The Hill 6/12** (2012, “Poll: Romney edges Obama in swing state North Carolina,” http://thehill.com/blogs/ballot-box/polls/232247-poll-romney-edges-obama-in-swing-state-north-carolina//MGD)

Mitt Romney holds a small lead over President Obama in the critical battleground state of North Carolina, according to a survey released Tuesday from left-leaning Public Policy Polling. Romney took 48 percent to Obama’s 46. That’s a 7-point swing from the same poll in April that showed Obama leading 49 to 44 percent. That’s in line with the Real Clear Politics average of polls, which shows Romney with a 2.5 percent lead. Romney’s favorability rating in North Carolina has improved drastically. In April he was at 29 percent favorable and 58 unfavorable, but sits at 41 percent positive and 46 negative in the current poll. Romney has also made big gains among independents in the state, edging Obama by 1 point after trailing by 13 earlier in the year. North Carolina is one of 12 key swing states the president won in 2008 that the GOP is looking to reclaim. Democrats will hold their national convention there in September.   Obama defeated Sen. John McCain (R-Ariz.) in the Tar Heel State by less than 1 percent in 2008, the first time North Carolina had voted for the Democratic presidential candidate since 1976.

# Econ O/W

**Economy is k/t the election**

**Moore 6/3- guest lecturer on Congress and elections at the United States War College, the Johns Hopkins University Center for Strategic and International Studies** (2012, William, “The Week Ahead: Economic news is bad news for Obama re-election chances,”

http://blog.chron.com/txpotomac/2012/06/the-week-ahead-economic-news-is-bad-news-for-obama-re-election-chances//MGD)

Conventional wisdom holds that attitudes toward the presidential candidates begin to harden in June. In truth, summer attitudes about the state of the economy frame whether November voters choose to stay the course or seek change. With polls indicating the race between President Barack Obama and challenger Mitt Romney tied, how well the economy performs over the summer and into the fall will have a major role in determining the election outcome. The jobs report issued Friday showed the economy added 69,000 jobs in May, the smallest growth in a year, and the unemployment rate rose for the first time in 11 months, to 8.2 from 8.1 percent. The data spells major trouble for President Obama’s reelection, which he has framed as a choice between his policies that are building a more solid foundation for future growth and a return the policies that brought on the worst recession since the Great Depression. Faltering job growth undercuts President Obama’s argument and makes voters more open to arguments from Mitt Romney for a change in direction. The Romney campaign strategy depends on voters viewing the election as a referendum on President Obama’s failures. Like the head-to-head vote, voters are split evenly on whether the President deserves a second term, with 6 to 8 percent unsure, but predisposed against the incumbent. With the referendum favoring Mitt Romney, the Obama campaign is focused undermining Mitt Romney’s credentials, hoping to replicate President Bill Clinton’s 1996 success of introducing challenger Bob Dole in an unfavorable light. On Friday, Clinton described Romney as qualified to serve in the Oval Office.

**Economy o/w- makes reelection vulnerable to Europe’s debt crisis**

**USA TODAY 6/20** (2012, “Obama: European Problems Could Affect US Election,” http://content.usatoday.com/communities/theoval/post/2012/06/obama-europe-woes-could-affect-us-election/1//MGD)

President Obama's political fate could be decided in the debt-ridden nations of Europe. While praising European efforts to address its potential economic crisis after this week's G-20 summit, Obama also said that problems overseas could damage the economy in the U.S. -- and threaten his re-election. "I think it's fair to say that any -- all -- of these issues, economic issues, will potentially have some impact on the election," Obama told reporters after the G-20 summit in Los Cabos, Mexico.

**Econ is k/t the election- bodes ill for Obama**

**AP 6/1** (2012, “US economy added 69K jobs in May, fewest in a year,” http://www.kvue.com/news/national/156546585.html//MGD)

WASHINGTON (AP) — U.S. employers created only 69,000 jobs in May, the fewest in a year, and the unemployment rate ticked up, boding ill for President Barack Obama's re-election chances. The dismal jobs data will fan fears that the economy is sputtering. And it could lead the Federal Reserve to take further steps to help the economy. Republicans seeking the White House have accused Obama of failing to steer the economy out of a deep recession, setting up the health of the nation's economy as a pivotal issue in the 2012 election. Mitt Romney, Obama's Republican challenger, said the jobs report is "devastating news" for workers and their families. In a statement, he called the report "dismal" and a harsh indictment of Obama's policies. Responding to the jobs report, Obama said the numbers show that America's economy is not creating jobs "as fast as we want," but he said the economy will improve. "We will come back stronger. We do have better days ahead." The Labor Department also said Friday that the economy created far fewer jobs in the previous two months than first thought. It revised those figures down to show 49,000 fewer jobs created. The unemployment rate rose to 8.2 percent from 8.1 percent in April, the first increase in 11 months. The Dow Jones industrial average plummeted 274 points, or 2.2 percent, erasing most of 2012 gains. The yield on the benchmark on the 10-year Treasury note plunged to 1.46 percent, a level not seen in the last century. It suggested that investors are flocking to the safety of U.S. government bonds. The price of gold, which closed at $1,562 an ounce the day before, shot up nearly $60 after the report. Investors have seen gold as a safe place to put their money during turbulent economic times. Josh Feinman, global chief economist with DB Advisors, said Friday's report raises the likelihood that the Federal Reserve will do more — perhaps start another round of bond purchases to further lower long-term interest rates. Still, he noted that the rate on 10-year Treasury notes is already at a record low 1.46 percent. "How much lower can long-term rates go?" Feinman said. The economy is averaging just 73,000 jobs a month over the past two months — roughly a third of 226,000 jobs created per month in the January-March quarter. Slower growth in the United States comes at a perilous time for the global economy. Europe's financial crisis is flaring again. And nearly half the 17 countries in the eurozone are in recession. China, the world's second-largest economy, is also showing signs of weakness. Its manufacturing sector is decelerating, a reflection of lackluster demand for its products from Europe, the U.S. and the rest of the world. But while China is acting to increase growth and European countries are weighing similar steps, U.S. leaders have been focused more on reducing government debt. Romney has made the economy the central theme of his campaign. No president since the Great Depression has sought re-election with unemployment as high as 8.2 percent, and past incumbents have lost when the unemployment rate was on the rise. Other Republicans wasted little time seizing on the bleak report. "Today's extremely troubling jobs report proves yet again that President Obama's policies simply are not working and that he has failed to live up to the promise of his presidency," said Republican National Committee Chairman Reince Priebus.

# \*\*\*State Budget Das – Texas\*\*\*

# Scanning solves

**Congress is requiring 100% container scanning now, even though risk-based scanning is sufficient to prevent threats**

**Straw 9** – writer for Security Management magazine (Joseph, 2009, “Outlook for Container Scanning,” <http://www.securitymanagement.com/article/outlook-container-scanning-004692)JCP>

CBP’s requirement for 100 percent scanning is much broader. It must not only scan all cargo destined for the United States, but it must also scan for a range of suspect items, including chemical, biological, radiological, nuclear, and explosive threats.

That type of scanning cannot be fully automated; it requires a person viewing x-ray scan images, ideally aided by software, to detect complex threats. Those complex threats might include an exceptionally dense substance, like the aforementioned lead.

Another difference between the two initiatives is that Megaports, as indicated by its name, requires scanning only at large facilities, whereas the newer U.S.-import-scanning mandate applies to hundreds of smaller ports around the world.

DHS has long asserted that it screens 100 percent of U.S.-bound cargo containers. That never meant a physical examination of each container, however. Rather, it referred to a risk-based screening, beginning with a review of all U.S.-bound container manifests at their ports of departure for information that indicated elevated risks. Only in cases where documentation gave reason to suspect elevated risk would a container be subjected to physical scanning or inspection.

DHS opposed the provision in the law requiring full physical scanning. In his testimony, Ahern indicated that the outgoing administration still supports directed, risk-based, rather than universal, scanning.

“[W]e could be neglecting other areas of concern that potentially pose greater risk and vulnerability to the country,” Ahern told the committee. “Again, a risk-management approach to security has to be driven by our informed judgment about the totality of potential risks to the country, not just risks to a single vector.”

# Won’t go to Texas

**No increase in traffic from Panamax – doubling-back to Texas is costly and the West Coast is preferable**

**Lennard 12** – staff writer for Landline Trucking industry magazine(Kimberly, 5/31/12, “If Texas builds up, will Panama Canal traffic come?,” <http://www.landlinemag.com/Story.aspx?StoryID=23715)JCP>

A port official predicts a 15 percent increase in container traffic. However, at the Texas House Transportation Committee meeting on May 24, opinions were split on whether there will be a shipping windfall.

Schnautz has his doubts that a big bump in port container traffic will happen. He said there’s “no clear agreement” on how the canal expansion will affect the Houston area or its ports.

“It’s really going to be a chicken or egg thing. If this was a huge slam dunk, I think we would have seen this happen already,” he said.

Fuel costs are also a consideration for Texas ports. Because the Panama Canal is east of Texas, ships would have to double back to the west, adding time and fuel costs. To further complicate matters, the Panama Canal Authority has plans to increase tolls by up to 15 percent as early as July 1, a plan to which the International Chamber of Shipping strongly objects.

The general consensus is that the potential is great for exporting from Texas ports via the expanded canal. “This is a discussion that needs to occur,” Harris County Judge Emmett said.

Emmett, who is a member of the working group, isn’t convinced of a deluge of port traffic either.

He says it’s “hard to imagine a lot [of shippers] will pass L.A./Long Beach,” but points out that shippers are the ones who will determine where the freight will go.

# Texas Model Bad

**Imitating the Texas model destroys the US economy it is a trojan horse predicated off stealing jobs from other states**

**Random 11** - Author of the Jazzman Chronicles (Crow Dog Press) and Ghost Dance Insurrection (Dry Bones Press). Has been published on the Albion Monitor, Bellaciao, Buzzle, CounterPunch, Dissident Voice, Pacific Free Press and Peace-Earth-Justice (Jack, July 14, 2011, “A Race to Rock Bottom: The Texas Economic Model,” <http://dissidentvoice.org/2011/07/a-race-to-rock-bottom-the-texas-economic-model/)JCP>

The crux of the current argument is that in these difficult times Texas is the national leader in job creation. The argument is as flawed as a high school engineering project. On the global scale, China and India are the leaders in job creation. Should we adopt the Chinese model?

The reasons jobs are migrating to Texas, Mississippi and North Dakota are the same reasons American jobs are moving to India: Low wages, minimal health and retirement benefits, an unregulated working environment and a virtual prohibition of unions.

Texas is among twenty-two Right to Work states and according to the US Bureau of Labor a disproportionate fifteen of those states are among the top twenty-five in job creation over the last decade. The exceptions to the rule are the rust belt states that continue to hemorrhage jobs regardless of Right to Work status.

For the uninitiated Right to Work is the most effective legislative means of union busting ever invented. In a Right to Work state no worker can be required to join a union, pay union dues or pay an equivalent amount to charity. Because unions depend on worker unity in negotiations with management, Right to Work laws have a crippling effect. Since it would be discriminatory and therefore illegal to pay some workers a different wage than others, under the mandates of Right to Work, a non-union worker is allowed to freeload on the backs of union workers. When a union engages in collective bargaining, all workers benefit. If a union goes out on strike, non-union workers can break the strike and scabs can be hired without consequence beyond the individual conscience. The union is rendered powerless and therefore less able to attract new members.

Just as non-union workers benefit at a cost to union workers, Right to Work states are empowered to steal jobs from states that honor the Rights of Labor (including the Right to Organize in the workplace) by offering lower costs to corporate employers.

Ultimately, Right to Work as public policy is a zero sum gain. If all states followed the Texas model, job creation would be spread evenly but there would be no net increase in jobs. It would, however, unleash a race to the bottom as organized labor ceased to exist and jobs would offer ever lower wages and benefits.

**Like a serpent that discovers its tail and consumes itself, the Texas model on a national scale would end catastrophically because the already dying middle class would be dead and buried and consumption of unnecessary goods would shrivel like a raisin in the sun. Our consumer-based economy would inevitably collapse.**

Do we really want to become a nation where corporate treasures are built on the backs of cheap labor?

This is a classic case of pound-foolish and penny-wise. It is the age-old strategy of dividing workers against themselves. It is Starve the Beast in its most cynical form.

The difficulty with economic issues is that the language required to explain them is so convoluted it becomes incomprehensible. It is like the variable rate home mortgage loan with a bubble payment that no one would sign if it were properly explained.

It should be sufficient to say that these Texas model pimps are the same folks who screwed us out of our homes. These are the same brain trusts that shipped our well-paid jobs overseas and replaced them with minimum wage labor. These are the same folks who gave us mass foreclosures and rendered our properties less than worthless for their own gain. These are the same people that crushed the American Dream and replaced it with a nightmare of debt, default and depression.

Now they want to finish the job and Texas will show us the way.

The Texas model is a Trojan Horse. It is paraded before us in all its sequined glory. We are expected to bow down and pay tribute. On the surface it appears to offer great rewards but once we let it in the gates, the enemy inside will emerge to destroy us.

# Texas Resilient

**10 reasons that Texas’ economy is too resilient to collapse that have nothing to do with Perry’s policies**

**Houston Chronicle 11** (July 31, 2011, “Ten reasons why the Texas economy is growing that have nothing to do with Rick Perry,” <http://blog.chron.com/txpotomac/2011/07/ten-reasons-why-the-texas-economy-is-growing-that-have-nothing-to-do-with-rick-perry/)JCP>

Rick Perry may credit much of Texas’ recent economic success to the low-regulation, small-government philosophy he has espoused, but some economists say that the governor’s policies aren’t the only (or even the primary) reason for Texas’ economic health.

On the plus side, the Dallas Federal Reserve notes that Texas entered the Great Recession late and came out of it early, with job growth standing at 2 percent for 2010 and an expected 3 to 4 percent for 2011. And of the 496,000 jobs added to the U.S. economy between fall 2009 and spring 2011, more han half of that job growth came from Texas — a finding Perry has bragged about recently.

Rick Perry has credited Texas' job growth and economic success to its business-friendly policies, but economists say cyclical factors could also account for the state's successes. (AP photo)

On the other hand, Texas’ unemployment has remained stubbornly high. According to Bureau of Labor Statistics data, the state’s jobless rate increased from 8.1 percent in 2010 to 8.2 percent in June, while the unemployment rate in nearby states remained lower or dropped. And many of the new jobs in Texas have been government and low-wage positions.

Though economists say Perry’s low-tax, low-regulation policies have helped the state’s economy, there are many other reasons why Texas’ economy is thriving while other states’ flail. Here are ten of them:

1. Rising oil prices.

In January 2008, crude oil sold at $92.97 a barrel, but as of June 2011 it stood at $96.26 a barrel, according to Energy Information Administration data. The fuel peaked at $134.02 per barrel in June 2008.

Those rising oil prices may have been bad news for drivers, but they helped out the Texas economy, said Howard Wial, a fellow and economist at the Brookings Institution.

Rising oil prices have been one factor helping the Texas economy, economists say. (AP photo)

When oil prices are high, job growth in Texas historically has exceeded that of the nation, said Keith Phillips, the senior economist and advisor at the San Antonio branch of the Dallas Federal reserve. He said Texas entered the recession late and came out early, mirroring trends in oil prices, which rose towards the beginning of the recession, fell in 2009, but have been steadily rising since.

“If you look at what states were expanding, they are almost all the energy states,” he said. “When oil prices are high, our job growth is stronger relative to that of the nation.”

Based on Dallas Fed research, a 10 percent increase in oil prices leads to a 0.3 percent rise in employment and a 0.5 percent rise in GDP for the state of Texas.

2. Government growth.

“Creation of government jobs help to create jobs in the rest of the economy, because people spend money and buy things,” Wial said.

Wial said that even as the federal government directed stimulus monies towards the state — federal spending topped $227 billion in 2009, up from almost $107 billion in 2000, according to the Census Bureau — Texas didn’t see the same cutbacks in state government spending that other regions did because of its bi-annual budgeting. He said that could have protected jobs, and the overall economy, from the fallout of the recession.

According to a recent Wall Street Journal article, employment in Texas’ public sector has grown more rapidly than the private sector recently, with a 19 percent growth in government jobs compared to 9 percent growth in private jobs since 2000. Texas has added more than one in five of the public-sector jobs nationwide at local, state and federal levels.

That trend will change with the implementation of the new state budget, which will make cuts to state spending to account for a state budget shortfall.

3. Military spending.

The federal government has significantly expanded its military spending in the decade since 9/11, and that has been good news for Texas, home to major bases like Fort Bliss and Fort Hood.

For example, over the past three years the Army has relocated about 14,000 troops to Fort Bliss, which is outside El Paso, and plans to permanently relocate an additional 6,000 troops there in the next two years, according to CNNMoney.

“If there were military bases that expanded, there are government jobs that are being created,” Wial said, explaining that military spending has the potential to make a big impact on the Texas economy because beyond supplying jobs on the base, it pumps money into the local economy.

According to a fact sheet issued in August of 2009 by the Fort Hood Public Affairs Office, “Fort Hood is the largest single site employer in Texas, directly inserting nearly $3 billion annually into the Texas economy.”

4. No housing bubble.

Texas escaped the foreclosure bust that crippled other states’ economies — only 6 percent of Texas mortgage borrowers are in or near foreclosure, according to the Mortgage Bankers Association, while the national average is nearly 10 percent.

While nearby states like Arizona and Nevada face mortgage borrower foreclosure rates of 13 percent and 19 percent, respectively, Texas’ relatively stable market may have been a factor in preventing housing prices from climbing.

Some credit Texas’ stability to state regulations on cash-out and home equity loans, which don’t allow borrowers to take out loans that total more than 80 percent of a home’s appraised value.

Wial said cash-out loans allowed borrows in other places to refinance their homes for more than their original mortgage value — driving up home prices and contributing to the eventual burst of the housing bubble.

“One force of the foreclosure wave didn’t exist in Texas,” he said.

Texas house prices stayed down during the bubble, so when it burst the state didn't suffer as much as other regions. (AP photo)

Phillips said that because housing prices never rose during the housing boom, partly because Texas has cheap, open land for building, they also didn’t crash during the recession.

5. Cheap immigrant labor.

Texas has added more people than any other state during the past decade and now accounts for 8.1 percent of the U.S. population, up from about 7.4 percent in 2000. The state has grown by 4.3 million people over the past ten years, and according to U.S. Census Bureau statistics Hispanic minorities account for 65 percent of that population increase

About one in five new residents moved from other states, but nearly 25 percent were immigrants, the AP reports. Click here to see a larger version of the map to the right for a county-by-country growth breakdown.

Texas population change by county.

Many of those new residents are immigrants from Mexico and Latin American countries who work at low wages and help keep wage averages throughout the state down. Because cheap labor is readily available in Texas, employers looking for low-wage employees are more likely to locate in the state, contributing to its economic growth.

Statistics support the states’ trend toward low pay, as many of the jobs Texas has added since the recession are low-wage. Texas is tied with Mississippi for the greatest percentage of minimum wage workers.

Liberal New York Times columnist (and Nobel Prize winning economist) Paul Krugman wrote in an editorial assessing Texas’ job growth:

Assume that for some reason the population of Texas, and hence its work force, rises – say, because of immigration from Mexico, or because of high birth rates among past immigrants.

What this will do is push wages down — and the reduction in wages will lead to faster job growth

6. A young, consumer-oriented population

Not only is Texas’ population expanding, but it is also young and has a tendency to spend more than most Americans on consumer goods. With one of the youngest populations in the country, the state benefits from the high consumption levels. According to Bloomberg Businessweek:

Texas is one of the youngest U.S. states, with a median age of 33, almost four years below the national average. That means it is blessed with a consumption-driven economy, full of young adults renting their first apartments. As families expand, their needs create thousands of jobs in retailing and manufacturing

7. High-Tech industries

Phillips said high-tech industries weathered the recession better than other sectors of the economy, entering the downturn late and improving more quickly as consumer demand has ramped up.

Texas Instruments and other high-tech companies have done well right out of the recession, helpilng the state's overall recovery. (AP Photo/Paul Sakuma, file)

And he said Texas — home to many high tech industries — has benefited from that.

“When the economy came back, consumer demand for high tech products- automobiles, cell phones, Ipads, semiconductors — has been strongest,” he said. “Texas is a high-tech state.”

8. Fracking.

A decade ago, Texas oil engineers decided to combine horizontal drilling and a process called hydraulic fracturing, or fracking, which injects chemical-laced water into the shale to push out the minerals. The system has been effective in releasing previously untapped pockets of natural gas in shale formations, such as the Eagle Ford shale formation.

According to the Wall Street Journal, in 2000, 1 percent of the U.S. gas supplies were from shale, but now the figure is 25 percent. And as a result of the new technology, Texas is home to some of the most prosperous new oil fields in the country.

“The Eagle Ford formation is really quite an exciting economic opportunity for the area,” Phillips said.

“That’s a pretty sparsely populated area that has not historically been very economically strong. It’s bringing a lot of activity there, and we’re seeing a lot of new millionaires being created.”

9. Texas Exports

Texas is a big producer of products that either weathered the recession well or have rebounded quickly, including high-tech goods and oil and gas. Those goods have also been leading exports during the recovery, meaning that Texas has experienced an inflow of foreign capital even as other states lag behind pre-recession export levels.

“We’re a big export state,” Phillips said, explaining that Texas’ current export levels exceed the pre-recession peak by more than 12 percent. He said that advantage has helped the state’s overall economy to recover more quickly than other areas.

He said that petrochemical exports have been doing especially well since the recession, and Texas has a big cost advantage in the industry, explaining some of the states’ export-prowess.

10. Drug Trafficking.

Jack Schumacher, a recently retired Texas-based DEA agent, told New York Magazine that at least half the drug shipments coming from Mexico stop and offload in Texas, where it is repackaged for sale elsewhere.

That means the money that comes with the drug trade also flows through Texas, driving consumption and investment in the state and possibly contributing substantially to the state’s economy.

““If you have a few million,” Schumacher said in the article, “would you invest in a war zone or a bank in San Antonio?”

# No Bioterror Risk

**No danger from bioweapons – no expertise and the US is over prepared**

**Goozner 3/30**- award-winning writer based in the Washington, DC. He spent 25 years as a foreign correspondent, economics writer and investigative business reporter for the Chicago Tribune and other publications, filing stories from more than a dozen countries while posted in Chicago, Tokyo, New York and Washington. Winner of numerous journalism awards, his freelance writing in recent years has appeared in various publications including the New York Times, Washington Post, Columbia Journalism Review, The Nation, The American Prospect and the Washington Monthly. He taught journalism for three years at New York University while writing "The $800 Million Pill: The Truth behind the Cost of New Drugs," a 2004 explanatory exposé of pharmaceutical industry research and development practices (Merrill, 3/30/12, “Billions to Stem an Unlikely Bioterror Attack,” http://www.thefiscaltimes.com/Articles/2012/03/30/Billions-to-Stem-an-Unlikely-Bioterror-Attack.aspx#page1)

Despite the reality that the only bioterrorist attack that has ever taken place on U.S. soil (one week after 9/11) was launched by a rogue U.S. scientist who had worked in the Cold War biological weapons program and was one of the world’s few experts in weaponizing anthrax, the nation has spent an estimated $66 billion in the past decade preparing for the next assault. Tens of billions of dollars have been poured into basic science and applied research to develop vaccines and drugs to combat diseases like anthrax, smallpox (a disease that no longer occurs naturally on earth), botulism and plague.

Billions more has gone into beefing up the public health system’s ability to respond to emergency health crises. Hospitals have been paid to expand their capacity to respond to surges of patients stricken by a pandemic or a terrorist attack. These nationwide grant programs have helped build a broad base of political support for the programs.

And now, in the reauthorization bill sponsored by Sen. Richard Burr, R-N.C., Congress has earmarked $50 million for a “strategic investor” venture capital fund to invest in start-up biotechnology companies that are developing drugs and vaccines that combat bioterror pathogens. Structured as a public-private partnership outside the government, the goal is to bring more private funding into the hunt for new “countermeasure” products. It will be added to the $450 million a year the government already doles out in grants to companies through the Biomedical Advanced Research and Development Authority (BARDA) and the $2.9 billion earmarked over the next five years for procurement of new drugs and vaccines for government stockpiles.

**Grant bioterror zero risk – terrorists can’t pull off an attack and don’t want to, and even if they did there would be no impact**

**Patel 11 –** graduated with biochemistry major and mathematics minor from Barrett Honors College at Arizona State University, and is now studying at John Hopkins University (Varun, “Big Brother? The Government’s Censure of Scientific Information,” http://www.asutriplehelix.org/node/175)JCP

Despite all concerns that dual-use research will fall into the hands of terrorist groups, experts suggest that the threat of terrorists using biological and chemical weapons is highly exaggerated. Bioterrorism has been presented as a major threat to public health, often based on exaggerated or fictional accounts of what “could” happen. A typical example occurred in 1997, when Secretary of Defense William Cohen held up a five-pound bag of sugar on a national television broadcast and declared that if the sugar were anthrax organisms, they could kill half the population of Washington D.C. Presentations such as these are designed to capture attention, but they unfortunately contribute little to reasonable assessments of risk [15]. Furthermore, there are many misconceptions involving biological weapons. The three most common are that they are easy to obtain, easy to deploy effectively, and that, when used, they always cause massive casualties [16]. Although it is true that rudimentary biological agents can easily be obtained, isolating virulent strains of the agents and creating a weapon out of them to cause mass casualties pose significant challenges to terrorist groups [16]. Also, as terrorists try to develop biological weapons, they run the risk of getting exposed to toxic agents. In early 2009, at least 40 Al-Qaeda operatives were reported dead by the plague as experiments with biological weapons went awry at a training camp in Algeria, indicating that terrorists have a long way before they successfully develop biological weapons [17].

In the mid-twentieth century, several nations were humbled and frustrated in their attempts to establish viable biological weapons programs, indicating how tough it could be for an individual terrorist or a terrorist group to harness the powers of biological weapons [18]. Also, if history is any evidence, then it is clear that biological weapons will not be successful for those that pursue them. In ninety-six percent of the cases worldwide where chemical or biological substances have been used since 1975, three or fewer people were injured or killed [19]. Additionally, delayed killing reactions make it difficult for “publicity-hungry” terrorist groups to claim credit for such attacks [18]. Also, it is worth noticing that Al-Qaeda managed to kill nearly 3,000 people and destroy the World Trade Center without any use of biological weapons. Therefore, when terrorists can achieve their goals through conventional weapons more effectively than biological weapons, biological weapons become unattractive options. As far as the public’s understanding of the trove of intelligence retrieved from Osama Bin Laden’s compound, Al-Qaeda was not using scientific papers to advance a bioterror attack.

**Bioweapons are unlikely to cause damage – worst case models don’t account for the public health system and rely on fabricated datasets**

**Macfarlane 5** -Rearch Associate with the Security Studies Program at MIT and an expert on nuclear weapons proliferation and nuclear waste management and disposal. Previously, she has been Associate Professor of International Affairs and Earth Science at Georgia Tech (Allison, 2005, “All Weapons of Mass Destruction Are Not Equal,” <http://web.mit.edu/cis/pdf/Audit_6_05_Macfarlane.pdf)JCP>

Some experts consider biological and nuclear weapons to be the “true” weapons of mass destruction.15 The higher end of the lethality range of biological weapons is certainly in the realm of the threat posed by nuclear weapons, but the range itself is troubling. If a nuclear weapon goes off in a densely populated area, it will kill tens of thousands of people. It is not possible to make the same assertion for biological weapons. The extremely uncertain estimates of deaths from bioweapons rely on simulations that use limited datasets. For instance, one significant source of uncertainty is the lethality of the agent such as anthrax and modified (genetically or antibiotic-resistant) agents. These simulations describe worst-case scenarios and do not consider the ameliorating effects of defenses such as a good public health system. A bioweapon attack on the heart of a poor, overcrowded, third world city may indeed result in the high death rates suggested in some models. But is the United States as vulnerable? Hardly. It has an extensive public health system and has invested in biological weapons defenses. At this time, there is simply not enough data to suggest that biological weapons should occupy the same policy category as nuclear weapons.

National Policy Implications

What are the political and economic implications of equating biological and chemical weapons with nuclear ones? Americans are living in a state of fear of attack by WMD. The United States is now targeting non-nuclear weapons states with nuclear weapons and in the process is increasing the value of nuclear, chemical, and biological weapons. Moreover, the United States is spending far more money on biodefense measures than for nuclear defense.

News reports and politicians try to convince the public of the threat posed by WMD. Consider this statement from President Bush: “Those attacks [of September, 11, 2001] also raised the prospect of even worse dangers, of terrorists armed with chemical, biological, radiological and nuclear weapons. The possibility of secret and sudden attack with weapons of mass destruction is the greatest threat before humanity today.”16 This kind of rhetoric leads the public to believe that an attack is imminent and would be equally destructive, no matter which weapon is used. Statements like this suggest that proliferation of these weapons is on the rise.

The only actual proliferation that has taken place over the last few years is nuclear weapons proliferation by North Korea, Libya (now disarmed), and perhaps Iran. There are no known new instances of biological or chemical weapons proliferation by states. Moreover, warnings of bioweapons attack are out of proportion to the threat.17 (And indeed few people die each year from terrorist attacks—even during 2001, when 2,988 died in the 9/11 attacks; that same year in the United States, 3,923 died by drowning.)18 Though a bioweapons attack might be expected to kill up to thousands, it most likely wouldn’t reach the number of traffic deaths per year (40,000-odd).

The fear of bioweapons attack is in itself a problem. The dire warnings communicated by the U.S. Government and the media could lead to panic and chaos, resulting in more deaths than if a calmer and more rational approach were used. Instead, Americans could be told that in the event of a bioweapons attack they should take precautions similar to those that prevent the transmission of any infectious disease (washing hands frequently, etc.). By doing so, fewer would likely die. More resources to strengthen the public health system would also boost confidence, trust, and protection.

# \*\*\*State Budget Da – California\*\*\*

# Spending Now/Inevitable

California spending inevitable

**Bloomberg 12** (News Agency, January 5, 2012, “Brown Seeks 7% California Spending Boost”, http://www.bloomberg.com/news/2012-01-05/brown-calls-for-7-california-spending-increase-paid-for-by-higher-taxes.html///TS)

[California (STOCA1)](http://www.bloomberg.com/quote/STOCA1:US) Governor [Jerry Brown](http://topics.bloomberg.com/jerry-brown/) proposed $92.6 billion in spending for the year starting in July, an increase of about 7 percent, which will count on voters approving $7 billion of higher taxes in November. The spending plan foresees a deficit of $9.2 billion through the next 18 months. Almost half of that is in the current fiscal year, he said. He called for $4.2 billion in cuts, mostly to welfare and programs for the poor. If the tax increase isn’t passed, Brown’s plan would cut another $4.8 billion in support for public schools and community colleges.

Increased spending now- Visitors and Tourism

**PCG 12** (Perry Communications Group is an independent, full-service strategic communications firm specializing in public relations and public affairs, April 26, 2012, “California to Boost International Visitor Spending by Hosting USA’s Top International Travel Show Second Year in a Row”, http://perrycom.com/california-to-boost-international-visitor-spending-by-hosting-usa%E2%80%99s-top-international-travel-trade-show-second-year-in-a-row///TS)

SACRAMENTO, Calif.–([BUSINESS WIRE](http://www.businesswire.com/news/home/20120420005180/en))–As part of Visit California’s long-term strategy to boost the state’s economy by attracting more high-spending international visitors, Visit California joins the Los Angeles Tourism & Convention Board in hosting North America’s premier travel trade show – International Pow Wow (IPW) – April 21-25. Pow Wow 2012 marks the second consecutive year of U.S. Travel Association’s biggest event being staged in the Golden State, following Pow Wow 2011 in San Francisco. Visit California will lead a delegation of more than 225 California travel industry businesses and destinations to aggressively promote the Golden State to the thousands of international tour operators and media attending. “In terms of economic impact and global exposure, International Pow Wow is the Olympic Games of the U.S. travel industry,” said Caroline Beteta, Visit California president and CEO. “Hosting IPW in Los Angeles this year and San Francisco last year gave Visit California an incredible opportunity to show off our diverse tourism product to the world’s most influential and top-producing buyers of U.S. travel products.” U.S. Travel Association estimates that the IPW host city and surrounding areas can expect to generate an extra $400 million in incremental expenditures over the following three years. That means that the Los Angeles and San Francisco regions alone can expect to see up to $800 million in additional international traveler revenues through 2016. This opportunity, combined with Visit California’s significant global marketing investments in recent years, will result in more tourism business for California, which means more state and local tax revenues and more jobs. In 2011, spending by 220 million visitors to California led to a record $102.3 billion in expenditures, supporting 893,000 jobs and generating $2.3 billion in local tax dollars. International tourism is the fastest growing segment and represents 20 percent of total visitor spending – adding up to $19.1 billion in 2011. “While our long-term strategy of increasing investment in international markets is paying off – recent figures project a 21 percent increase in international visitation between 2011 and 2015 – we know we can’t take this growth for granted,” Beteta said. “California competes globally for these lucrative visitors, who stay longer and spend more than domestic travelers, and as the global economy continues to improve the competition will get even fiercer. Visit California will continue to look for high-impact opportunities like IPW to attract these high-value customers.” Visit California commits more than $20 million to international marketing with in-market representation around the globe, from Europe and Australia to Asia and South America. This investment – about 50% of the overall destination marketing budget – funds an ever-growing global online presence, direct to consumer advertising in select markets and year-round travel trade and public relations activities. Visit California spent $23.68 million on global advertising in 2011 to reach 68.9 million consumers, generating $5.5 billion in incremental visitor spending – a remarkable return on investment of $231 to $1. (Tax ROI: $15 to $1). Due in part to Visit California’s international investment, total visits to California grew by an estimated 3.3 percent in 2011, fueled by overseas travel (up 10.5 percent, versus domestic visits, up 2.8 percent). Growth in international visitor spending (up 12.6 percent) outpaced domestic spending gains (up 6.9 percent) in 2011, with total expenditures up a robust 7.6 percent.

Increased spending for HSR- means the DA is inevitable

**Bloomberg 12** (News Agency, May 18, 2012, “Brown Boosts Bullet Train While Cutting Welfare for Moms”, http://www.bloomberg.com/news/2012-05-18/brown-boosts-bullet-train-while-cutting-welfare-for-moms.html///TS)

California Governor [Jerry Brown](http://topics.bloomberg.com/jerry-brown/) is seeking a 38,000 percent spending increase for a proposed high- speed rail system, even as he plans to raise taxes, cut state worker pay and reduce social programs to narrow a $15.7 billion deficit. Brown’s budget, revised this week, includes $6.1 billion in infrastructure costs for the first 130 miles (209 kilometers) of the project to link [San Francisco](http://topics.bloomberg.com/san-francisco/) and Los Angeles. The funding request, which the state’s rail authority submitted to the Legislature in April, would boost spending on the project from about $15.9 million proposed in January, according to the state Finance Department.

Spending now but ideology makes it inevitable

**Bloomberg 12** (News Agency, May 14, 2012, “Brown Tax Boost Gains Urgency as Gap Rises to $16 Billion”, <http://www.bloomberg.com/news/2012-05-14/brown-tax-increase-gains-urgency-as-deficit-rises-to-16-billion.html///TS>)

“We have an agreement with Governor Brown and we expect him to uphold his end,” Miller said in a statement. “Further cuts after years of unpaid furloughs and benefit concessions seem unreasonable and must be subject to the collective bargaining process.” This isn’t the first time Brown and legislative Democrats have counted on optimistic forecasts. The current year’s budget was passed with the assumption that the economy would push an extra $4 billion into state coffers. When the revenue failed to materialize as planned, lawmakers had to cut $1 billion for school busing subsidies, public universities, programs for the elderly and disabled, child care, libraries and prisons. “The imaginary money the majority party counted on in last year’s sham of a budget never materialized, and they have refused to cut big government,” the Assembly Republican minority leader, [Connie Conway](http://topics.bloomberg.com/connie-conway/), said in a statement.

# Downgrade Now

Downgrade now- disagreements over budget cuts

**MacDonald 6/11** (Elizabeth, Writer for the fox business network, June 11, 2012, “S&P: California Can't Afford to Bungle Budget”, http://www.foxbusiness.com/investing/2012/06/11/sp-california-cant-afford-to-bungle-budget///TS)

Standard & Poor’s tells FOX Business that California faces a downgrade to its outlook if the state doesn’t pass a credible budget in time, as Democrat governor Jerry Brown continues to struggle to close a $15.7 billion budget deficit. California must submit a budget June 15. S&P says that although California’s economy is about an eighth of U.S. gross domestic product -- and is about the size of Italy -- its budget deficit is a huge 30% of all 50 states’ budget deficit. Gabriel Petek, an S&P analyst and co-author with analyst David Hitchcock of a new report on California’s fiscal crisis, tells FOX Business in an interview that the state “faces a downgrade to its outlook” to negative “if it bungles its budget.” Petek says that S&P is “keeping a close eye on budget gimmicks” that the state has tried to use to paper over problems. Petek says that the most populous state in the country, with an economy the ninth largest in the world, already is “overly reliant on personal income taxes” and that the state’s “tax structure is behind the deficit, because it over relies on the personal income tax” as its source of revenue. He adds that “for California to rely on capital gains tax revenue from things like the Facebook initial public offering is like looking for change in the seat cushions.”

Downgrade now- budget crisis

**Bloomberg 11** (News Agency, August 31, 2011, “Moody's May Downgrade California Tax Bonds”, http://www.moneynews.com/FinanceNews/moodys-california-bonds-downgrade/2011/08/31/id/409382///TS)

Moody’s Investors Service placed $11.6 billion in California tax allocation bonds on review for possible downgrade, citing “substantial uncertainty” over the future of redevelopment agencies in the most-populous state. Two new laws that divert money from California’s 400 redevelopment agencies and eliminate tracking of revenue used to repay their bonds may diminish the credit quality of the debt, Moody’s said today. Governor Jerry Brown signed the laws as part of a deal to balance California’s $86 billion budget for 2011-12 in June. On Aug. 11, the California Supreme Court blocked the Brown administration from diverting $1.7 billion from the agencies, which provide tax incentives for development projects in areas that are deemed blighted. Moody’s said the ongoing court challenge is a “key contributor” to its decision to review the tax allocation bonds. “The fact that a state supreme court ruling could invalidate one, both, or neither of these bills, in whole or in part, creates uncertainty that is negative for the credit quality of all California tax allocation bonds,” Moody’s said.

# California’s Economy Recovering

**California’s economy will grow steadily- no brink to the impact**

**Jonlon 6/21** (Robert, writer for the Associated Press, http://www.thereporter.com/news/ci\_20906376/forecasters-californias-economy-will-be-better-2013///TS)

LOS ANGELES -- California will make steady gains in employment and its jobless rate will dip below double digits next year as the housing market finally halts its plunge, UCLA forecasters said Wednesday. The state added 34,000 new jobs in May but its unemployment rate will remain around 10.6 percent through 2012, according to the quarterly UCLA Anderson Forecast. That will drop to an average of 9.7 percent in 2013 and dip to 8.3 percent in 2014, forecasters said. Those figures are far higher than the nation's unemployment rate, projected to be 8.2 percent this year and 7.9 percent in 2013. The U.S. economy will remain weak for years, the forecast said. That will contrast to California's economy, which forecasters said will gain speed in the next two years. It could take seven or eight years for the U.S. to recover all the jobs that it lost during the 2008-2009 recession, forecast Director Ed Leamer wrote. America's educational system must do better if it wants to compete in a global market where many jobs have been automated or moved overseas, Leamer wrote. "Good jobs in the United States in the 21st century will require humans to do things that are not suited to the capabilities of faraway foreigners, robots or microprocessors," he wrote. "We need a workforce that can think creatively and solve the new problems, not merely recall the solutions to old problems." California's housing market remains a drag on the state economy but it may recover more quickly than the U.S. market as a whole, forecasters said. The real estate market is either "still in the trough or still declining," forecast Senior Economist Jerry Nickelsburg said. "While there is some data giving rise to optimism, there is no real indication that the housing market is on the cusp of a recovery," he said. However, California's housing market could recover in the next two years, with building permits reaching 130,000 permits in 2014, or double the U.S. rate, Nickelsburg said. Multifamily housing will be popular as people unable to afford to buy homes choose to rent, he said. Nationally, the percentage of people owning homes will keep falling, from a peak of 69 percent in 2004 to 65 percent by the end of the year, but the rate of foreclosures appears to have peaked and sales of existing homes are on the rise, forecast Senior Economist David Shulman said.

# Rainy Day Fund

**Rainy Day Funds provide source an alternate source of revenue for the states**

**Thatcher 08** (Daniel, Policy Specialist at National Conference of State Legislatures, September 26, 2008, “State Budget Stabilization Funds”, http://www.ncsl.org/issues-research/budget/state-budget-stabilization-funds-spring-2008.aspx///TS)

States are finding budget stabilization funds more attractive as a tool to weather tumultuous economic conditions. Over the last decade, especially since the 2001 recession, the number of budget stabilization funds across the nation has expanded along with the scope of existing funds. Since 2000, at least eleven states have raised the percentage caps on their funds, allowing for their funds to play a larger role in the event of economic instability. (At the end of FY 1996, the median amount accumulated in states' budget stabilization funds was 2.7 percent of total general fund appropriations compared to 4 percent at the end of FY 2006.) States have also expanded the allowable purposes to make withdrawals from their funds to include not only pressure placed on their budgets due to poor revenue performance, but also pressure from unanticipated state expenditures resulting from catastrophic events (e.g., September 11th or Hurricane Katrina). The public's support for budget stabilization funds appears strong, too. During the last decade when the creation of a state budget stabilization fund has been put to them, voters have overwhelming approved its creation.