# States Aff Answers

# Disadvantages

### General Spending Bad

#### State deficit spending causes chaos and hurts the economy

Dismile 12 (Daniel, certified financial planner and an investment advisor registered with the state of California, “APRIL 15, 2012 SECOND QUARTER COMMENTS” April 15th, 2012, http://disimile.com/News/secondQuarter2012.php)

Paychecks from private businesses are at their smallest share of personal income in U.S. history. As the Bush tax rates expire and the 20 separate Obamacare taxes go into effect, next year a $3-4 Trillion tax increase will be levied on the economy. The March job statistics reported that hourly earnings increased 2.1%, but inflation grew by 2.9%, meaning workers got poorer. The drop in average weekly hours worked of one tenth of an hour to 34.5 hours, has the same impact as losing 385,000 jobs. ¶ Freedom in economic affairs is a basic component of freedom. Without it there can be no political freedom. The financial insolvency of blue states and countries in southern Europe show that massive state deficit spending did not bring a promised utopia but fostered chaos amongst some in the Western under-class with no respect for private property or the rule of law. Free market capitalism is the solution, and the reason why, according to the World Bank, global poverty has been cut in half over the last 30 years. ¶ Entitlement programs that ignore economic realities will always fail. When debt exceeds the demand from global capital markets, interest rates and taxes will skyrocket. In 8 years, federal government spending will grow to 25% of the economy and if state and local obligations are included, by 2020, the government will control 35% of our economy. It is time to worry about the government.

#### State budget growth is failing- any added expenditures push states over the edge

The Hill 6/12 (“Report: Medicaid costs squeezing state budgets” June 12th, 2012, http://thehill.com/blogs/healthwatch/medicaid/232283-report-medicaid-costs-squeezing-state-budgets%20-)

The poor economy and rising healthcare costs are driving up states' expenditures on Medicaid, according to a new report from the bipartisan National Governors Association (NGA).¶ The analysis comes as the Supreme Court prepares to rule on the 2010 healthcare reform law, which included a massive Medicaid expansion, and as cash-strapped states make cuts to the program. ¶ In its report, the NGA found that Medicaid accounted for the largest share of state spending in 2011 — 24 percent overall — and that this figure represented a steep rise that continued this year, even as federal Medicaid spending declined. ¶ Medicaid uses state and federal dollars to provide healthcare for low-income patients, and is administered by the states. ¶ State spending on the program increased 20 percent in FY2012 after rising 23 percent in FY2011, the NGA report stated. ¶ Authors attributed the sharp increases to declining incomes and job losses, leading to the loss of employer-based healthcare coverage. These developments came as federal aid to Medicaid under the stimulus bill expired, the report stated. ¶ In response to the squeeze, states' tactics for reducing Medicaid expenditures have included "reducing provider payments, cutting prescription drug benefits, limiting benefits, reforming delivery systems, expanding managed care and enhancing program integrity efforts," according to the NGA's executive director, Dan Crippen. ¶ The report estimated that by 2013, Medicaid enrollment will have risen 12.5 percent over three years, and that the recession's original surge — a 7.2-percent increase in enrollment between 2009 and 2010 — approached the peak enrollment increase during the last economic downturn in 2002 (9.5 percent). ¶ Crippen warned in a statement that states alone cannot control rising Medicaid costs.¶ "With the growth of Medicaid expenditures, spending priorities will again face competition for state budget dollars this fiscal year," he said. ¶ "States have undertaken numerous actions to contain Medicaid costs. ... These efforts alone, however, cannot stop the growth of Medicaid." ¶ The National Association of State Budget Officers, which co-authored the report, cautioned that states are seeing low budget growth as Medicaid expenditures rise. ¶ "Despite some improvement in state budgets since the depths of the recession, state budget growth is still significantly below average — growing at less than half the average growth of the past few decades,” said Scott Pattison, the group's executive director. ¶ In response to the analysis, the American Health

## Solar DA

### 2AC—Solar

#### Solar energy use high now but state budget cuts will wreck incentives to use it

Roope ’11 [30 August 2011, Jim Roope, CNN News, “Budget cuts trigger early end to solar energy credits,” http://articles.cnn.com/2011-08-30/us/solar.energy.credits\_1\_rooftop-solar-panel-installations-state-rebate-solar-energy?\_s=PM:US]

If you've ever thought, "One day, I'm going to put in a solar energy system," today might be the day. Economic issues across the nation are contributing to the early demise of solar incentives such as tax breaks, grants and rebates. "We've been thinking about this for several years," said California homeowner Jim Adams. "The cost wasn't really coming down, so we went to the bank, asked for a loan and decided to get it done." So Adams had a 16-panel system installed on his roof in La Crescenta, California, about 15 miles north of Los Angeles. He received a 30% tax credit from the federal government and a 10% cash rebate from the state. It cost him $16,000 -- a savings of $10,000. This year, a federal 30% cash rebate through the U.S. Treasury Department comes to an end. And the 30% federal tax credit program will conclude at the end of 2016. These incentives, created as part of the federal stimulus package a few years ago, were designed to create a vibrant solar energy market. Along with the federal program, 29 states offered incentives. Many of those state programs are also becoming victims of budget cuts. In Florida, Michael Hoffman, a taxation professor, hoped that between the federal tax credit and the state rebate, he'd be able to better afford a solar energy system. But a computer error in the state's application process actually cost him $20,000 more than he had planned on paying. Hoffman blamed "poor record-keeping" on the state's end. "They took more applications than they had money for," he said. "If we'd known that our cost was going to be $33,000 instead of $13,000, that would have been a fairly hard one to sell to ourselves just for the ecological, environmental warm and fuzzies." Sales of rooftop solar panel installations jumped 67% last year, compared with 2009, according to the Solar Energies Industry Association. Now, those sales are starting to drop because of state budget cuts and administrative problems like Hoffman's experience in Florida.

#### Solar energy key to solve global warming

Science Daily ’07 [7 March 2007, Science Daily, “Solar Energy Conversion Offers A Solution To Help Mitigate Global Warming,” http://www.sciencedaily.com/releases/2007/03/ 070307075611.htm, 2007]

Solar energy has the power to reduce greenhouse gases and provide increased energy efficiency, says a scientist at the U.S. Department of Energy's Argonne National Laboratory, in a report published in the March issue of Physics Today. Currently, between 80 percent and 85 percent of our energy comes from fossil fuels. However, fossil fuel resources are of finite extent and are distributed unevenly beneath Earth's surface. When fossil fuel is turned into useful energy through combustion, it often produces environmental pollutants that are harmful to human health and greenhouse gases that threaten the global climate. In contrast, solar resources are widely available and have a benign effect on the environment and climate, making it an appealing alternative energy source. “Sunlight is not only the most plentiful energy resource on earth, it is also one of the most versatile, converting readily to electricity, fuel and heat,” said Crabtree. “The challenge is to raise its conversion efficiency by factors of five or ten. That requires understanding the fundamental conversion phenomena at the nanoscale. We are just scratching the surface of this rich research field.”

#### It’s anthropogenic and risks extinction

Diebel 07 **(**Terry L. Deibel, professor of IR at National War College, Foreign Affairs Strategy, “Conclusion: American Foreign Affairs Strategy Today Anthropogenic – caused by CO2”)

Finally, there is one major existential threat to American security (as well as prosperity) of a nonviolent nature, which, though far in the future, demands urgent action. It is the threat of global warming to the stability of the climate upon which all earthly life depends. Scientists worldwide have been observing the gathering of this threat **for three decades** now, **and what was once a mere possibility has passed** through probability **to near certainty.** Indeed **not one of more than 900 articles** **on climate change published in refereed scientific journals** from 1993 to 2003 doubted that anthropogenic warming is occurring. “In legitimate scientific circles,” writes Elizabeth Kolbert, “**it is virtually impossible to find evidence of disagreement over** the fundamentals **of global warming**.” Evidence from a vast international scientific monitoring effort accumulates almost weekly, as this sample of newspaper reports shows: **an international panel predicts “brutal droughts, floods and violent storms across the planet over and animals, species extinction,** and threatened inundation of low-lying countries like the Pacific nation of Kiribati and the Netherlands at a warming of 5 degrees or less the Greenland and West Antarctic ice sheets could disintegrate, leading to a sea level of rise of 20 feet that would cover North Carolina’s outer banks, swamp the southern third of Florida, and inundate Manhattan up to the middle of Greenwich Village. Another catastrophic effect would be the collapse of the Atlantic thermohaline circulation that keeps the winter weather in Europe far warmer than its latitude would otherwise allow. Economist William Cline once estimated the damage to the United States alone from moderate levels of warming at 1-6 percent of GDP annually; severe warming could cost 13-26 percent of GDP. But **the most frightening scenario is runaway greenhouse warming, based on positive feedback** from the buildup of water vapor in the atmosphere that is both caused by and causes hotter surface temperatures. Past ice age transitions, associated with only 5-10 degree changes in average global temperatures, took place in just decades, even though no one was then pouring ever-increasing amounts of carbon into the atmosphere. Faced with this specter, the best one can conclude is that “humankind’s continuing enhancement of the natural greenhouse effect is akin to playing Russian roulette with the earth’s climate and humanity’s life support system. At worst, says physics professor Marty Hoffert of New York University, **“we’re just going to burn everything up;** we’re going to het the atmosphere to the temperature it was in the Cretaceous when there were crocodiles at the poles, and then **everything will collapse.”** During the Cold War, astronomer Carl Sagan popularized a theory of nuclear winter to describe how a thermonuclear war between the Untied States and the Soviet Union would not only destroy both countries but possible end life on this planet. **Global warming is the post-Cold War era’s equivalent of nuclear winter at least as serious and considerably better supported scientifically** run **it puts dangers form terrorism and traditional military challenges to shame. It is a threat** not only to the security and prosperity to the United States, but potentially **to the continued existence of lif**e on this planet.

## New York Spending DA

### 2AC—New York Spending

#### New York struggling to balance the transportation budget

Reuters 7/25 (Joan Gralla, “NY's transportation agency projects deficits from 2012” July 25th, 2012, http://articles.chicagotribune.com/2012-07-25/news/sns-rt-us-newyork-mta-budgetbre86o1on-20120725\_1\_projects-deficits-toll-and-fare-transit-workers)

NEW YORK (Reuters) - New York's Metropolitan Transportation Authority expects to end 2012 with a $46 million cash surplus, officials said on Wednesday, as they unveiled a "risk-laden" financial plan that projects deficits for 2014 through 2016.¶ Balancing the MTA's budget depends on negotiating a three-year contract with unionized transit workers that has no wage hikes unless current restrictive work rules are amended or workers would pay more for healthcare, officials said.¶ "Our budget is fragile; I prioritize it probably as our No. One risk," Chairman Joseph Lhota told reporters after a board meeting. "Layoffs are not on the table," he said, adding he hoped to negotiate a new labor agreement by year-end.¶ Officials said such an accord would save the MTA $307 million and noted the MTA's managers have not had a pay increase since 2008.¶ John Samuelson, president of TWU Local 100, said transit workers deserved a cost of living increase. "We're not eating three zeroes," he said.¶ The authority runs New York City's buses, subways, commuter railroads and some major bridges and tunnels.¶ There is a precedent that could make the MTA's labor negotiations more difficult. Chief Financial Officer Robert Foran said another transit union had won raises of 4 percent in each of the first two years, followed by a 3 percent increase in the third year.¶ The MTA said in a statement that after another positive balance of approximately $46 million in 2013, it was projecting a $129 million deficit in 2014, a $14 million deficit in 2015 and a $231 million gap in 2016.¶ Those estimates include the $450 million the MTA expects to raise from toll and fare hikes it plans to start on March 1, 2013, 60 days later than initially scheduled. It also plans another toll and fare increase in 2015 to raise $500 million.¶ The MTA's current budget is nearly $13 billion, and Foran said non-discretionary costs were the main factors creating the outyear budget gaps. Those expenses include pensions, energy, healthcare, debt service and paratransit transportation for the disabled, all of which have been rising at multiples of the 1.8 percent inflation rate.¶ From 2011 to 2013 the cost of those five items is projected to rise by $1 billion, and by another $1.5 billion by 2014, Foran said.¶ In 2013, the MTA expects to spend $4.2 billion on payroll, $2.3 billion on debt service, $1.4 billion on health and welfare costs, and $1.3 billion on pensions, according to a briefing book. Fares paid by passengers should raise nearly $5.5 billion, while motorists will pay almost $1.6 billion in tolls.¶ The MTA gets a portion of taxes collected in the state, which should bring it $4.7 billion.¶ This year, the authority expects to save nearly $700 million through a variety of measures, including a 20 percent cut in the number of managers working at its midtown Manhattan headquarters.¶ From 2013 to 2015 the total savings target is $2.33 billion, which partly will be achieved by getting rid of 3,000 cell phones, 2,100 computers, 2,100 servers and 325 fleet cars.¶ (Editing by M.D. Golan)

#### New York spending would trade off with Medicaid, education, and spending

Matthews 11 (Cara, Gannet Albany Bureau “In 2012, New York State Budget Almost Set, But Deficit Remains” December 30th, 2012, http://www.wgrz.com/news/local/story.aspx?storyid=148097)

There's not a lot of mystery in the state budget plan lawmakers and Gov. Andrew Cuomo will develop in the coming months.¶ They have already agreed to increase school aid and spending on the Medicaid health-care program for the poor by 4 percent each. Several weeks ago, they approved a plan to reduce the $3.5 billion budget deficit and fund other initiatives by continuing a higher income-tax surcharge on wealthy New Yorkers.¶ "We just did 50 percent of the budget," the governor said at the time. "When you agree on revenues, which we just did, when you agree on the education funding level and you agree on the Medicaid funding level and we have a spending cap, you basically agree to the parameters of the budget."¶ But that still leaves a gap of roughly $2 billion for the 2012-13 budget year, which begins April 1. The governor has said it would have to be closed by finding "efficiencies" and reducing waste in state government.¶ Some lawmakers favor closing the remaining deficit with cuts or further consolidation of state agencies and services. Others think that can be done by obtaining revenue from other sources and without additional reductions in services.¶ A possible agreement on conversion of EmblemHealth to a for-profit, publicly traded company could help fill the state's coffers. EmblemHealth provides heath-care coverage and administrative services to roughly 2.9 million people.¶ The Citizens Budget Commission is advising the governor and lawmakers to "resist the temptation to add new revenues" and stop using budget "gimmicks" to help close deficits, said Elizabeth Lynam, vice president and director of state studies for the business-backed group.¶ Instead, they should close the remaining deficit "with structural reform measures that slow down the fastest cost drivers - pensions, school aid and Medicaid," Tammy Gamerman, a senior research associate for CBC, wrote in a recent blog post.¶ Other measures that will be on the table next year include further consolidation of state agencies, funding for economic development, business tax credits, and a push by counties for the state to take over their share of Medicaid expenses.¶ Cuomo's Spending and Government Efficiency Commission recommended in December a number of mergers and consolidations. Consolidating the state Department of Transportation and the state Thruway and Bridge authorities could save between $50 million and $82 million annually, the panel found.¶ The governor will release his budget proposal in mid-January. Lawmakers have until March 31 to finalize a revenue-and-spending plan. The current budget is $132.5 billion.¶ While total education funding has been set, how to divide the new money among school districts is not. Education groups, upstate lawmakers who represent low-wealth rural schools, and the state Board of Regents are urging that a greater amount of the increase go to high-need districts.¶ Reductions in state aid take a harder toll on rural districts, which are less able to raise money locally, 15 upstate GOP senators wrote in a letter to the governor Thursday. They include Stephen Saland of Poughkeepsie and Thomas O'Mara of Big Flats, Chemung County.¶ Regents proposed in December that 73 percent of the $755 million in new money be targeted to low-wealth school districts. Another $50 million would be for competitive grants, for a total of $20.3 billion.¶ School aid was cut in the current budget and in the 2010-11 fiscal year, and it was frozen the year before that.¶ "School aid is going to be a tussle," Maziarz said. "I think upstate rural and suburban districts in general have to be addressed. The last couple years, the formula seems out of whack, and I think that needs to be addressed."¶ The $53 billion Medicaid program will get a 4 percent increase in state money - from about $15.3 billion to $15.9 billion.¶ But just because the funding is set, that doesn't mean there won't be other debates about the program.¶ "I think that there is definitely room, in my mind, to pare back on some optional services that we provide," said Senate Finance Committee Chairman John DeFrancisco, R-Syracuse.¶ Assembly Minority Leader Brian Kolb, R-Canandaigua, Ontario County, said Medicaid "needs to be revamped up, down and sideways" to cut down on waste, fraud and abuse among recipients and providers.¶ "I'm not talking about taking services from those who need them the most," he said.¶ Cuomo appointed a Medicaid Redesign Team in early 2011 to recommend how to reduce costs and improve quality and efficiency in the short and long terms. A number of changes have been implemented, including a cap on the state's share of Medicaid spending. The team's final report is being forwarded to the governor this week.¶ Curbing the growth of pensions should be a priority issue in budget talks, Lynam said. The governor has estimated a Tier 6 pension category would save $123 billion over thirty years.¶ The Citizens Budget Commission is advising against adding more economic-development spending. The state awarded $785 million in grants in December, and Cuomo has indicated he wants $200 million in the executive budget for another round of competition, Gamerman wrote.¶ DeFrancisco said he supports further consolidation of state agencies and a new, less-generous pension tier. There should be some kind of hybrid system that offers a traditional defined-pension benefit and a 401k-style defined-contribution benefit, he said.¶ "I think there's going to be a lot of debate on it," he said of the pension system.¶ Mark Dunlea, executive director of the state Hunger Action Network, said his group is most concerned about human-services funding. Education and Medicaid take up a large portion of the budget. With that funding already set and a deficit of about $2 billion, cuts would have to come from a small portion of the budget, he said.¶ In 2011, the governor delayed the last year of three years of 10 percent increases each in welfare grants. The group is expecting the money to be in the 2012-13 budget, Dunlea said. Hunger Action also would like to see restoration of jobs programs and better results in New York in helping people move from welfare to transitional and permanent jobs, he said.¶ The Fiscal Policy Institute is recommending the governor and Legislature undertake corporate-tax reform and close business-tax loopholes and "preferences," Mauro said. That could be done before a new commission that's being created to review the tax code completes its work, he said.¶ "I don't think you have to wait for a commission to close some of the most egregious loopholes and preferences," he said.

#### New York education is key to the state’s economy

Strong American Schools 8 (Strong American Schools, a project of Rockefeller Philanthropy Advisors, is a nonpartisan campaign supported by The Eli and Edythe Broad Foundation and the Bill & Melinda Gates Foundation promoting sound education policies for all Americans. SAS does not support or oppose any candidate for public office and does not take positions on legislation, “Education is Key to New York’s Economic Competitiveness” September 11th, 2008, http://open.salon.com/blog/strong\_american\_schools/2008/09/11/education\_is\_key\_to\_new\_yorks\_economic\_competitiveness)

¶ New York’s students are not prepared. Two-thirds of new jobs being created in today’s economy require higher education or advanced training, but one-third of New York students who enroll in 4- year colleges after high school do not manage to earn a bachelor’s degree within six years.¶ Improving our educational performance will pay huge economic dividends to Americans.¶ If America could increase the cognitive skills of its students to the level of the highest performing nations over the next decade, our Gross Domestic Product (GDP) would grow by an additional 4.5 percent over 25 years—an amount that is equal to what the U.S. currently spends on K-12 public education.

#### New York is key to the U.S. economy

Bloomberg 9 (“New York Eclipses London as Financial Center in Bloomberg Poll” October 29th, 2009 http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aEC0OYmvvcZM)

Oct. 30 (Bloomberg) -- New York has withstood the worst economic crisis in seven decades and remains the leading global financial center, followed by Singapore, which topped London as investors’ preferred place for doing business, according to Bloomberg Global Poll.¶ Twenty-nine percent of respondents in the quarterly poll of investors, traders and analysts who subscribe to the Bloomberg terminal say New York will be the best place for financial services two years from now. Singapore is chosen by 17 percent of respondents and London is the pick of 16 percent. Shanghai has 11 percent, while Tokyo, once considered a global hub, gets the nod from only 1 percent.¶ “Despite the carnage of 2008, I still expect the ‘new new’ thing in financial services to be developed and nurtured here, and ultimately exported to the world,” says poll respondent Peter Rup, who manages more than $300 million at Artemis Wealth Advisors LLC and Orion Capital Management LLC in New York.

## California Spending DA

### 2AC—California Spending

#### California’s economy is slowly recovering

**Levy 6/15** ( Steve Levy, Director and Senior Economist of the Center for Continuing Study of the California Economy (CCSCE) in Palo Alto, “California on path of recovery yet?”, California Economic Summit, 6/15/12, <http://www.caeconomy.org/blog/entry/california-on-path-to-recovery-yet>, 2012)

I haven’t written for a while but today’s jobs report caps a week of more positive news. Today’s jobs report is a positive and hopeful sign for the California economy. 33,900 jobs were added and the unemployment rate dropped again to a still high 10.8% statewide. For the past two months an average of 17,000 jobs per month were added. The monthly data bounce around and it is better to take a longer term perspective on these trends. Last week the Bureau of Economic Analysis reported that California was one of the fastest growing states for GDP growth in 2011. Today’s jobs report confirms that California is now outpacing the nation in job growth while reminding us that the recovery is continuing but that unemployment rates will come down only slowly. California’s job recovery is led by Bay Area tech gains concentrated in Silicon Valley and San Francisco. But the May report shows signs of recovery in Southern California as well led by Orange County and including job growth, finally, of 1% or more in Los Angeles County and the Inland Empire. The strongest job growth is in Silicon Valley (the San Jose metro area) with a gain of 3.5% year over year or 31,100 jobs. San Francisco is next among the large metro areas with a gain of 2.8% or 26,800 jobs. The comparable state gain is 1.6% slightly above the 1.4% national gain. Both Southern California and the Bay Area are reporting higher homes sales and a firming of prices is another piece of hopeful news. The job gains reflect California’s strength in technology, trade and tourism led by professional, scientific and technical services, wholesale trade and hotels and amusements. Construction jobs

#### Spending causes state economic collapse—crushes the global economy

**Navarro 08 (**Peter Navarro, Professor of Economics and Public Policy at the Paul Merage School of Business, University of California, Irvine and holds a Ph.D. in Economics from Harvard University,“California nightmare for the world economy”, San Fransicso Chronicle, <http://www.sfgate.com/opinion/article/California-nightmare-for-the-global-economy-3273234.php>, 2008)

Will the California budget crisis tip the United States into recession? The California economy is certainly large enough to inflict such damage. It's the seventh-largest economy in the world and home to close to 38 million Americans. California's budget deficit is by any reasonable measure enormous. This budget deficit is estimated at $17.2 billion and represents more than 17 percent of the state's general fund expenditures (about $101 billion). In contrast, New York, which faces the second-worst budget gap in the nation for fiscal year 2009, has a gap of about $5 billion, which represents less than 10 percent of its budget. In closing its past budgetary gaps, California has acted more like the federal government rather than merely one of 50 states. Indeed, unlike the federal government (or sovereign nations), each state is required to balance its budget each year; and no state, at least in principle, has the authority to engage in the kind of discretionary deficit spending both the federal government and nations around the world routinely use to stimulate their economies. In the past, a profligate California has gotten around this balanced-budget requirement by using a technique that effectively allows the Golden State to administer its own fiscal stimulus. In particular, California - under both Democratic and Republican governors - has simply issued new bonds every time that it has spent far beyond its means. California's problem this time, however, is that its deficit is so big, its balance sheet is so bad, and world credit markets are so tight that issuing new bonds alone is no longer a viable option. Instead, California's politicians are inexorably being forced toward a solution that will prominently feature both a large tax increase and significant spending cuts. Indeed, this is not a partisan matter of choosing one's poison. The budget deficit is so large that it cannot be eliminated without raising taxes, anathema to the state's [Republicans](http://www.sfgate.com/?controllerName=search&action=search&channel=opinion&search=1&inlineLink=1&query=%22Republicans%22), and spending cuts, equally unpalatable to California Democrats. Of course, the faster the state Legislature accepts this harsh reality, the faster the deadlock can be broken. Viewed from a macroeconomic perspective, there is an even harsher reality. Increased taxes and reduced spending will send a very nasty contractionary shock through a California economy that is already reeling from a housing market meltdown and punishing gas prices. Should Gov. [Arnold Schwarzenegger](http://www.sfgate.com/?controllerName=search&action=search&channel=opinion&search=1&inlineLink=1&query=%22Arnold+Schwarzenegger%22)'s budgetary medicine - including firing many state employees - trigger a recession, this may well serve as a tipping point for a national recession and, in the worst case scenario, even a global recession. In considering these dangers, it is worth noting that California provides close to 13 percent of America's real GDP growth. In contrast, the second-largest contributor to U.S. gross domestic product is Texas, and it provides only half that stimulus. It also worth noting that California is an important destination for both U.S. manufactured goods and world imports, particularly from Asia. Already, California's unemployment rate is more than 6.8 percent and well above the national average of 5.7 percent. At least some economists believe California may already be experiencing negative growth. The economy is likely to get a lot worse before its gets better. If there is any one civics lesson to be learned from this fine mess, it is that the state's politicians must learn to resist overspending in good times so that the state won't face bankruptcy when bad times hit. It should be equally clear that any damn fool can issue bonds to balance a budget. However, it takes real political courage and economic foresight to put a [state budget](http://www.sfgate.com/california_budget/) on an even keel through fiscally conservative tax-and-spend policies. At this juncture, California is nowhere close to that - and the rest of the country, and perhaps the world, may soon pay the Golden State's piper.

#### Great power wars

Mathew J. Burrows (counselor in the National Intelligence Council (NIC), PhD in European History from Cambridge University) and Jennifer Harris (a member of the NIC’s Long Range Analysis Unit) April 2009 “Revisiting the Future: Geopolitical Effects of the Financial Crisis” http://www.twq.com/09april/docs/09apr\_Burrows.pdf

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

### Uniqueness—Recovery Now

#### **California recovering now-spending cuts are key**

Brown 2/10 (Edmund, Governor of CA, Governor’s Budget Summary, February 10, 2012, [http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf, 2012)](http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf%29//KR)

California’s fiscal condition is improving. A year ago, the state faced an immediate $26.6 billion shortfall and future estimated annual budget gaps of $20 billion. This year, the state faces a $9.2 billion budget problem and future annual budget gaps of $5 billion or less. The on‑time 2011 Budget Act balanced the budget by cutting billions of dollars in spending and realigning state programs. This year, the Governor’s Budget proposes a balanced solution by cutting more deeply into spending while also increasing revenues. The Governor will ask voters in November to approve a Constitutional Amendment to prevent deep cuts to education and guarantee funding for public safety at the local level. The Budget builds on last year’s progress by continuing to move government closer to the people, protect education and public safety programs from the worst of the cuts, improve government efficiency, and pay down debt. The balanced budget will provide fiscal stability, make California more attractive for business and investment, and accelerate the state’s economic recovery.

#### New Californian budget helping the economy now

USA Today 6-28-2012 (Staff writer, “Lawmakers finish California budget on $15.7B gap”, <http://www.usatoday.com/news/nation/story/2012-06-27/california-budget/55874464/1?csp=34news>, USA Today, 2012)

Democrats passed 21 budget-implementing bills on a majority vote intended to satisfy the governor's demand for deeper cuts to close a $15.7 billion deficit. Brown has until the end of Wednesday to sign or veto the main budget bill. "In my view, we are poised to enter a new and better era in California. An era of budget stability with the opportunity to begin building and rebuilding " Senate President Pro Tem Darrell Steinberg, D-Sacramento, said about completing the package. The spending plan for the fiscal year starting July 1 includes welfare and social service cuts. It also assumes voters will approve Brown's tax hike on the November ballot. If voters reject the tax initiative, a series of automatic cuts will be triggered, including three weeks less of public school for the next two years. Brown believes the tax initiative will raise $8.5 billion in the new fiscal year starting July 1 by increasing the sales tax by a quarter cent to 7.5 percent for four years, and boosting the income tax on people who make more than $250,000 a year for seven years.

#### **California’s economy is due to improve**

Reuters 12 (Reuters' agency has built a reputation in Europe and the rest of the world as the first to report news scoops from abroad, “California economy to slowly improve in 2012: study” Feb 15, 2012) http://www.reuters.com/article/2012/02/15/us-usa-economy-california-idUSTRE81E0G920120215)

California was one of states hardest hit by the 2007-2009 recession and will continue to lag national economic indicators as the national picture improves, says the report by the Los Angeles County Economic Development Corporation (LAEDC). Overall, the report forecasts that California will see economic growth of 1.5 percent this year, and will add 200,000 jobs, with the unemployment rate averaging 11.1 percent. That compares with a national average today of 8.3 percent unemployment, down from 9.1 percent in January 2011. The Californian economy "will continue to heal but the process is uncomfortably long," the report says. Unemployment will still be at 10.3 percent in 2013, according to the LAEDC, a nonprofit economic development organization. The leading economic sectors in 2012 will be the booming technology sector centered around companies such as Google and Facebook in Silicon Valley, tourism, international trade and the entertainment industry. But the crisis-hit housing sector in California, although expected to see some improvement, is still a long way from full recovery, the study says. Southern California was particularly hard hit by the collapse in the housing market and the financial crash of 2008, with an epidemic of foreclosures. Even today, 44 percent of homeowners in the region owe more on their mortgages than their homes are worth. "As the calendar turned to 2012, the timeline for recovery in the housing market continued to be measured in years and not in months," the report says. BUYERS WANTED A huge backlog of foreclosed homes that have yet to be sold continues to depress house prices, which increases the number of mortgage holders with negative equity. In 2011 home prices in California actually fell compared to 2010. "To date, rock-bottom mortgage interest rates and good affordability have not been enough to entice buyers back to the market," the report states. "What happens in 2012 will depend on how fast lenders work through their foreclosure files." In addition, the report says, "tighter mortgage lending standards and fundamentals such as slow job growth and flagging consumer confidence have dampened demand" in the housing sector. The LAEDC forecasts a better housing market for California in 2012 but with significant risks remaining, especially if job growth fails to accelerate. Foreclosures and negative equity "remain significant hurdles to recovery," it adds. The Californian economy is so large that its performance is inextricably linked to the national and global economies, the reports says. California has fallen from eighth to ninth in the list of the world's largest economies, behind Brazil and Italy, but still ahead of India, Canada, Russia, Spain and Australia, according to the study.

#### **High outlook for California’s economy in employment**

Los Angeles Times 12 ( Daily newspaper published in Los Angeles, California, since 1881. It was the second-largest metropolitan newspaper in circulation in the United States in 2008 “Chapman forecast: U.S. GDP growth will be sluggish through 2013” June 27, 2012) http://www.latimes.com/business/money/la-fi-mo-chapman-forecast-2013-20120627,0,7915969.story)

The U.S. economy’s recovery won’t stall despite a recent slowdown in job growth, according to a Chapman University forecast. The recovery, however, will continue to be sluggish, with gross domestic product projected to grow 2.3% this year and 2.6% in 2013. GDP is the measurement of all goods and services produced in the U.S. “Overall, there is simply not enough underlying strength in the economy to lead to a sustained pickup in economic growth,” said the forecast released Wednesday. “At the same time, we see no major negatives that are likely to push the economy back into recession.” In California, the economy will pick up steam next year as home prices appear to have bottomed out and construction spending is growing again, said Esmael Adibi, director of the A. Gary Anderson Center for Economic Research at Chapman. The forecast projects payroll growth in the state will swell by 1.4% by the end of the year, and grow 1.6% in 2013, with much of the expansion in the professional and business services sector and healthcare. Because employers have been slow to add jobs, the number of self-employed people has grown, the report found. Many laid-off workers have become consultants, contractors or freelancers. That will cause civilian employment – which includes the self-employed – to grow by almost 29,000 this year and 33,600 in 2013. The modest job gains have bolstered consumer confidence, leading to increased spending, Adibi said. In a survey conducted by Chapman, a California consumer confidence index now stands at 92.3, up from a recession level of 57.6. Increased consumer spending is likely to boost state coffers, he added, with economists projecting taxable sales to rise 5.9% this year compared with 2011. One bright spot in California, the report said, is that despite anxiety over Europe’s continued debt problems, the crisis abroad is unlikely to affect California as much as other parts of the U.S. None of California’s top five trading partners is a member of the European Union, and merchandise exports grew 11.3% in 2011, from $143.2 billion the year before. Merchandise exports will continue to grow by 9% this year, a few notches lower than 2011, the forecast said.

### Links

#### Inability to offset means any new spending wrecks California

[NAGOURNEY](http://topics.nytimes.com/top/reference/timestopics/people/n/adam_nagourney/index.html?inline=nyt-per) 12, Adam, http://www.nytimes.com/2012/05/13/us/huge-new-shortfall-predicted-in-california-budget.html

The state budget shortfall in California has increased dramatically in the last six months, forcing state officials to assemble a series of new spending cuts that are likely to mean further reductions to schools, health care and other social programs already battered by nearly five years of budget retrenchment, state officials announced on Saturday. ¶ Gov. [Jerry Brown](http://topics.nytimes.com/top/reference/timestopics/people/b/jerry_brown/index.html?inline=nyt-per), disclosing the development in a [video posted on YouTube](http://www.youtube.com/watch?v=NPc85z9uhJQ), said that California’s shortfall was now projected to be $16 billion, up from $9.2 billion in January. Mr. Brown said that he would propose a revised budget on Monday to deal with it.¶ “We are now facing a $16 billion hole, not the $9 billion we thought in January,” Mr. Brown said. “This means we will have to go much further and make cuts far greater than I asked for at the beginning of the year.”¶ Mr. Brown disclosed the news in a video that had all the trappings of a campaign announcement. In it, he aggressively accounted for the steps he said he had taken to try to scale back a $26 billion deficit he found upon taking office. And he urged viewers to back an initiative he is putting on the November ballot that would increase sales taxes by 0.25 percent and impose an income tax surcharge on wealthy Californians to try to stave off more cuts.¶ State officials said Mr. Brown’s proposal would include a package of immediate cuts, as well as others that would be triggered only if voters failed to approve his tax plan. The sales tax increase would expire after four years, while the income tax surcharge would last for seven years.¶ State officials said the shortfall was a result of disappointing revenue collections in April as California continued to struggle to pull out of the recession. “We are still recovering from the worst recession since the 1930s,” Mr. Brown said.¶ Still, the state controller reported that the state had exceeded spending by $2.1 billion as well, though Mr. Brown said court rulings and other actions that restricted California from making the cuts were at least partly to blame.¶ At the same time, the deficit projections — which have been increasing since Mr. Brown and the Democratic-controlled Legislature approved a budget last summer — suggest that the state may have been overly optimistic in estimating what kind of revenue it would take in. That has been a repeated problem in Sacramento as officials have struggled over the past five years with the state’s worst financial crisis since the Depression. Mr. Brown, in taking office last year, pledged to end what he said were the tricks lawmakers regularly used to paper over budget shortfalls.

#### California spending will cause credit downgrade

Macdonald 6/11 (Elizabeth, Received the Gerald Loeb award for excellence and the Society of Professional Journalists excellence in journalism award, “S&P: California Can't Afford to Bungle Budget” June 11th, 2012 http://www.foxbusiness.com/investing/2012/06/11/sp-california-cant-afford-to-bungle-budget/)

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.”¶ FOX Business has already reported that California governor Jerry Brown was too optimistic in forecasting more than $2 billion in expected state capital gains revenue over five years from the social networking site’s IPO.¶ Even the state’s own legislative analysts told the governor’s office its forecast was too rosy -- as investors could sit on the Facebook (FB: 22.90, -3.95, -14.71%) stock and not cash out, or simply move out of the state, among other things.¶ Already, California has seen a migration of upper bracket taxpayers out of the state. It has the worst credit rating out of all 50 states at single A minus.¶ Brown has backed steep cuts to social, health and welfare programs, and is asking state voters to approve a ballot measure this November that would hike the state's sales tax as well as personal income taxes on the wealthy.¶ But S&P tells FOX Business that California’s problem is not just due to over-spending, or large pension and retirement liabilities for state workers, or an excessive tax burden.¶ Spending as a share of its economy is lower than at any time in the past 39 years, and state retirement costs are not a current, but a long-term problem, the S&P analysts note.¶ Instead, California’s main problem is its budget operation itself¶ Petek and Hitchcock call it a “dysfunctional” and “deficient” revenue operation, which is in dire need of restructuring along the lines of how New Jersey reformed itself.¶ Watch this rigmarole -- California’s state constitution requires it to enact a balanced budget.¶ But “it does not also require that the state end the fiscal year in budgetary balance,” S&P notes. So an overflow of deficit hits the next fiscal year’s books, continuously -- a chronic problem.¶ The state is also often strait-jacketed by constitutional requirements on budget moves like tax and spending, including a two-thirds majority of legislators to approve changes.¶ “So its ability to make straightforward budget adjustments is complicated, a lot of times its budget gimmicks don’t work out,” S&P’s Petek tells FBN.¶ Meaning, “the state passes budgets that balance on paper, but several months later, the budget is again out of balance and out of whack,” says Petek.¶ “With that track record, that’s why the state has such a big cash flow deficit,” Petek adds.¶ Worsened because the state, home to Silicon Valley and a huge housing market, has been careening from bubble to bubble.¶ Standard & Poor's has already warned in a report earlier this year: "We could change the outlook to negative or lower the rating if we believe the state's credit quality weakens through the budget process." ¶ The credit ratings agency last February had upgraded California's financial outlook from "stable" to "positive,” offering a glimmer of hope to California that its credit rating of A-, the worst of all states, might be upgraded, too. ¶ Petek and Hitchcock note in their report that: “63% of California’s tax revenues come from the personal income tax,” but that the state’s tax revenues are “increasingly volatile” and “unpredictable.”

#### Any more deficit spending and it triggers a double dip recession

The Examiner 6/9 (“AB 144--A Paradigm Of California's Disgraced Political Culture” June 9th, 2011, http://www.examiner.com/article/ab-144-a-paradigm-of-california-s-disgraced-political-culture)

For years, California State politicians have counted on their constituents' societal indifference to get the People's business done in the Golden State. This is how, since 2008, California's State budget has fallen tens of billions of dollars short, a financial problem that has been compounded year after year, and, as a result of this protracted bout of irresponsible and unsustainable spending, has turned into a fiscal emergency that has now earned the Golden State a credit rating of near-junk status. Simultaneously, California's elected representatives have also managed to enact legislative policies that have served the citizens of this State by saddling them with a nationwide-high unemployment rate of 11.9%, resulting in one out of every five residents subsisting on public assistance in one county alone. Yet, despite this sobering performance that would have earned any private sector employee a pink slip, none of the State legislators that led California down this path to social ruin seemed to lose their bid for re-election in November of 2010. Emboldened by this apparent confirmation in the face of sheer incompetence, California lawmakers now walk around with an air of invincibility, even in the face of public scrutiny, and behave as if the work they do on behalf of the People is beyond reproach.¶ However, it is exactly this brazen impunity with which California legislators flaunt their actions in the face of the general public that now has many Californians sitting up and paying attention. For instance, Jim Sanders, of the Sacramento Bee, recently reported that State legislators had quietly killed "proposals to bar middle-of-the-night legislative sessions, restrict lawmakers from receiving pay for serving on state boards within four years of leaving office, and to require annual disclosure by public officials of their pay, benefits, travel and other compensation."¶ As if killing these proposals were not enough of an outrage, State lawmakers also elected not to deny themselves the ability to accept gifts from special interest groups. The Oakland Tribune elaborates,¶ “¶ When it comes to gifts for public officials, hypocrisy is alive and well in the state Capitol.¶ State senators last month responded to scandals at the California Public Employees' Retirement System, where employees and board members accepted junkets, jobs and gifts from those seeking lucrative investment contracts, by passing legislation placing a $50 annual limit on gifts to people in decision-making positions.¶ The vote was 39-0. The new rules, if approved by the Assembly and governor, would apply to CalPERS and the California State Teachers' Retirement System.¶ A week earlier, when considering a bill affecting their own gifts, senators had no such inclination to clean up influence peddling. At issue was a bill that would outlaw gifts of tickets, trips and spa treatments for legislators.¶ The Senate Appropriations Committee voted 9-0 to send it to the suspense file, where it will almost certainly die. There were plenty of excuses, such as cost of enforcement and giving the state Fair Political Practices Commission time to develop regulations. What a farce.¶ Citing an inability to find the $204,000 required in the State budget to fund the proposal, legislators winked at each other as they shelved this bill for its ultimate demise in the suspense file.¶ As if these brazenly corrupt actions were not enough, State lawmakers continue to impress their constituents by exhibiting their idea of model behavior. During the legislative session on June 15, 2011, a number of legislators demonstrated why Californians voted them into office to enact the laws that all common, law-abiding citizens in the Golden State should obey by nearly coming to blows with each other on the Assembly floor.¶ Meanwhile, those same lawmakers have managed to stick their hands in the People's pockets (obviously fattened by the budget crisis and record unemployment rate during a time when the double-dip recession theory is turning into the reality) to find money for SB 653, a bill that would dramatically expand the taxing authority of California's 58 local counties, county school districts and community college districts. Imposing an additional tax burden at this time makes sense because Californians already pay the highest sales tax rates in the country and homeowners are currently facing a housing market price slide that is now deeper than even the levels seen during the Great Depression. Truly, this is a government, "of the People, by the People, and for the People."

#### California budget is unstable- Deficit Spending guts Localities, destroying the state economy

Mitchell 10 (Daniel, J.B. is professor emeritus of the Anderson School of Management and the School of Public Affairs, “Arguing over federal aid won't solve state's worsening fiscal crisis” January 13th, 2012, http://www.harrt.ucla.edu/publications/articles/Arguing%20over%20fed%20aid.pdf)

There is a case for federal assistance, and it is summed up in two words that no one in an official position in the state can¶ utter: “municipal bonds.” California’s fiscal position is, in fact, grave. We could spend much time debating who is to¶ blame for the state’s budget debacle. But at this point the salient fact is that the budget is wildly out of balance, even with¶ the cuts, tax increases and gimmicks that have been enacted during the past two years. State officials, particularly the¶ treasurer and controller, have been anxious to assure financial markets that a state default on its debt service is very¶ unlikely. Their insistence on that point became particularly strong when a forecasting service in late 2009 predicted an¶ eventual California default.¶ The treasurer and controller have repeatedly noted that debt service is a relatively small portion of state’s general fund¶ revenue, even in the Great Recession. And they are right; the state itself is very unlikely to default. But what about the¶ myriad local counties, cities, school and community college districts that also have debt to service and that are dependent¶ on a flow of funds from Sacramento? To conserve cash for its own needs (including debt service) during a crunch, the¶ state now routinely delays payments it is obligated to make to locals (and others). It finds ways of indirectly raiding their¶ treasuries. One small municipality in California is already in default. Others could follow.¶ In normal times, the muni-bond market would shrug off a local default as just that, a local problem. For example, even¶ the large Orange County default in the mid-1990s caused only a brief shiver in the market. But we are not now in normal¶ times. The Federal Reserve and the Treasury have found themselves bailing out major financial institutions. Those steps¶ ultimately led to a bottoming out of an economy that was heading for freefall. But the recovery, if that is what we now¶ have, is still quite fragile. Another financial market disturbance could put us back on the downward path.¶ Do the folks in Washington want to risk a disturbance in yet another financial market? A double-dip recession? No one¶ knows what the consequences would be of a rash of defaults coming out of California localities. And no one should want¶ to find out. So now is the time for the governor, the California congressional delegation and the authorities in¶ Washington to take a deep breath. The time for inflammatory language is over. Aid to California – probably as part of a¶ larger state-and-local assistance plan – is needed.

### Internal Link—K2 Economy

#### **California key to US economy**

Williams 9 (Juliet, Huffington Post, “California's Ailing Economy Could Prolong US Recession”, <http://www.huffingtonpost.com/2009/06/29/californias-ailing-econom_n_222616.html>, 2009)

Virtually all states are suffering in the recession, some worse than California. But none has the economic horsepower of the world's eighth-largest economy, home to one in eight Americans. California accounts for 12 percent of the nation's gross domestic product and the largest share of retail sales of any state. It also sends far more in tax revenue to the federal government than it receives \_ giving a dollar for every 80 cents it gets back \_ which means Californians are keeping social programs afloat across the country. While the deficit only affects the state, California's deepening economic malaise could make it harder for the entire nation's economy to recover. When the state stumbles, its sheer size \_ 38.3 million people \_ creates fallout for businesses from Texas to Michigan. "California is the key catalyst for U.S. retail sales, and if California falls further you will see the U.S. economy suffer significantly," said retail consultant Burt P. Flickinger, managing director of Strategic Resource Group. He warned of more bankruptcies of national retail chains and brand suppliers.

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#### California’s global innovation economy is key to the world economy

**Henton et al. 08—** Project manager for the start-up of the Joint Venture: Silicon Valley Network, an innovative, results-oriented regional economic development alliance; consultant to the California Economic Strategy Panel, California’s first state economic strategy process linked to industry clusters and regions (Doug, “Global Economic Integration Monograph California Regional Economies Project”, California Economic Strategy Panel, October 2008, http://www.coecon.com/Reports/GLOBAL%20CONNECT/CAGlobalEcon.pdf)

2 California: A Global Innovation Broker California is a central nexus in the global innovation network. Not only does the State’s multifaceted and innovative economy attract people, business and investment from around the world, through its innovation infrastructure, it connects widely diverse players and interests from around the world creating new value in the form of new ideas, new products, and new levels of collaboration. In the global innovation economy, ideas drive growth. The recipe for economic success continues to evolve as the economy evolves. Two centuries ago, success was about building the biggest, most efficient farm. One century ago, it was about building the most efficient factory. Today, economic success is about ideas. New ideas are born out of diversity and a flexible environment that facilitates new connections and the exchange of ideas. Regions that become the wellsprings of ideas drive innovation in the global marketplace.17 California’s role as a global innovation broker takes multiple forms. Three examples include the Bay Area Science & Innovation Consortium (BASIC), Global CONNECT, and California’s recent invitation to be the highlight of the 2009 CeBIT. • BASIC is dedicated to advancing the San Francisco Bay Area’s leadership in science, technology and innovation in the increasingly competitive national and international R&D environment. It is a collaboration of the region’s major research universities, national laboratories, independent research institutions, and R&D-driven business. It’s activities include developing regional and global innovation networks, supporting science-related projects, developing projects, connecting researchers and businesses, and educating the public. 18 • CONNECT San Diego was created two decades ago to bring together business and local leaders to transform the region from Navy town to high-tech center. The organization collaborates with local scientists, engineers, entrepreneurs and venture capitalists to commercialize technology and foster the growth of successful companies. Building on this success, Global CONNECT, associated with the University of California San Diego, was founded in 2003 to reach out around the world, linking innovative regions and supporting the development of their innovation systems.19 • CeBIT is the world’s largest technology trade show held annually in Hannover, Germany. Each year, a country is chosen as the official partner of CeBIT, and its information and communications technology businesses are highlighted. For the first time, a state will be the partner in 2009. California was chosen for its global leadership in technology and especially in environmental technology. 2.1 The Strength of California’s Global Connections and Flows As a central nexus in the global economy, California hosts huge volumes of traffic of people and goods from around the world. As a global innovation broker, the State (its regions, firms, institutions, etc.) brings these varied and vibrant pieces together in a way that produces new connections and forms and through which California creates and furthers a global innovation ecosystem. California’s ports handle 18% of total U.S. trade, and 12% of all U.S. exports originate in California. The state attracts talent from around the globe to work in its companies and study at its universities. The convergence of talent from around the world creates enduring connections between the State and other countries through individuals, companies, and universities. The discovery process is bringing growing numbers of researchers together from across borders as evidenced in co-patenting activity between Californians and non-U.S. residents. Foreign firms establish affiliates in California and the State’s firms open up shop abroad as well. Finally, venture capital investment flows both to and from California not only in the form of dollars but also expertise and networking. 2.1.1 California Industry Value Chains and Their Global Reach As part of the California Regional Economies Project, the California Economic Strategy Panel has produced a series of studies of key industry groupings across the State’s eight economic regions with the purpose of identifying areas of growth and opportunities for workforce development. These studies include Health Sciences & Services, The Food Chain, Manufacturing, Logistics and Infrastructure.20 (The studies were carried out separately at different points in time, so some overlap in employment numbers displayed does exist.) Over the recent period from 2001 to 2006, employment increased in Health Sciences & Services and dropped slightly in the manufacturing value chain. All industry value chains experienced growth in average annual earnings. These key California industry groups are globally connected, and it is a far more complex story than simply offshoring production to countries with low-cost labor. California’s firms have affiliates abroad, and foreign firms locate business affiliates in California. The United Kingdom is our strongest partner in this respect. By industry group the manufacturing value chain accounts by far for the largest number of both, California affiliates abroad and foreign-owned businesses in California. Making up the largest number of foreign affiliates in this group, 418 affiliates come from Japan. California’s firms in the manufacturing value chain have opened the most locations in China (367) followed by the United Kingdom (292), Canada (278), Germany (261), and Japan (226). In terms of global connectedness, Japan jumps out with 55 California locations in the Food Chain, Two thirds of German affiliates in California are in the manufacturing value chain. Other Industries consist primarily of accommodations, restaurants, finance, and insurance. California’s exports are growing. Exports are not just about making a product here and selling it to a consumer overseas. As a result of the global distribution of the production process, flows of intermediate goods such as materials and components as well as expertise crisscross the globe in container ships, cargo planes and first-class airline seats. California’s exports include complex production machinery, high-tech components to be assembled overseas into consumer products that will be sold around the world (e.g. the Ipod), and a very broad array of services including financial, legal, and business services. Service Exports Worldwide, service industries are growing relative to manufacturing. Compared to the U.S., California’s economy is more oriented to services than manufacturing. In terms of employment, service industries make up 81.2% in California and 80.7% in the U.S. In terms of total output, or gross domestic product (GDP), service industries make up 79.9% of the California economy and 75.9% of the U.S. economy (Figure 3). Relative to 1997, total output from services increased 44% in California and 36% in the U.S. (Figure 4). Export data for services is available only for the U.S. as a whole. State-level export data only exists for goods exports. Looking at trends in U.S. service exports can provide a rough approximation for California; however, given the fact that California’s economy is more service-intensive, this derivation very likely underestimates the State’s exports in services. Total U.S. exports valued $1.7 trillion in 2007, and the export of services represented 29%.21 Setting this percentage relative to U.S. GDP from service industries and multiplying by California GDP from service industries, produces an estimated value of $69.4 billion for California exports in services in 2007. Since 2002, the value of service exports have increased at a faster rate than goods exports in California, while the trends for each have been similar for the U.S. as a whole (Figure 5). Service exports consist of travel services, royalties and license fees, other transportation, and passenger fares and other private industry services. Including business, professional, and technical services, insurance services, and financial services, the segment of other private industry services has witnessed the strongest growth in export value since 2001 (Figure 6).

## Washington Spending DA

### 2AC—Washington Spending

#### Washington State Economy is recovering- deficit spending Causes decline

Seattle times 11 (“Washington state Legislature should resist deficit spending” March 8th, 2011, http://seattletimes.nwsource.com/html/editorials/2014436863\_edit09securitize.html)

FROM the Democratic caucus in the House of Representatives in Olympia comes the happy thought of deficit spending. Those who dream it do not call it by that name, because it is a nasty name, and by that name it cannot be admitted into the room. They call it "securitizing," which sounds more polite. But deficit spending is what it is.¶ "Securitizing" income means to pledge it to secure a loan. It means to run to the Wall Street bond underwriters and borrow a few hundred million to pay current expenses.¶ Rep. Ross Hunter, D-Medina, who is the chairman of the House Ways and Means Committee, describes this as "taking out a mortgage to pay your grocery bill." We hope he continues to describe it in just that way, and that he does not cooperate with the securitizors of his party.¶ When Gov. Chris Gregoire heard of the idea, she immediately denounced it, referring to the episode of 2002. We hope she holds fast to her denunciation.¶ The governor knows about deficit spending. In 2002, when she was attorney general, the state went to Wall Street and borrowed against the money from the federal tobacco settlement. That money, which Gregoire had helped get, was going to add up to more than $1 billion, if the state could wait to collect it over a number of years. Instead, the state took $450 million up front.¶ That was borrowing. Doing it might be acceptable after a magnitude-8 earthquake. But the recession was not a shock like that. It started in December 2007, more than three years ago. It is officially over, and yet its effects go on and on. State revenue forecasts will one day start being revised upward, but nobody knows when.¶ State government does not face a financial emergency. It faces a condition, a problem, a shortfall that might last a long time. Legislators should not solve it this year at the expense of next year — through tricks, gimmicks or Wall Street debt.¶ At election time, politicians always talk about making hard choices.¶ Now is the time.

#### Washington State key to the U.S. economy

Kotkin 12 (Joel, professor of urban development, currently a fellow at Chapman University in Orange, CA and the Legatum Institute, a London-based think tank, “Five regions that are key to the US economy” January 8th, 2012, http://www.msnbc.msn.com/id/45893531/ns/business-forbes\_com/t/five-regions-are-key-us-economy/#.UBQ7bjFYukl)

The Pacific Northwest ¶ This is one blue region in the country with excellent prospects. For one thing, both Washington and Oregon enjoy considerable in-migration, in sharp contrast to New York, California and Illinois. They also have a more varied economy than Silicon Valley, with strong companies connected to retail (Amazon, Costco and Starbucks), aerospace (Boeing) and software (Microsoft).¶ (Msnbc.com is a joint venture of Microsoft and NBC Universal.)¶ The Seattle region, home to all these companies, is the real standout. It ranked first on our recent list of technology regions and third in manufacturing, a trend likely to continue as Boeing expands production of its new 787 Dreamliner. The business climate and the housing costs are somewhat challenging, but more favorable than in California. The Bay Area and Los Angeles continue to send large numbers of migrants to the Puget Sound region. Over the long term, the area also benefits from possessing ample cheap renewable energy (mostly hydro) and water, which are both in short supply elsewhere.

## Washington Politics DA

### 2AC – Washington Politics

#### Mckenna is winning the election on the state budget plank

Haughton 4/9/2012 (Kelly, Tacoma Political Buzz Examiner <http://www.robmckenna.org/newsitem/does-dwight-pelz-believe-rob-mckenna-frontrunner-governor>)

Now, Pelz is generally known as someone who prefers to badmouth Republicans rather than build up Democrats, so this could be just the normal course of events. But another interpretation would be that if McKenna sticks to the issues he is discussing in his campaign, he is going to win. Voters appear to be reacting positively to McKenna's track record and campaign speeches. In order for Democrat Jay Inslee to win the Governor's chair, the Democrats must distract McKenna from his themes. McKenna is trying to stick to five interrelated issues: Jobs, Education, Government Reform, Higher Education and the State Budget. If he succeeds in making the election about those five things, Pelz thinks McKenna will win. To the extent, McKenna stays on message he is thefrontrunner. Pelz is trying to change the subject. In this game of chess, it will be interesting to see who wins.Pelz has a history of winning this kind of game.

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**Plan signals spending which is uniquely unpopular**

Stephen Kull 5 (Principal Investigator at the Program on International Policy Attitudes) March 5 **2005** <http://www.pipa.org/OnlineReports/DefenseSpending/FedBudget_Mar05/FedBudget_Mar05_rpt.pdf>

**When presented** most of the major items in **the** discretionary **federal budget and given the opportunity to modify it, Americans make some dramatic changes**. The largest **cut** by far is to defense spending, which is reduced by nearly one-third, followed by **spending on** Iraq and Afghanistan, **transportation** and justice. The largest increases are to reductions in the deficit, various forms of social spending and spending on the environment. Nearly all respondents were able to complete the exercise. And overall, there were many changes made to the proposed budget. **The budget items that were most deeply cut were** defense spending, the Iraq supplemental, **transportation,** and federal administration of justice. The budget items that were increased the most were allocations to reduce the budget deficit and spending on education, conserving and developing renewable energy, job training and employment, and medical research. A more detailed analysis follows. There were also domestic spending items that **majorities chose to reduce. Transportation** was cut $12.6 billion, from $69.4 billion to $56.8 billion (**an 18% cut), with 58% making cuts**. The federal administration of justice went from $41.1 billion to $32.4 billion (a 21% cut), with 56% making cuts. Space science and research was reduced slightly from $24.7 billion to $23.5 billion (5%), with 53% making cuts. Partisan Variations For 16 out of 18 budget areas**, the average changes that were made by Republicans and Democrats went in the same direction** relative to the Administration’s proposed budget. **There were only slight differences in their allocations for** seven of the items: energy and renewable resources, homeland security, **transportation,** veterans’ benefits, space and science research, medical research, and the federal administration of justice. The remaining items, though, do show **noteworthy trends**. The category of job training and employmentrelated services has gotten increasingly sharp average increases over the last decade—96% in 1996, 128% in 2000, and a startling 263% in 2005. Perhaps this expresses a growing concern about the impact of globalization and international trade on the capacity of the US work force to adapt and retain its standard of living. For reasons that are unclear, willingness to fund the federal administration of justice has steadily dropped, shifting from an average 10% increase in 1996, to a 12% cut in 2000, to a 21% cut in the 2005 exercise. **Willingness to spend on transportation relative to other needs has shown a long-term decline. In 1996 it was increased 40% on average;** in 2000, it was kept nearly flat (2% increase); **and in 2005, it was cut by 18%.**

#### Rob Mckenna is key to Washington Ports

Shay 7-13-12, Steve, West Seattle Herald, <http://www.westseattleherald.com/2012/07/13/features/attorney-general-rob-mckenna-governor-i-will->

"I have met with many Port officials statewide. The Ports around the state are deeply concerned about competitive pressure arising from the Panama Canal widening, and the expansion of ports in Los Angeles, Long Beach, and in Prince Rupert in British Columbia, Canada. Ports are under immense competitive pressures to cut their rates because the shipping companies are under financial pressure as well. There are ports in Texas, South Carolina, and Virginia improving their facilities to lure the larger ships coming through the Pana Canal."

(The Panama Canal's "Third Set of Locks Project" expects double the capacity of the Panama Canal by 2014.)

"(As Governor) I will be working with our Port commissioners going forward to try to facilitate more collaboration of support, and strategic partnerships amount the ports in our state. Right now, they are bidding against each other, undercutting each other. We don't want the ports' pricing driven so low that they have to fall back on tax payer subsidies.

"We have many positives in Washington State. We are closer to East Asia than the southern California ports. We have good rail capacity compared to Prince Rupert. Its trains have to cross the Rocky Mountains and the Continental Divide, so they have their own challenges. There is more competition than ever, but there are also more opportunities. Markets in East and South Asia are rising."

#### Washington ports key to international trade

Owen 10, Brad (Lt. Governor of Washington State <http://www.ltgov.wa.gov/PressCoverage/newsreleases/2010/LCEDIR07012010.htm>)

A comprehensive look at Washington’s ports as an engine for economic development is the subject of a legislative study committee when it meets in Tacoma on July 9. The [Legislative Committee on Economic Development and International Relations](http://www.ltgov.wa.gov/LCEDIR/LCEDIR%20Default.htm)(LCEDIR), chaired by Lt. Governor Brad Owen, will hear about operations, challenges and opportunities encountered by the state’s 75 port districts when it meets at 9 a.m. Friday at the Port of Tacoma’s Fabulich Center at 3600 Port of Tacoma Road. “As one of the most trade-dependent states in the United States, Washington has a huge stake in international trade. Thousands of jobs are tied to it across many sectors, and much our economic success depends on the successful operation of our ports.  It is important to recognize the outstanding job ports do throughout our state, from rural eastern Washington to the coast,” Lt. Gov. Owen said. The title of the LCEDIR meeting is “Washington’s Ports: A Critical Tool for International Economic Development.” Eric Johnson, executive director of the Washington Public Ports Association, said the committee will be presented with a sophisticated overview of port systems across Washington and their role in an increasingly competitive global economy.  Washington ports include sea, air and rail. “There are key gateways opening up for cargo that we have to be aware of,” said Johnson, who is one of nine presenters to the committee. “Canadians are making investments to the north. Panama is widening the canal to the south.” In light of the expanding global competition, Johnson said:  “We have a vibrant port system in our state, but we want to strengthen this important part of our state’s economy in order to develop and sustain jobs. And we would like the committee to learn about the needs of our ports and respond, if possible.”

#### Trade key to prevent extinction

Panzner 8 – faculty at the New York Institute of Finance, 25-year veteran of the global stock, bond, and currency markets who has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank, and JPMorgan Chase (Michael, “Financial Armageddon: Protect Your Future from Economic Collapse,” p. 136-138)

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross-border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt, and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity, be acquired from less-than-friendly nations. Whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to full-scale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part, may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation” between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

## Education Tradeoff DA

### 2AC—Education Tradeoff

#### **State Budgets are recovering but still fragile**

Oliff et al. 6/27 ( Phif Oliff, Policy Analyst with the State Fiscal Project at the Center of Budget and Policy Priorities, “States Continue to Feel Recession’s Impact”, CBPP, 6/27/12, http://www.cbpp.org/cms/index.cfm?fa=view&id=711)

State finances are recovering, but slowly. The shortfall totals for fiscal year 2013 are smaller than the totals from the last few years.But they remain large by historical standards, asthe economy remains weak and unemployment is still high.

#### State budget crisis forces cuts in technical K-12 and university education

LEACHMAN ET AL ‘11 (Michael Leachman – Director of State Fiscal Research with the State Fiscal Policy division of the Center; holds a Ph.D. in sociology from Loyola University Chicago; policy analyst for nine years at the Oregon Center for Public Policy; AND\*\*\* Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development; AND\*\*\* Erica Williams - M.A. in International Policy the Monterey Institute of International Studies; Policy Analyst with the State Fiscal Project; (Michael, Nicholas Johnson, Erica Williams, “State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful”, July 28, http://www.cbpp.org/cms/index.cfm?fa=view&id=3550)

Since states spend more of their budgets on education and health care than anything else, lawmakers imposing large spending cuts are hard-pressed to avoid cutting back on these essential public services. Many states also will lay off state employees or cut their pay and benefits. These actions, coming on top of deep cuts that states have already made over the last three years, place a drag on the nation’s economic recovery. Elementary and Secondary Education At least 23 states have made identifiable cuts in support for public schools. In many cases, these cuts undermine school finance systems that are intended to reduce disparities between high-wealth and low-wealth school districts, so the largest impacts may be felt in communities that are least able to compensate for the loss of funds from their own resources. Arizona is cutting $183 million from K-12 education spending in the coming year and continues another $377 million in cuts that were implemented over the previous three years, bringing the total cut relative to pre-recession levels to $560 million, or $530 per pupil. Colorado is cutting state spending on K-12 education by $347 per pupil compared to last school year. Florida is cutting spending on K-12 education by $542 per pupil compared with last year. The state also has cut $13 million from the state’s school readiness program that gives low-income families access to high quality early care for their children. The cut means over 15,000 children currently participating in the program will no longer be served. Florida also reduced by 7 percent the per-student allocation to providers participating in the state’s universal prekindergarten program for 4-year-olds, which will mean that classrooms have more children per teacher. Georgia cut state and lottery funds for pre-kindergarten by 15 percent, which will mean shortening the pre-K school year from 180 to 160 days for 86,000 four-year-olds, increasing class sizes from 20 to 22 students per teacher, and reducing teacher salaries by 10 percent. Iowa reduced state funding for its statewide pre-kindergarten program for four-year-olds by 9 percent from last year. Schools serving these children will now receive fewer dollars per child and may have to make up for lost funds with reduced enrollment or higher property taxes. The state is also cutting back support for a community-based early childhood program that provides resources to parents with children from birth to age 5, including a cut of nearly 30 percent to preschool tuition assistance. Illinois is cutting general state aid for public schools by $152 million, on top of a loss of $415 million in expired federal recovery dollars — a total decrease of 11 percent. The budget takes $17 million from the state fund that supports early childhood education efforts, which may result in an estimated 4,000 fewer children receiving preschool services and 1,000 fewer at-risk infants and toddlers receiving developmental services. The budget also eliminates state funding for advanced placement courses in school districts with large concentrations of low-income students, mentoring programs for teachers and principals, and an initiative providing targeted, research-based instruction to students with learning difficulties. Kansas cut the basic funding formula for K-12 schools by $232 per-pupil, bringing this funding nearly 6 percent below fiscal year 2011 budgeted levels. For the third year in a row, Louisiana will fail to fund K-12 education at the minimum amount required to ensure adequate funding for at-risk and special needs students, as determined by the state’s education finance formula. Per student spending will be $215 below the level set out by the finance formula for FY12. Michigan is cutting K-12 education spending by $470 per student. Mississippi, for the fourth year in a row, will fail to meet the state’s statutory obligation to support K-12 schools, underfunding school districts by 10.5 percent or $236 million. The statutory school funding formula is designed to ensure adequate funding for lower-income and underperforming schools. According to the Mississippi Department of Education, the state’s failure to meet that requirement over the past three years has resulted in 2,060 school employee layoffs (704 teachers, 792 teacher assistants, 163 administrators, counselors, and librarians, and 401 bus drivers, custodians, and clerical personnel).[11] Missouri is freezing funding for K-12 education at last year’s levels. This means that for the second year in a row, the state has failed to meet the statutory funding formula established to ensure equitable distribution of state dollars to school districts. Nebraska altered its K-12 school aid funding formula to freeze state aid to schools in the coming year and allow very small increases thereafter, resulting in a cut of $410 million over two years. New Mexico cut K-12 spending by $42 million (1.7 percent). The governor is requiring school districts to spare “classroom spending” from the cuts, which means greater proportional cuts to other areas of K-12 education like school libraries and guidance counseling. The operating budget of the state education department is being cut by more than 25 percent. New York cut education aid by $1.3 billion, or 6.1 percent. This cut will delay implementation of a court order to provide additional education funding to under-resourced school districts for the third year in a row. Beyond cutting the level of education aid in FY12, the budget limits the rate at which education spending can grow in future years to the rate of growth in state personal income. North Carolina cut nearly half of a billion dollars from K-12 education in each year of the biennium compared to the amount necessary to provide the same level of K-12 education services in 2012 as in 2011. Both the state-funded prekindergarten program for at risk 4-year-olds and the state’s early childhood development network that works to improve the quality of early learning and child outcomes were cut by 20 percent. The budget also reduces by 80 percent funds for textbooks; reduces by 5 percent funds for support positions, like guidance counselors and social workers; reduces by 15 percent funds for non-instructional staff; and cuts by 16 percent salaries and benefits for superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors, among others. Ohio is cutting state K-12 education funding 7.5 percent this year, a cut of $400 per student and equivalent to nearly 14,000 teachers’ salaries. Oklahoma is cutting funding for school districts by 4.5 percent, and makes additional cuts to the Department of Education’s budget. The Department of Education has voted to eliminate adult education programs, math labs in middle school, and stipends for certified teachers, among other things. Pennsylvania cut K-12 education aid by $422 million, or 7.3 percent, bringing funding down nearly to FY2009 levels. The budget also cuts $429 million dollars in additional funding that the state provides to school districts to implement effective educational practices (such as high quality pre-kindergarten programs) and maintain tutoring programs, among other purposes. Overall state funding for school districts was cut by $851 million or 13.5 percent, a cut of $485 per student. South Dakota cut K-12 education by 6.4 percent, next year, an amount equal to $416 per student, and 8.8 percent in 2013. Texas eliminated state funding for pre-K programs that serve around 100,000 mostly at-risk children, or more than 40 percent of the state’s pre-kindergarten students. The budget also reduces state K-12 funding to 9.4 percent below the minimum amount required by the state law. Texas already has below-average K-12 education funding compared to other states, and this cut would depress that low level even further at a time when the state’s school enrollment is growing. This would likely force school districts to lay off large numbers of teachers, increase class sizes, eliminate sports programs and other extracurricular activities, and take other measures that undermine the quality of education. Utah cut K-12 education by 5 percent, or $303, per pupil from the prior year’s levels. Washington is taking over $1 billion from state K-12 education funds designed to reduce class size, extend learning time, and provide professional development for teachers — a cut equal to $1,100 per student. Wisconsin reduced state aid designed to equalize funding across school districts by $740 million over the coming two-year budget cycle, a cut of 8 percent. The budget also reduces K-12 funds for services for at-risk children, school nursing, and alternative education. Higher Education At least 25 states have made large, identifiable cuts in funding for state colleges and universities, with direct impacts on students. Arizona cut funding for public universities by nearly one-quarter, or $200 million. This would add to deep previous cuts: from 2008 through 2011, state support for universities fell by $230 million, resulting in the elimination of more than 2,100 positions (an 11 percent reduction in the workforce). Universities have raised tuition significantly, closed eight extended campuses, and merged, consolidated, or disestablished 182 colleges, schools, programs, and departments. Combined with those previous cuts, the FY12 reduction brings per-student state funding down to 50 percent below pre-recession levels.[12] Arizona also cut community college funding for operating expenses by about $73 million. The cut amounts to 6.2 percent of total community college operating revenues and half of all state support for community colleges. California is increasing fees at community colleges starting this fall by 38 percent; for the average student, this means an annual fee increase of $300. The state also is reducing funding for the University of California (UC) and the California State University (CSU) systems by $1.3 billion ($650 million each). Since FY2008 California has cut funding for the UC system by 27 percent and has cut funding for the CSU system by almost 28 percent. In response to cuts in funding, the CSU will increase annual tuition by 29 percent, or $1,242 for full time undergraduate students (relative to the tuition rate that was in place at the beginning of last school year). UC will increase annual tuition by 18 percent, or over $1,800 for resident undergraduate students. UC tuition has grown by more than 80 percent since the 2007-08 academic year. Colorado cut state university spending by 11.5 percent over the prior year, which is expected to be offset with tuition increases of 9 percent, on average. The budget also cuts a means-tested stipend program for undergraduate students by 21 percent from what was budgeted for the current year. Florida cut state higher education spending and raised state university tuition for undergraduates by 8 percent. State universities are increasing tuition by another 7 percent to offset cuts in funding. This comes on the heels of tuition hikes equaling over 30 percent since the 2009-10 school year. The state has also cut a university merit-based scholarship program by 20 percent. Georgia cut funding for a popular merit-based college scholarship program serving hundreds of thousands of students by about one-fifth, university funding by 10 percent, and funding for technical colleges by 4 percent. Iowa is cutting state funding for public universities by $20 million, or around 4 percent. This brings state support below fiscal year 2007 levels. Louisiana enacted a 10 percent tuition increase for the state university system, or an average increase of around $600 more per year per student, in order to make up for the loss of federal and state dollars. Technical colleges will raise tuition by an average of $700 for full-time students. Massachusetts cut funding for higher education by $64 million, or 6.3 percent. Since FY2009, after adjusting for inflation, the state has cut funding by $185 million, or 16.3 percent. Michigan cut by 15 percent state support for public universities, and will increase the cut to about 20 percent for universities that raise tuition by more than 7 percent. Universities are already announcing tuition increases just under that limit, amounting to $600 - $900 tuition increases for in-state undergraduate students. The state also cut funding for community colleges by 4 percent. Minnesota is cutting state funding for higher education 12 percent below 2011 levels. This includes a $194 million cut to the University of Minnesota system and a $170 million cut to the Minnesota State Colleges and Universities system. Missouri cut state support for higher education by 7 percent. The cuts continue a trend of declining state support for Missouri’s universities and community colleges; over the last decade, state support for universities has fallen by 28 percent per student and support for community colleges has fallen by 12 percent. Nevada reduced state funding for the higher education system by 15 percent, which will result in an increase in undergraduate tuition of 13 percent in FY12 and an increase in graduate school tuition of 5 percent in FY12 and again in FY13. New Hampshire cut support for the university system almost in half in a single year, from $100 million to $52 million. University officials have announced that they will raise tuition 8.7 - 9.7 percent, eliminate around 200 positions, reduce employee benefits, dip into reserves, and take other measures as a result. Community colleges also face a 37 percent cut and will raise tuition 6.5 percent for the coming year, which will cost full time students up to $360 per year. New Mexico reduced by 8 percent state funding for public universities, which will result in a 5.5 percent tuition increase ($304 per student). New York cut state funding for the State University of New York (SUNY) by 7.6 percent, and reduces state funding for the City University of New York (CUNY) by 4.4 percent. To help them absorb the funding cuts, the legislature passed a bill that allows SUNY and CUNY to raise tuition by about 30 percent over the next five years. These tuition increases would affect 220,000 students in the SUNY system and 137,000 in the CUNY system and come on top of increases already imposed since the recession began. At SUNY, for example, substantial reductions in state support resulted in a 14 percent tuition increase in 2009. North Carolina cut nearly half of a billion dollars from higher education in each year of the biennium compared to the amount necessary to provide the same level of higher education services in 2012 as in 2011. The cuts mean that full-time resident community college students could see their tuition increase to $2,128 in FY12 and $2,208 in FY13 from the current $1,808 per year. Funds for community college basic education courses were cut by 12 percent. North Carolina is also forcing the university system to find more than $330 million in savings in each year of the biennium. The state also is reducing by 59 percent (or $26 million each year) the state subsidy to university hospitals to offset the costs of uncompensated care, which the hospital system estimates at $300 million this year. Oklahoma is cutting state funding for higher education by nearly 6.7 percent. Partially as a result, tuition and fees were increased by an average of 5.9 percent, or about $225 per student. The budget also cuts a career and technical education training program by about 6.5 percent. Ohio cut higher education funding 10 percent for FY12, amounting to $590 per student. Students at public universities face a 7 percent tuition increase as well as an undetermined (and uncapped) amount of fee increases. Pennsylvania cut funding for the state’s system of higher education by $91 million, or 18 percent. The budget also cuts funding for the state’s four “state related” universities (Penn State, the University of Pittsburgh, Temple, and Lincoln University) by roughly 20 percent. As a result, the University of Pittsburgh will increase in-state tuition by 8.5 percent and Temple University will increase in-state tuition by almost ten percent. Other state universities will see tuition increases of 7.5 percent. South Dakota cut higher education (and most other agencies) by 10 percent. The Board of Regents voted to raise tuition by 6.9 percent, or $490 per student, on average. The tuition increase covers only part of the loss of state funding, and each university has to determine how it will make up for the remaining loss of funds. Tennessee cut funds for the University of Tennessee system by 25 percent compared to 2011. Tuition within the system will rise 6 to 10 percent. Texas reduced general revenue spending on higher education by 9 percent over two years. This includes a cut of 5 percent to college and university formula spending, a cut of 10 percent in formula spending for health institutions, such as nursing schools, and a cut of 25 percent to funds for university research centers, graduate programs, and other non-operations spending. Enrollment growth is not funded for any higher education institution. The budget also cuts by 10 percent financial aid awards under the Texas grant program, which combines state and institutional money to cover tuition and fees for public school students with financial need and good academic records. The cut will likely result in smaller awards. Utah is cutting its higher education budget by about 1 percent below last year’s level, bringing the total decline in state spending to 2 percent since 2009. These funding cuts come despite rapidly rising enrollment. For example, enrollment in Utah’s system of higher education in the spring 2011 semester was 4 percent above enrollment the previous year. The failure of state funding to keep up with enrollment growth will result in an average tuition increase of 7.5 percent. Washington is cutting state funding for colleges and universities by more than $500 million and raising tuition in the upcoming school year by anywhere from 11 percent to 16 percent compared with last year. Wisconsin is cutting $250 million from the state university system, with nearly $100 million of that cut coming from funds for UW-Madison. The budget freezes financial aid at current levels despite expected tuition increases of 5.5 percent system-wide and a recently approved tuition increase of 8.3 percent for UW-Madison, creating an even larger funding gap that students and their families will have to fill. The budget also cuts state support for technical colleges by about $70 million over the biennium, or 25 percent, and places a two-year freeze on local property tax levies that allow communities to raise funds for technical colleges.

#### Key to Heg

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

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

# Funding Mechanisms

## Marijuana Legalization

### No Revenue

#### Legalizing marijuana will crash prices and undercut tax revenue

Daily Paul 2010 (“Bad for the Economy – Marijuana Prices to Crater If Legalized,” Daily Paul Liberty, 7/09, <http://www.dailypaul.com/139662/bad-for-the-economy-marijuana-prices-to-crater-if-legalized>)

Opponents of the California attempts to legalize marijuana are using a new argument, it will crash prices and the tax revenue will not be what they want.¶ "A ballot measure to legalize marijuana in California would so upend supply and demand that pot prices could plummet by as much as 90 percent and possibly undercut the tax windfall that supporters have touted to sell the initiative, a study published Wednesday found.¶ The study by the nonpartisan RAND Drug Policy Research Center forecasts some interesting scenarios if California in November becomes the second state, after Alaska, to legalize pot for recreational use by adults and the first to tax commercial cannabis sales.¶ Pot prices could drop from $375 an ounce under the state's current medical marijuana law to as little as $38 per ounce before taxes as legal pot suddenly becomes available to the public, RAND researchers concluded."

#### Legalizing marijuana costs outweigh the potential revenue

Hutchinson 2010 (Asa Hutchinson, Partner, Hutchinson Group Ex-Administrator, Drug Enforcement Administration, Former US Congressman, “Legalizing Marijuana Not Worth the Costs,” CNBC, April 20, <http://www.cnbc.com/id/36267217/Legalizing_Marijuana_Not_Worth_the_Costs>)

With the United States still struggling through the recession, state governments are exploring convenient fixes for overcoming massive debts burdening their states.¶ After years of heavy spending, California, for example, is facing a $42 billion deficit. To address this staggering shortfall, some legislators are proposing the legalization of marijuana to boost tax revenue.¶ Certainly some states are in dire economic straits; however, we cannot allow social and law enforcement policy to be determined simply by revenue needs. Put plainly, marijuana was made illegal because it is harmful; citing revenue gain as reason to legalize the drug emphasizes money over health and ignores the significant cost burdens that will inevitably arise as a result.¶ As former head of the U.S. Drug Enforcement Administration, I am intimately familiar with the many challenges marijuana legalization poses, and from my experience, the best economic policy for dealing with marijuana is to discourage use by enforcement and education rather than legalization and taxation. Legalizing the drug will swell societal ills, and this outweighs the monetary benefits that might be achieved from its lawful sale.¶ This is not the first time legalization has come to the fore. In the 1970s, Alaska legalized the drug—only to recriminalize it in 1990 after Alaskan teen marijuana use jumped to twice the national average. This is clear evidence that if legalized, marijuana use will increase (even among children).¶ There are significant cost burdens that come along with increased marijuana use. For example, there will be a greater social cost from decline in worker productivity and school performance. Legalization will also lead to a greater need for drug education, rehabilitation and treatment. And there will be costs associated with selling the drug.¶ Do we really want our governments to sell substances known to be toxic to the body, and which has no medical value that is recognized by the medical community, for the sake of sheer profit? If this were a corporation proposing such a thing, it would be taken to court.¶ Consider these findings from a white paper by the California Police Chiefs Association’s Task Force on Marijuana Dispensaries: California legalized “medical” marijuana in 1996, and dispensaries where the drug is handed out – to pretty much whoever comes in with a doctor’s note – have become catalysts for serious crime.¶ According to the white paper, dispensary operators have been attacked, robbed and murdered. Also, “drug dealing, sales to minors, loitering, heavy vehicle and foot traffic in retail areas, increased noise and robberies of customers just outside dispensaries” are all criminal byproducts resulting from California’s medical marijuana distribution. We can expect similar problems—but on a far grander scale—from full legalization.¶ Given these cost burdens—not to mention health and societal burdens—we should continue to focus efforts to discourage drug use. We can do this in a variety of ways. On alcohol and cigarettes, we require warnings and education. With methamphetamine, cocaine and other harmful drugs, we prohibit and criminalize their sale and use. While marijuana may not be as harmful and addictive as methamphetamine, it is harmful nonetheless, and the best economic policy is to make its sale and use illegal.¶ The additional costs of drug education and rehabilitation combined with the increased social costs associated with increased marijuana use and sale are all greater than the potential revenue gained through legalization.¶ Even with the U.S. economy struggling, we should not buy into the argument that vices should be legalized, taxed and regulated—no matter how much revenue we think it may generate.¶ Some things just aren’t worth the costs.

## Gambling Legalization

### Links to Politics

#### Legalized gambling creates no new money and subtracts from the national income

Kindt 2003 (John Warren Kindt, “The Failure to Regulate the Gambling Industry Effectively: Incentives for Perpetual Non-Compliance,” Southern Illinois University Law Journal, Volume 27, <http://stoppredatorygambling.org/wp-content/uploads/The-Failure-to-Regulate-the-Gambling-Industry-Effectively.pdf>)

The United States has periodically experimented with legalized gambling activities. In each historical “wave,” the social costs related to gambling became both apparent and overwhelming, consistently leading to the criminalization of all gambling activies. Historically, policymakers rediscovered that the social costs of gambling were enormous, and experts concluded that applying those costs to the adult population of the United States [in 1994] implie[d] losses equal to . . . an additional Hurricane Andrew, the most costly disaster in American history, every year.” Yet legalized gambling had no significant social or economic benefits, as it “involves simply sterile transfers of money or goods between individuals, creating no new money or goods. Although it creates no output, gambling does nevertheless absorb time and resources. When pursued beyond the limits of recreation, . . . gambling subtracts from the national income.”

### No Revenue

#### Legalizing gambling is a net loss

Davies 1/22 (Paul Davies, “New York’s Bad Bet,” The New York Times, 2012, <http://www.nytimes.com/2012/01/23/opinion/new-yorks-bad-casino-bet.html>)

THE governor of New York, Andrew M. Cuomo, is sending his state down the same wrongheaded path as other states that are trying to gamble their way out of economic trouble by legalizing commercial casinos.¶ The casinos might create jobs and generate revenue for state coffers, but those gains would come at a cost that casino supporters ignore or play down. Various studies, including research by the economist Earl L. Grinols at Baylor University, have shown that casinos produce little to no economic spinoff and in fact divert spending away from surrounding businesses like restaurants, movie theaters and live entertainment. In the worst cases, some problem gamblers spend money that is needed for groceries, rent or child support.¶ More broadly, casinos are nothing more than a regressive tax that extracts wealth from the very citizens who can least afford it. The details of Governor Cuomo’s plan — which requires changing the State Constitution — remain largely under wraps but will likely follow the blueprints of other states that have allowed casinos at select locations.¶ While those casinos are billed as “destination resorts,” they are really convenience casinos — typically the size of a big-box retailer — that rely mainly on repeat gamblers who live in the area. Many are located in rural and working-class towns and cities that cater mainly to low rollers, not James Bond-type jet-setters.

# General

### States Link to Politics

#### **Obama takes the blame for state decisions**

Kiely 2/17 [[EUGENE KIELY](http://www.factcheck.org/author/eugene-kiely/), Washington assignment editor USA today, February 17, 2012 Factcheck.org “Did Obama ‘Approve’ Bridge Work for Chinese Firms?” http://www.factcheck.org/2012/02/did-obama-approve-bridge-work-for-chinese-firms/]

**Who’s to blame**, if that’s the right word**, if the project ends up using manufactured steel from China**? **The National Steel Bridge Alliance blames the state railroad agency**. The Alliance for American Manufacturing says the federal Buy American laws have been “weakened with loopholes and various exemptions that make it easier for bureaucrats to purchase foreign-made goods instead of those made in American factories with American workers.” So, **how did Obama get blamed for the decisions by state agencies and for state projects that, in at least one case, didn’t even use federal funds**? **The answer is a textbook lesson in how information gets distorted when emails go viral**. We looked at the nearly 100 emails we received on this subject and found that Obama wasn’t mentioned at all in the first few emails. Typical of the emails we received shortly after the ABC News report aired was this one from Oct. 11, 2011: “I just got an email regarding Diane Sawyer on ABC TV stating that U. S. Bridges and roads are being built by Chinese firms when the jobs should have gone to Americans. Could this possible be true?” The answer: Yes, it’s true. End of story, right? Wrong. Days later, emails started to appear in our inbox that claimed ABC News reported that Chinese firm were receiving stimulus funds to build U.S. bridges — even though the broadcast news story didn’t mention stimulus funds at all. (The report did include a clip of Obama delivering a speech on the need to rebuild America’s bridges and put Americans to work, but said nothing about the president’s $830 billion stimulus bill.) Still, we received emails such as this one on Nov. 4, 2011, that included this erroneous claim language: “Stimulus money meant to create U.S. jobs went to Chinese firms. Unbelievable….” **It didn’t take long for Obama to be blamed**. That same day — Nov. 4, 2011 — we received an email that made this leap to Obama: “SOME CHINESE COMPANIES WHO ARE BUILDING ‘OUR’ BRIDGES. (3000 JOBS LOST TO THE CHINESE FIRM)…..AND NOW OBAMA WANTS ‘MORE STIMULUS MONEY’…..THIS IS NUTS ! ! ! If this doesn’t make you furious nothing will….” This year, **Obama’s name started to surface** in the subject line of such critical emails — **raising the attack on the president** to yet another level and perhaps ensuring the email will be even more widely circulated. Since Jan. 17, we have gotten more than a dozen emails with the subject line, “ABC News on Obama/USA Infrastructure,” often preceded with the word “SHOCKING” in all caps. The emails increasingly contain harsh language about the president. Since Jan. 11, 23 emails carried this added bit of Obama-bashing: “I pray all the unemployed see this and cast their votes accordingly in 2012!” One of those emails — a more recent one from Feb. 8 — contained this additional line: “**Tell me again how Obama’s looking out for blue collar guys. He cancels pipelines, and lets Chinese contractors build our bridges…” And so it goes, on and on. All from a news report that blamed state officials — not Obama — for spending taxpayer money on Chinese firms to build U.S. bridges.**