## \*\*High Speed Rail\*\*

### States CP 1NC – HSR

**Text: The 50 United States and all relevant territories should implement High Speed Rail.**

State control of HSR is key to efficiency – federal involvement drives up costs and unneeded routes

Goff 2012 (May 23, Emily, “ The California Conundrum: New, Costly High-Speed Rail vs. Massive Budget Deficit ” <http://blog.heritage.org/2012/05/23/the-california-conundrum-new-costly-high-speed-rail-vs-massive-budget-deficit/>)

What do $16 billion and $68.4 billion have in common, other than the fact that each of these figures dwarfs JPMorgan Chase’s recent loss? The former is how deep in the red the California state budget sits currently. The latter is the latest in a series of roller-coasting cost estimates for the state’s controversial high-speed rail (HSR) project, which is funded in part by the federal government.

Governor Jerry Brown (D) has been hard pressed to come up with a prescription to close California’s sizeable budget deficit. While pension reform and old-fashioned frugality may be what the doctor ordered, Governor Brown also wants to persuade Californians to stomach “temporary” tax increases to narrow the budget gap. If these tax hikes go into effect, California taxpayers of all income levels will see their pocketbooks shrink. Unfortunately, if the HSR project pans out, painful tax increases to pay for it could become the norm.

The federal-state transit courtship ritual is by now a well-rehearsed dance. Washington’s alluring checkbook tempts states enough that they commit matching funds to projects they otherwise would not even dream of pursuing on their own. Take high-speed rail and other passenger rail projects—they are expensive to build and maintain, and states are faced with many other pressing infrastructure needs but limited resources to pay for them. So, “free” money from Washington seems too good to be true. Then come project delays and construction cost overruns. Federal grants also have strings attached, such as union wage requirements, which send costs skyward. Soon, the price tag of an HSR project is substantially more than what states signed up for.

Once the HSR line is built, another pesky fact materializes: Actual rail ridership rates do not necessarily equal capacity estimates. Poor ridership translates into large funding gaps, and befuddled states then have trouble covering operating expenses, let alone capital costs. Taxpayers are on the hook subsidizing the rail line long after the federal money train has left the station.

For example, passenger rail lines in Japan and the United Kingdom required significant government subsidies, which prompted these countries to begin privatizing the rail systems. In the United States, new Governors of Wisconsin and Ohio rejected federal funds for HSR projects once it became clear that HSR’s up-front costs and long-term financial liabilities far outweighed any potential benefits.

A glaring flaw in the prevailing approach to transportation is that it is increasingly Washington-centered; bureaucrats make decisions about projects hundreds of miles away, in which they have little or no vested interest. This trend is based on the belief that Washington knows best, and therefore every cent of every transportation dollar must flow through Washington.

By this logic, President Obama’s so-called livability proposals, such as building street cars and forcing high-density living arrangements, can be cast as a wise use of transportation dollars. In reality, such transportation technology is 19th century nostalgia wrapped in 21st century packaging. This approach also generates misleading incentives for states to commit limited resources to costly projects like HSR, which do not deliver on promises to mitigate road congestion and improve air quality. Instead, they threaten to stain state budget ledgers with unsightly amounts of red ink.

Rather than hoarding transportation funds and keeping decision-making in Washington, Congress should give states more control over how to spend the transportation dollars their motorists pay in federal gas taxes. Doing so will pave the way for turning over responsibility for transportation to the states, who know their transportation priorities much better than Washington. With full devolution, states would no longer see funds diverted to transit and enhancement projects they may not find useful. Instead, they would be able to identify and meet their unique infrastructure needs efficiently and cost-effectively.

State transportation infrastructure solves better – low cost and avoids misallocation

Edwards 2011 - Joint Economic Committee United States Congress (October 21, Chris, “ Infrastructure projects to fix the economy? Don’t bank on it. ” <http://www.washingtonpost.com/opinions/infrastructure-projects-to-fix-the-economy-dont-bank-on-it/2011/10/18/gIQAgtZi3L_print.html>)

Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities.

When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. The solution is to move as much infrastructure funding as we can to the state, local and private levels. That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It’s true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren’t automatically repeated across the country.

The states should be the laboratories for infrastructure. We should further encourage their experiments by bringing in private-sector financing. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed — the densely populated Northeast.

As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation’s massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports.

The recent infrastructure debate has focused on job creation, and whether projects are “shovel ready.” The more important question is who is holding the shovel. When it’s the federal government, we’ve found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let’s give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They’re ready.

### 2NC Solvency

State infrastructure is better – federal high speed rail is ineffective

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

Perhaps the biggest problem with federal involvement in infrastructure is that when Washington makes mistakes it replicates those mistakes across the nation. Federal efforts to build massive public housing projects in dozens of cities during the 20th century had very negative economic and social effects. Or consider the distortions caused by current federal subsidies for urban light-rail systems. These subsidies bias cities across the country to opt for light rail, yet rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road.10

When the federal government subsidizes certain types of infrastructure, the states want to grab a share of the funding and they often don't worry about long-term efficiency. High-speed rail is a rare example where some states are rejecting the "free" dollars from Washington because the economics of high-speed rail seem to be so poor.11 The Obama administration is trying to impose its rail vision on the nation, but the escalating costs of California's system will hopefully warn other states not to go down that path.12

Even if federal officials were expert at choosing the best types of infrastructure to fund, politics usually intrudes on the efficient allocation of dollars. Passenger rail investment through Amtrak, for example, gets spread around to low-population areas where passenger rail makes no economic sense. Indeed, most of Amtrak's financial loses come from long-distance routes through rural areas that account for only a small fraction of all riders.13 Every lawmaker wants an Amtrak route through their state, and the result is that investment gets misallocated away from where it is really needed, such as the Northeast corridor.

### AT: No Funding

Regional coalitions solve lack of state funds

Shancke no date - Executive Director of the Western High-Speed Rail Alliance (Tom, “ Rocky Mountain High... ...Speed Rail ” <http://web1.ctaa.org/webmodules/webarticles/articlefiles/RAIL_28_Rocky_Mountain_High_Speed_Rail.pdf>)

According to a Utah Foundation study published in August 2010 on high-speed rail, the federal system of government in the United States would likely require one of two arrangements to implement high-speed rail across the country, due to the prohibitive expenses for most states to finance high-speed rail on their own. One option, the study said, would be a federally-funded, owned, and operated high-speed rail network. The other option, according to the study, would be for regional coalitions of state governments or regional agencies to collectively fund, own, and operate high-speed rail on a regional basis, possibly with some federal funding

A regional coalition like the ones cited in the Utah study, the WHSRA has worked extensively with federal railroad officials and the U.S. Department of Transportation. Working with state officials in Nevada, the alliance also helped secure an initial planning grant from the federal government for the high-demand triangle between Phoenix, Las Vegas and Los Angeles.

When the US Department of Transportation (USDOT) released its map in 2009 of future high speed rail lines in the United States, no lines were included in the inter-mountain west region. Rather than complain about the map, the alliance began to lead, advocate and work with the USDOT in a partnership to study the potential of connecting the West with high speed rail.

High-speed rail connectivity makes sense in the West due to the rapid population growth in the late 20th Century and the projected massive growth in the 21st Century. The average population growth for this region – from Denver to Phoenix – is projected to exceed 80 percent over the next 30 years. When the state of California is connected to the system, the included California population growth and economic impact increase the Gross Regional Product for this region to approximately 25 percent of the nation’s Gross Domestic Product (GDP).

A Brookings Institution report, Mountain Megas: American’s Newest Metropolitan Places and a Federal Partnership to Help Them Prosper, said that the “states in the southern inter-mountain West – Arizona, Colorado, Nevada, New Mexico and Utah – are experiencing some of the fastest population growth and economic and demographic transition anywhere in the country.” The statistics and studies tell the members of the WHSRA what they already knew.

 “The West is a critical region for the success of high-speed rail development,” said Inglish. “We believe that high-speed rail is vital to our economic vitality, enabling us to compete better in the global marketplace.” Some ask what it will cost to study, design, and build a high-speed rail system in the region. But the alliance believes the more important question is what are the costs if the high-speed rail system is not built. The WHSRA and its members believe that as the Western metropolitan areas continue to grow, an additional mode of transportation will be needed to ease the demand on the region’s air and surface transportation infrastructure. A high speed rail network would help alleviate congested skies by creating a new mode of transportation in two of the country’s 20 most traveled air corridors – the Los Angeles-to-Las Vegas corridor and the Los Angeles-to-Phoenix route.

## \*\*Infrastructure Bank\*\*

### States CP 1NC – SIB

**Text: The 50 United States and relevant territories should establish State Infrastructure Banks.**

State infrastructure banks solve better – can build more

Slone 2011 - transportation policy analyst at The Council of State Governments (July 5, Sean, “ State Infrastructure Banks ” <http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks>)

Benefits of a State Infrastructure Bank

State infrastructure banks can help states stretch their state and federal dollars and meet the demands of financing large, impactful, long-term infrastructure projects. When government agencies and authorities must seek yearly grants and allocations to finance projects, the completion of those projects can be delayed for months or years. State infrastructure banks can identify, promote and lend money to creditworthy transportation projects to ensure they’re built within a reasonable timeframe and in a financially sustainable way. And because these banks act as a “revolving fund,” more projects can ultimately be financed.

When bonding is used to finance a project, the bonds are usually one of two types: revenue or general obligation. Revenue bonds often are used to finance infrastructure projects that have the ability to produce revenue through their operations; for example, new highway lanes that can be tolled or public transit facilities on which fares can be collected. These types of bonds are typically guaranteed by the project revenues, but not by the full faith and credit of a state, city or county. General obligation bonds, on the other hand, are backed by the full faith and credit of the issuing authority. These are used to finance projects that rely on government’s general revenues, such as income, sales and property tax revenue. Cities, counties and states pledge these revenues to issue the bonds and repay them.

But the revolving fund aspect of a state infrastructure bank means states can lend funds for projects and receive loan repayments, which can be returned to the system for more project loans. The funding also can be turned into much larger credit lines, multiplying transportation investment capacity.

When transportation projects are financed in a traditional way, funds from a state department of transportation or the federal Highway Trust Fund are spent and two types of risk are assumed. Projects are at risk of delay as state officials wait for the state or federal funds to become available, which may increase the costs and delay the project’s benefits. Secondly, states face the risk that a poorly selected project will fail to produce social or economic benefits and tie up scarce capital resources that could have gone to other potentially more successful projects.

Both of those risks are diminished with state infrastructure bank financing. First, projects don’t have to wait for funding and delays and cost overruns are avoided. Secondly, a state infrastructure bank has a built-in project evaluation process. Projects are assessed based on their financial viability, which provides a level of economic discipline that is not always present with traditional state project funding. Better, more benefit-producing projects can be the result.4

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### 2NC Solvency

State infrastructure banks are empirically proven

MH&L 2011 (July 18, “ State Infrastructure Banks Aid Highway Funding ”http://mhlnews.com/distribution/state-infrastructure-banks-aid-highway-funding-0718/index.html)

Virginia is the latest state to create its own state capitalized infrastructure bank. In 2005, the federal highway authorization bill, known as SAFETEA-LU, gave all states, territories and the District of Columbia the authority to establish state infrastructure banks. Operating much like other kinds of banks, these infrastructure banks offer loans and credit assistance to public and private sponsors of surface transportation projects like highway construction, transit or rail projects. Other states are taking advantage of this tool, as well. The Federal Highway Administration reported that through the end of 2008 (the latest year for which complete data is available), 32 states and Puerto Rico have entered into 609 state infrastructure bank loan agreements totaling $6.2 billion. Virginia is using $283 million from a 2010 fiscal year surplus and savings from a performance audit of the Virginia Department of Transportation to provide its bank’s initial capitalization. Virginia Transportation Secretary Sean Connaughton, the incoming vice chairman of CSG’s Transportation Policy Task Force, said his state established the bank because, among other reasons, federal funding programs have become oversubscribed and infrastructure loans are increasingly difficult to obtain by states. “We have so many projects in Virginia that we think we can actually move forward on with some sort of credit enhancement that we have gone ahead and established our own bank,” he said.

State infrastructure banks are legal and effective – several mechanisms

Slone 2011 - transportation policy analyst at The Council of State Governments (July 5, Sean, “ State Infrastructure Banks ” <http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks>)

An interchange at the Fort Lauderdale airport. A bridge replacement in Cleveland. An interstate around North Augusta, S.C., that will help ease the daily commute for thousands of motorists.

The thing they all have in common is that they were all financed with help from a state infrastructure bank, a type of revolving infrastructure investment fund for surface transportation projects with which 32 states and Puerto Rico have at least some experience.

Operating much like other kinds of banks, these infrastructure banks can offer loans and credit assistance enhancement products to public and private sponsors of certain highway construction, transit or rail projects.

Under the 2005 federal highway authorization bill, known as SAFETEA-LU, all states and territories plus the District of Columbia were given the authority to establish state infrastructure banks. This followed a period during the 1990s when at different times, anywhere from 10 to 39 states were allowed to experiment with these banks under a series of federal pilot programs. The 2005 legislation also allowed for the creation of multi-state infrastructure banks.

Federal and state matching funds are generally used to start a state infrastructure bank. States can then contribute state or local funds and seek additional federal funds to provide more capital.1

The bank’s initial capitalization and ongoing revenue can be used in a number of different ways. The funds can be lent directly to selected projects. The bank can leverage its initial capitalization by providing loan assistance, by using loan repayments as dedicated revenue to sell bonds in the bond market and by providing additional loan assistance with the proceeds of the bond. Finally, the bank can use the funds to guarantee bonds issued by cities, counties, public-private partnerships and other entities, in the process enhancing their creditworthiness and lowering the interest rates they have to pay in the capital markets. Loan guarantees can be particularly beneficial in reducing interest rates on projects in states with cities, counties and special districts that have limited financial capacity.2

While the SAFETEA-LU authorization established the basic requirements and overall operating framework for state infrastructure banks, many states have tailored their banks to meet their own needs and offer their own types of financing assistance. That being said, loans remain the most popular form of state infrastructure bank assistance. The Federal Highway Administration reported that through the end of 2008 (the latest year for which complete data is available), 32 states and Puerto Rico had entered into 609 state infrastructure bank loan agreements totaling $6.2 billion.3

### AT: Perm

Federal infrastructure bank fails even when it involves states – low returns, inefficiencies – states solve better

Furchtgott-Roth 2011 - Contributing editor of Real Clear Markets, a senior fellow at the Manhattan Institute, and a columnist for the Examiner (May 26, Diana, “ Let's Leave Our Roads to the States ”http://www.realclearmarkets.com/articles/2011/05/26/lets\_leave\_our\_roads\_to\_the\_states\_99043.html)

WASHINGTON-As Americans take to the roads on Memorial Day weekend, almost all are blissfully ignorant that Congress must pass a highway bill by September 30, when authorization for the Highway Trust Fund expires.

The Senate Finance Committee is well aware of the deadline, though, and held hearings earlier this month to explore different options for infrastructure finance. The focus of the hearing was a proposal for a federally-funded $10 billion infrastructure bank, which would provide funding for the nation's highways and bridges.

Although the Highway Trust Fund, funded by motor fuel taxes, is likely to be reauthorized, Congress probably won't provide the extra $10 billion to $15 billion annually from general revenues to keep highway spending at prior levels. And, since Americans are using more fuel-efficient cars, the Congressional Budget Office expects revenues from motor fuel taxes to stay approximately the same.

The infrastructure bank would fill the gap by lending funds for transportation projects at low cost. It has garnered an unusual array of bipartisan support.

President Obama proposed a bank in his budget, at a cost of $5 billion in fiscal year 2012 and $30 billion over the next six years. Congressional legislation is sponsored by Senator Kay Bailey Hutchison (R-TX) and Senator John Kerry (D-MA). The bank is supported by U.S. Chamber of Commerce president Tom Donohue and AFL-CIO president Richard Trumka, whose areas of agreement are limited.

According to Kerry, "when you've got a Massachusetts Democrat, a Texas Republican, the Chamber of Commerce and the AFL-CIO preaching from the same hymnal, you'll find a sweet spot that can translate into a major legislative step forward."

But should the step be taken?

Mr. Kerry envisages the infrastructure bank as independent, with governors appointed by the president. Loaned funds would be repaid, with interest, so the bank would supposedly make a profit. Similar promises were made for Amtrak, when it was established in 1971.

Testifying at the Senate Finance Committee hearings was former Pennsylvania Governor Edward Rendell, now co-chair of Building America's Future, a non-profit coalition of state and local officials where he serves without compensation. He told the committee that the infrastructure bank was the only way to channel funds into the states, and that private organizations would not lend for infrastructure projects because the returns are too low.

Mr. Rendell called for changes in laws that would make it easier for the private sector to invest in transportation infrastructure-changes that would obviate the need for federal involvement. "Lift the cap on tolling," he said. Currently states need special waivers to place tolls on federally-funded projects. If they were allowed more extensive use of tolls, private users could pay for maintenance.

As governor, Mr. Rendell wanted to place tolls on Interstate 80, raising $450 million a year, but the U.S. Department of Transportation in 2010 rejected his request because part of the revenues would have gone to repair other Pennsylvania highways and bridges.

In 2008, Mr. Rendell tried to lease the Pennsylvania Turnpike for $12.8 billion to a consortium of Citibank and the Spanish firm Abertis Infraestructuras, but the state legislature did not pass the proposal.

The committee hearings gave Mr. Rendell a chance to say "I told you so," because it's now obvious that both proposals would have benefited Pennsylvania residents.

Senator Hatch (R-UT), ranking member on the committee, said that states should have more flexibility to raise revenue. Just because someone gives you a car, he said, it doesn't mean that the donor has to pay for the tune-ups. In the same way, just because the federal government funds a road, it should allow states flexibility in funding for maintenance.

Another witness, Gabriel Roth, disagreed with Mr. Rendell about the need for a government-funded infrastructure bank. (Full disclosure: Gabriel Roth, who has considerable experience in the transportation field, is my father.) He testified that even with existing funding systems, transportation finance could be provided by the states in partnership with the private sector, rather than by the federal government.

Mr. Roth pointed out that other federal laws, such as Davis Bacon, project labor agreements, high-road contracting, and "Buy America" provisions, slow down infrastructure and raise costs. Environmental impact statements can take two years. States are forced to spend money on mass transit, even where there are few users.

There are many examples of private sector investments in roads. A road in the suburbs of Washington, the Dulles Greenway, and California's electronically-tolled express lanes on Route 91 were conceived, designed, financed, and built by private sector consortia. The Macquarie Infrastructure Group is operating and managing the Indiana Toll Road and the Chicago Skyway.

The private sector is also operating other formerly-public infrastructure, such as garbage collection, water systems, and wastewater treatment plants. With state budgets in difficulties, bringing in the private sector saves crucial dollars. The same can happen for roads.

Sohail Bengali, Managing Director of Stone and Youngberg, a financial services company, told me in a telephone conversation, "I think that for certain targeted infrastructure projects, the private sector can be very effective."

A federal infrastructure bank, although ostensibly independent, would be swayed by political criteria and would be tempted to invest in low-return projects, such as roads to nowhere. Mr. Rendell admitted that the bank was needed because the returns to the projects were so low that the private sector would not want to invest in them.

Yet if the projects have such low returns, why should they be funded by taxpayers?

Congress has a choice of how to proceed to provide highways in America. On the one hand is the proposal of a new federally-controlled infrastructure bank which would require even more federal control over highways and the resources to support them. On the other are proposals for individual states to raise their own funds through new technologies and solve their own transportation problems. This Memorial Day, as we sit in traffic jams, the choice is clear.

### AT: SIBs Require Federal Spending

State infrastructure banks can use only state funding

Slone 2011 - transportation policy analyst at The Council of State Governments (July 5, Sean, “ State Infrastructure Banks ” <http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks>)

State Capitalized Infrastructure Banks Several states—including Florida, Georgia, Kansas and Ohio—have established state infrastructure banks or accounts within their banks that are capitalized solely with state funds.7 Virginia has recently joined the ranks of those four states. Such banks allow funded projects to avoid potentially delay-causing federal regulations and restrictions (such things as labor, environmental and “Buy America” requirements) they would otherwise be subjected to if they were financed using federal funds.

## \*\*General\*\*

### State Infrastructure Good

State and private funded infrastructure is better for job creation – efficiency

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

Mr. Chairman and members of the committee, thank you for inviting me to testify today. My comments will examine the federal role in the nation's infrastructure.

In the description of today's hearing, the committee asked how infrastructure helps to promote growth, jobs, and manufacturing. The short answer is that we can spur growth by ensuring that America's infrastructure investment is as efficient as possible. Infrastructure funding should be allocated to the highest-value projects, and those projects should be constructed and maintained in the most cost-effective manner. My testimony will discuss why reducing the federal role in infrastructure will help to increase the efficiency of our investment.

The first thing to note about America's infrastructure is that most of it is not provided by the government, but by the private sector. A broad measure of private infrastructure spending — on items such as buildings, factories, freight rail, pipelines, and refineries — is much larger than government infrastructure spending on items such as roads and airports. In Figure 1, data from the Bureau of Economic Analysis show that private gross fixed investment was $1.7 trillion in 2010, which compared to gross fixed investment by federal, state, and local governments of $505 billion.1 When defense investment is excluded, government infrastructure spending was just $388 billion, or less than one-quarter of private infrastructure spending.

One implication of this data is that if Congress wants to boost infrastructure spending, the first priority should be to make reforms to encourage private investment. Tax reforms, such as a corporate tax rate cut, would increase the net returns to a broad range of private infrastructure investments. Regulatory reforms to reduce barriers to investment are also needed, as illustrated by the delays in approving the $7 billion Keystone XL pipeline from Alberta to Texas.

Despite its smaller magnitude, public-sector infrastructure spending is also very important to the U.S. economy. But the usual recommendation to simply spend more federal taxpayer money on infrastructure is misguided. For one thing, the government simply can't afford more spending given its massive ongoing deficits. More importantly, much of the infrastructure spending carried out by Washington would be more efficiently handled by devolving it to state and local governments and the private sector.

### Federal Infrastructure Bad – General

Be skeptical of their solvency claims – federal projects ignore costs and overstate benefits

Edwards 2011 - Joint Economic Committee United States Congress (October 21, Chris, “ Infrastructure projects to fix the economy? Don’t bank on it. ” <http://www.washingtonpost.com/opinions/infrastructure-projects-to-fix-the-economy-dont-bank-on-it/2011/10/18/gIQAgtZi3L_print.html>)

Looking at the Corps and Reclamation, the first lesson about federal infrastructure projects is that you can’t trust the cost-benefit analyses. Both agencies have a history of fudging their studies to make proposed projects look better, understating the costs and overstating the benefits.

And we’ve known it, too. In the 1950s, Sen. Paul Douglas (D-Ill.), lambasted the distorted analyses of the Corps and Reclamation. According to Reisner, Reclamation’s chief analyst admitted that in the 1960s he had to “jerk around” the numbers to make one major project look sound and that others were “pure trash” from an economics perspective. In the 1970s, Jimmy Carter ripped into the “computational manipulation” of the Corps. And in 2006, the Government Accountability Office found that the Corps’ analyses were “fraught with errors, mistakes, and miscalculations, and used invalid assumptions and outdated data.”

Even if federal agencies calculate the numbers properly, members of Congress often push ahead with “trash” projects anyway. Then-senator Christopher Bond of Missouri vowed to make sure that the Corps’ projects in his state were funded, no matter what the economic studies concluded, according to extensive Washington Post reporting on the Corps in 2000. And the onetime head of the Senate committee overseeing the Corps, George Voinovich of Ohio, blurted out at a hearing: “We don’t care what the Corps cost-benefit is. We’re going to build it anyhow because Congress says it’s going to be built.”

### Federal Infrastructure Bad – Environment

Empirics prove federal infrastructure is wasteful and bad for the environment

Edwards 2011 - Joint Economic Committee United States Congress (October 21, Chris, “ Infrastructure projects to fix the economy? Don’t bank on it. ” <http://www.washingtonpost.com/opinions/infrastructure-projects-to-fix-the-economy-dont-bank-on-it/2011/10/18/gIQAgtZi3L_print.html>)

 In a recent television ad for her network, MSNBC host Rachel Maddow stands below the Hoover Dam and asks whether we are still a country that can “think this big” — Hoover Dam big. The commercial is built on the assumption that American greatness is advanced by federal spending on major infrastructure projects.

If I had my own television commercial, I’d stand in front of the wreckage of Idaho’s Teton Dam, which, like the Hoover Dam, was built by the federal Bureau of Reclamation. The Teton Dam was based on shoddy engineering and a flawed economic analysis. It collapsed catastrophically in 1976, just a year after it was built.

Increased infrastructure spending has significant support in Washington these days. President Obama wants a new federal infrastructure bank, and some members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and bureaucratic bungling, with money often going to wasteful and environmentally damaging projects.

For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the federal government shouldn’t be in the infrastructure business. Rather, state governments and the private sector are best equipped to provide it.

The Corps of Engineers has been building levees, canals and other civilian water infrastructure for more than 200 years — and it has made missteps the entire time. In the post-Civil War era, for example, there were widespread complaints about the Corps’ wastefulness and mismanagement. A 1971 book by Arthur Morgan, a distinguished engineer and former chairman of the Tennessee Valley Authority, concluded: “There have been over the past 100 years consistent and disastrous failures by the Corps in public works areas . . . resulting in enormous and unnecessary costs to ecology [and] the taxpayer.”

Some of the highest-profile failures include the Great Mississippi Flood of 1927. That disaster dramatically proved the shortcomings of the Corps’ approach to flood control, which it had stubbornly defended despite outside criticism. Hurricane Katrina in 2005 was like a dreadful repeat. The flooding was in large part a man-made disaster stemming from poor engineering by the Corps and misdirected funding by Congress.

Meanwhile, the Bureau of Reclamation has been building economically dubious and environmentally harmful dams since 1902. Right from the start, “every Senator . . . wanted a project in his state; every Congressman wanted one in his district; they didn’t care whether they made economic sense or not,” concluded Marc Reisner in his classic history of the agency, “Cadillac Desert.” The dam-building pork barrel went on for decades, until the agency ran out of rivers into which it could pour concrete.

Federal infrastructure is bad for the environment – concern for money over ecosystems

Edwards 2011 - Joint Economic Committee United States Congress (October 21, Chris, “ Infrastructure projects to fix the economy? Don’t bank on it. ” <http://www.washingtonpost.com/opinions/infrastructure-projects-to-fix-the-economy-dont-bank-on-it/2011/10/18/gIQAgtZi3L_print.html>)

As Morgan noted in his 1971 book, these big projects have often damaged both taxpayers and ecology. The Corps, Reisner argues, has “ruined more wetlands than anyone in history” with its infrastructure. Meanwhile, Reclamation killed wetlands and salmon fisheries as it built dams to provide irrigation water to farmers in the West — so they could grow crops that often compete with more efficiently grown crops in the East.

Taxpayers are double losers from all this infrastructure. They paid to build it, and now they are paying to clean up the environmental damage. In Florida, for example, the Corps’ projects, along with federal sugar subsidies, have harmed the Everglades. So the government is helping to fund a multibillion-dollar restoration plan. In the West, federal irrigation has increased salinity levels in rivers, necessitating desalination efforts such as a $245 millionplant in Yuma, Ariz. And in a large area of California’s San Joaquin Valley, federal irrigation has created such toxic runoff that the government is considering spending up to $2 billion to fix the damage, according to some estimates.

When the federal government “thinks big,” it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, it replicates the mistakes nationwide. Today, for instance, Reclamation’s huge underpricing of irrigation water is contributing to a water crisis across much of the West.

### Federal Infrastructure Bad – Efficiency

Federal infrastructure is inefficient – no accountability

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

Most federal nondefense infrastructure spending today is for activities that are state, local, and private in nature. Federal budget data for fiscal 2011 show that nondefense infrastructure spending was about $162 billion, including both direct spending and aid to the states.6 Some of that spending which was state, local, and private in nature included: $42.0 billion for highways, $16.8 billion for water and power projects, $14.3 billion for urban transit, $12.5 billion for community development, $12.5 billion for housing, and $3.5 billion for airports.

Problems with Federal Infrastructure Investment

There are calls today for more federal spending on infrastructure, but advocates seem to overlook the downsides of past federal efforts. Certainly, there have been federal infrastructure successes, but there has also been a history of pork barrel politics and bureaucratic bungling in federal investment spending. A substantial portion of federal infrastructure spending has gone to low-value and dubious activities.

I've examined spending by the two oldest federal infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation.7 While both of those agencies constructed some impressive projects, they have also been known for proceeding with uneconomic boondoggles, fudging the analyses of proposed projects, and spending on activities that serve private interests rather than the general public interest. (I am referring to the Civil Works part of the Corps here).

Federal infrastructure projects have often suffered from large cost overruns.8 Highway projects, energy projects, airport projects, and air traffic control projects have ended up costing far more than originally promised. Cost overruns can happen on both public and private infrastructure projects, but the problem is exacerbated when multiple levels of government are involved in a project because there is less accountability. Boston's Big Dig — which exploded in cost to five times the original estimate — is a classic example of mismanagement in a federal-state project.9

Federal infrastructure fails – regulation

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

Another problem is that federal infrastructure spending comes with piles of regulations. Davis-Bacon rules and other federal regulations raise the cost of building infrastructure. Regulations also impose one-size-fits-all solutions on the states, even though the states have diverse needs. The former 55-mph speed limit, which used to be tied to federal highway funds, is a good example. Today, federal highway funds come with requirements for the states to spend money on activities such as bicycle paths, which state policymakers may think are extraneous.14

Decentralizing Infrastructure Financing

The U.S. economy needs infrastructure, but state and local governments and the private sector are generally the best places to fund and manage it. The states should be the "laboratories of democracy" for infrastructure, and they should be able to innovate freely with new ways of financing and managing their roads, bridges, airports, seaports, and other facilities.

It is true that — like the federal government — the states can make infrastructure mistakes. But at least state-level mistakes aren't automatically repeated across the country. If we ended federal involvement in high-speed rail, for example, California could continue to move ahead with its own system. Other states could wait and see how California's system was performing before putting their own taxpayers on the hook.

### USFG Models States

Federal government models state infrastructure

Muro 2011 (June 28, Mark, “ Banking on Green Growth in Connecticut ” <http://www.tnr.com/blog/the-avenue/90969/banking-green-growth-in-connecticut>)

 Which is why it is so auspicious that one small state has taken the lead in moving from concept to design to implementation. In classic federalist fashion, state experimentation is leading the way at a time of federal gridlock.

How will Connecticut’s newly constituted Clean Energy Finance and Investment Authority (CEFIA) work? Basically, the new entity will function like an investment bank or fund that can leverage its capital to provide low-cost financing to clean projects that a commercial bank wouldn’t likely touch. To this end, the bank will be funded by a surcharge on residential and commercial electricity bills, which was previously paid into the state’s Clean Energy Fund, amounting to $30 million a year. CEFIA will also administer the $18 million Green Loan Guaranty Fund. The total $50 million investment by the bank will enable Connecticut to leverage limited state resources with much larger amounts of private capital—and in this way will catalyze a self-sustaining flow of low-cost capital for innovative clean energy deployment projects, whether it be large-scale rooftop solar plants or commercial building retrofits or even high-voltage lines. In this vein, the new Connecticut institution keeps pace with and somewhat “copy cats” the U.K.’s recently announced plan to capitalize a Green Investment Bank with $4.8 billion.

In short, a small northeastern state is embarking on an essential experiment aimed at getting clean energy finance moving. Ideally, this smart experiment will succeed and other states and Washington will follow suit. After all, finding a robust and workable solution to the problem of financing the deployment of innovative, large-scale clean energy projects will be absolutely central to ensuring that the U.S. unleashes a sizable clean energy economy, instead of drifting.

### AT: More Federal Spending Key

We are already spending enough – question of effectiveness

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

Let's look at current data on infrastructure spending. Interest groups complain that governments in the United States aren't spending enough on infrastructure, and we often hear that U.S. roads and other assets are crumbling. However, Figure 2 shows that while federal, state, and local infrastructure spending in the United States has dipped a little in recent decades, U.S. spending has closely tracked trends in other high-income nations. The figure shows gross fixed investment as a share of gross domestic product in the United States compared to the average of countries in the Organization for Economic Cooperation and Development.4 In 2010, U.S. infrastructure spending by governments was 3.5 percent of GDP, which was a little higher than the OECD average of 3.3 percent.

Let's take a closer look at just U.S. federal infrastructure spending using data from the Bureau of Economic Analysis.5 Figure 3 shows that federal nondefense infrastructure spending declined somewhat during the 1980s and 1990s, but started to rise again during the 2000s even before the recent "stimulus" spending. Spending in recent decades was generally above the levels of the 1950s, but below the high levels of the 1960s.

The high federal infrastructure spending of the 1960s was unique. A large share of that spending was for building the Interstate Highway System, which is now complete. Also note that substantial federal infrastructure spending at that time was misallocated to dubious or harmful activities. For example, federal funding of urban redevelopment and high-rise public housing schemes often had damaging social and economic effects. Also, federal spending on water infrastructure, such as dams, peaked in the mid-20th century, and a substantial part of that spending made little sense from an economic or an environmental perspective.

Thus, the important thing about infrastructure is to focus on allocating funds efficiently, not to maximize the amount of government spending. If infrastructure funding flows to low-value activities, it doesn't aid economic growth, nor does it help industries such as manufacturing. Experience shows that Washington often does a poor job at allocating infrastructure spending, in part because its decisions are far removed from market-based demands and price signals.

### AT: States Can’t Afford Transportation

States succeed at infrastructure even during recession – innovative financing

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (April 11, Robert, “ New Approaches for Infrastructure Finance: State and Local Perspective ” <http://www.brookings.edu/research/testimony/2012/04/11-infrastructure-finance-puentes>)

 The challenge is that the nation's economic recession and tense new focus on austerity means public resources for infrastructure are strained. As financial markets have contracted all actors are suffering under tightened credit supplies. Stretched budgets at all levels of government have led to a larger gap between infrastructure costs and revenues. As a result, meeting the nation's great needs for funding and financing infrastructure requires an "all of the above" strategy. This is especially true for state and local governments and elected officials, as I will explain. I firmly believe there is a clear need for a national infrastructure bank to finance multi-jurisdictional projects of national significance.[3]

However, in the absence of congressional action, states and localities are stepping in to finance the kind of major investments necessary to support the next economy. States and municipalities retain primary authority over selection, design, and control of the vast majority of infrastructure projects. How choices are made about which to fund is exceedingly complex and depends on funding sources, jurisdictional concerns, and political negotiations. Federal dollars for transportation and water mostly flow to the states who then work with their municipal counterparts to decide on specific investments. For transportation, this is also done in partnership with other entities on the metropolitan level such as the 400 metropolitan planning organizations and the multitude of special purpose bodies such as sea, airport, and toll road authorities and public transit agencies. Other areas of infrastructure, such as energy, telecommunications, and freight rail investments, are dominated by the private sector typically with federal and state regulatory oversight (see figure.) Public and Private Shares of Spending on Infrastructure, 2007[4]

Increasingly, public infrastructure investment is taking place through innovative finance tools, revolving loan funds, trusts, and so-called "banks." Most of these offer direct loans at low interest rates to public and private entities, while some also offer grants, loan guarantees, bonds, and other financial instruments. According to forthcoming Brookings research, since 1995 thirty-three states have used infrastructure banks and funds to invest nearly $7 billion in over 900 different projects. These projects range from local road maintenance and highway construction to emergency relief for damaged infrastructure. The structure of the banks and projects in which they invest reflect the diversity of needs and resources across the U.S.[5]

### AT: Perm

**Federal action in state policy is inefficient and detracts attention from federal governance**

**Nivola 05** - Senior Fellow, Governance Studies, The Brookings Institution (October, Pietro, “Why Federalism Matters,” Brookings Policy Brief Series # 146, http://www3.brookings.edu/papers/2005/10governance\_nivola.aspx)

Why the paternalists in Washington cannot resist dabbling in the quotidian tasks that need to be performed by state and local officials would require a lengthy treatise on bureaucratic behavior, congressional politics, and judicial activism. Suffice it to say that the propensity, whatever its source, poses at least two fundamental problems.

The first is that some state and local governments may become sloppier about fulfilling their basic obligations. The Hurricane Katrina debacle revealed how ill-prepared the city of New Orleans and the state of Louisiana were for a potent tropical storm that could inundate the region. There were multiple explanations for this error, but one may well have been habitual dependence of state and local officials on direction, and deliverance, by Uncle Sam. In Louisiana, a state that was receiving more federal aid than any other for Army Corps of Engineers projects, the expectation seemed to be that shoring up the local defenses against floods was chiefly the responsibility of Congress and the Corps, and that if the defenses failed, bureaucrats in the Federal Emergency Management Agency would instantly ride to the rescue. That assumption proved fatal. Relentlessly pressured to spend money on other local projects, and unable to plan centrally for every possible calamity that might occur somewhere in this huge country, the federal government botched its role in the Katrina crisis every step of the way—the flood prevention, the response, and the recovery. The local authorities in this tragedy should have known better, and taken greater precautions.

 Apart from creating confusion and complacency in local communities, a second sort of disorder begot by a national government too immersed in their day-to-day minutia is that it may become less mindful of its own paramount priorities.

Consider an obvious one: the security threat presented by Islamic extremism. This should have been the U.S. government's first concern, starting from at least the early 1990s. The prelude to September 11, 2001 was eventful and ominous. Fanatics with ties to Osama bin Laden had bombed the World Trade Center in 1993. Muslim militants had tried to hijack an airliner and crash it into the Eiffel Tower in 1994. U.S. military barracks in Dhahran, Saudi Arabia, were blown up, killing nearly a score of American servicemen in 1996. Courtesy of Al Qaeda, truck bombings at the American embassies in Tanzania and Kenya in 1998 caused thousands of casualties. Al Qaeda operatives attacked the USS Cole in 2000.

And so it went, year after year. What is remarkable was not that the jihadists successfully struck the Twin Towers again in the fall of 2001 but that the United States and its allies threw no forceful counterpunches during the preceding decade, and that practically nothing was done to prepare the American people for the epic struggle they would have to wage. Instead, the Clinton administration and both parties in Congress mostly remained engrossed in domestic issues, no matter how picayune or petty. Neither of the presidential candidates in the 2000 election seemed attentive to the fact that the country and the world were menaced by terrorism. On the day of reckoning, when word reached President George W. Bush that United Airlines flight 175 had slammed into a New York skyscraper, he was busy visiting a second-grade classroom at an elementary school in Sarasota, Florida.

The government's missteps leading up to September 11th, in short, had to do with more than bureaucratic lapses of the kind identified in the 9/11 Commission's detailed litany. The failure was also rooted in a kind of systemic attention deficit disorder. Diverting too much time and energy to what de Tocqueville had termed "secondary affairs," the nation's public servants from top to bottom grew distracted and overextended.

## \*\*Funding Mechanisms\*\*

### Tax Increases

Tax increases and audits solve lack of state funds

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (February 22, Robert, “ State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy ” <http://www.bafuture.org/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>)

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

But the audit must go farther, to investigate the entire scope of how transportation investment decisions are made within a state. For example, how closely aligned are project decisions to a cohesive strategic vision for economic growth? How coordinated are infrastructure projects? It makes no sense to make efficiency gains in a program that needs a thorough overhaul. For example, a recent audit of the Texas department of transportation recommended organizational changes intended to diminish the “singular, deeply entrenched culture” of the agency and more emphasis on business and financial management including the use of metrics to determine performance.22

Governors and legislators should also recognize that the fiscal crisis creates the opportunity to talk about new sources of transportation revenues – including sources that were previously considered politically infeasible. States should consider adopting market mechanisms like congestion pricing to maximize metropolitan road networks, as well as the expansion of user fees. And even voter-approved tax increases (which are evidence of willingness to pay for services) should be part of the discussion. Residents in metropolitan Phoenix, for example, recently approved a half-cent sales tax for regional transportation that is expected to generate $11 billion. Los Angeles county voters approved a half-cent increase that is projected to raise $40 billion for transportation improvements. Notably, that vote came in November 2008, right it the middle of the economic downturn.23 Governors should encourage this kind of self help.

### Merit Reform

Making SIB funds merit-based solves

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (February 22, Robert, “ State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy ” <http://www.bafuture.org/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>)

 Create new public/private institutions. To finance the kind of major investments necessary to support the Next Economy, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies, states should establish a state infrastructure bank (SIB) or enhance it if one is already in place.

Beginning in 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for states. Since then, 33 states have established SIBs to finance transportation projects. Most of this support comes in the form of belowmarket revolving loans and loan guarantees. States are able to capitalize their accounts with federal transportation dollars but are then subject to federal regulations over how the funds are spent. Others, including Kansas, Ohio, Georgia, and Florida, capitalize their accounts with a variety of state funds and are not bound by the federal oversight which they feel helps accelerate project delivery. Other states—such as Virginia, Texas, and New York—are also examining ways to recapitalize their SIBs with state funds.24

But rather than bringing a tough, merit-based approach to funding, many SIBs are simply used to pay for the projects selected from the state’s wish list of transportation improvements, without filtering projects through a competitive application process. A better approach would be for states to use their infrastructure banks more strategically, focusing on those transportation projects that will facilitate the flow of exports or connect workers to jobs. The projects should be evaluated according to strict return on investment criteria, not selected with an eye towards spreading funding evenly across the state. (Such an approach is analogous for how the federal government should establish a national infrastructure bank.)

### Public Private Partnership

Public-private partnerships solve better

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

One option for the states is to move more of their infrastructure financing to the private sector through the use of public-private partnerships (PPP) and privatization. The OECD has issued a new report that takes a favorable view on the global trend towards infrastructure PPPs, and notes the "widespread recognition" of "the need for greater recourse to private sector finance" in infrastructure.17 The value of PPP infrastructure projects has soared over the past 15 years in major industrial countries.18

PPPs differ from traditional government projects by shifting activities such as financing, maintenance, management, and project risks to the private sector. There are different types of PPP projects, each fitting somewhere between traditional government contracting and full privatization. In my view, full privatization is the preferred reform option for infrastructure that can be supported by user fees and other revenue sources in the marketplace.

Transportation is the largest area of PPP investment. A number of projects in Virginia illustrate the options:

Midtown Tunnel. Skanska and Macquarie will be building a three-mile tolled tunnel under the Elizabeth River between Norfolk and Portsmouth. Private debt and equity will pay $1.5 billion of the project's $1.9 billion cost.19

Capital Beltway. Transurban and Fluor will be building, operating, and maintaining new toll lanes on the I-495. The firms are financing $1.4 billion of the project's $1.9 billion cost.20

Dulles Greenway. The Greenway is a privately-owned toll highway in Northern Virginia completed with $350 million of private debt and equity in mid-1990s.21

Jordan Bridge. FIGG Engineering Group is constructing, financing, and will own a $100 million toll bridge over the Elizabeth River between Chesapeake and Portsmouth, which is to be completed in 2012.22

About $900 billion of state-owned assets have been sold in OECD countries since 1990, and about 63 percent of the total has been infrastructure assets.23 The OECD notes that "public provision of infrastructure has sometimes failed to deliver efficient investment with misallocation across sectors, regions or time often due to political considerations. Constraints on public finance and recognized limitations on the public sector's effectiveness in managing projects have led to a reconsideration of the role of the state in infrastructure provision."24

There has been a large increase in privatization and infrastructure PPPs in many countries, but the OECD notes that the United States "has lagged behind Australia and Europe in privatization of infrastructure such as roads, bridges and tunnels."25 More than one-fifth of infrastructure spending in Britain and Portugal is now through the PPP process, so this is becoming a normal way of doing business in some countries.26

The industry reference guide for infrastructure PPP and privatization is Public Works Financing.27 According to this source, only 2 of the top 40 companies doing transportation PPP and privatization around the world are American. Of 733 transportation projects currently listed by PWF, only 20 are in the United States. Canada — a country with one-tenth of our population — has more PPP deals than we do. In Canada, PPPs account for 10 to 20 percent of all public infrastructure spending.28

One of the fuels for infrastructure PPP has been growing investment by pension funds.29 In Canada, Australia, and other countries, there is larger pension fund investment in infrastructure than in the United States. In some countries, such as Australia, the growth in pension assets has been driven by the privatization of government retirement programs.30 Thus, there is a virtuous cycle in place — the privatization of savings in some countries has created growing pools of capital available to invest in privatized infrastructure.

There are many advantages of infrastructure PPP and privatization. One advantage is that we are more likely to get funding allocated to high-return investments when private-sector profits are on the line. Of course, businesses can make investment mistakes just as governments do. But unlike governments, businesses have a systematic way of choosing investments to maximize the net returns. And when investment returns are maximized, it stimulates the largest gains to the broader economy.

One reason that privatized infrastructure is efficient is that private companies can freely tap debt and equity markets to build capacity and meet market demands. By contrast, government investment suffers from the politics and uncertainties of the federal budget process. You can see the problems with our air traffic control system, which needs long-term investment but the Federal Aviation Administration can't count on a stable funding stream. For its part, the FAA's management of ATC investment has been poor. The agency has a history of delays and cost overruns on its technology upgrade projects. The solution is to privatize our air traffic control system, as Canada has done with very favorable results.31

PPPs are more efficient

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

A recent Brookings Institution study describes some of the advantages of PPPs. It notes that the usual process for government infrastructure investment decouples the initial construction from the later management, which results in contractors having few incentives to build projects that will minimize operation and maintenance costs.32 PPP solves this problem because the same company will both build and operate projects. "Many advantages of PPP stem from the fact that they bundle construction, operations, and maintenance in a single contract. This provides incentives to minimize life-cycle costs which are typically not present when the project is publicly provided," notes the Brookings' study.33

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There are other advantages of infrastructure PPP and privatization. One advantage is the greater efficiency of construction. Extensive British experience shows that PPP projects are more likely to be completed on time than traditional government projects.34 Another advantage is the greater efficiency of operations. Private firms have incentives to reduce excessive operational costs, as illustrated by the labor cost savings from the leasing of the Chicago Skyway.35 Finally, private operators of infrastructure such as toll roads are more likely to charge efficient market rates to users, as illustrated by the leasing of the Indiana Toll Road.36

The Brookings' paper raises some important concerns with PPP, which I share. One is that state officials may lease assets such as toll roads simply to paper over short-term budget deficits. Another concern is that policymakers write poor contracts that assign profits to private parties but risks and possible losses to taxpayers. The Brookings' authors propose approaches to structuring contracts and competitive bidding to ensure efficiency.

For new infrastructure investments, well-structured PPP or full privatization appears to be a winning approach for taxpayers, governments, and the broader economy. Taxpayers win because subsidies to infrastructure users are minimized. Governments win because they get new facilities built. And the economy wins because private investment is more likely to be cost-efficient and well-targeted than traditional government investments.

Privatizing solves problems with US transport infrastructure – mismanagement, better investment decisions

Edwards 2011 – Joint Economic Committee United States Congress (November 16, Chris, “ Federal Infrastructure Investment ” <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

Conclusions

In its report on the state of U.S. infrastructure, the American Society of Civil Engineers gives America a grade of "D."37 However, the ASCE report mainly focuses on infrastructure provided by governments, so if you believe that this low grade is correct, then it is mainly due to government failures. The ASCE lobbies for more federal spending, but OECD data shows that public-sector spending on infrastructure is about the same in this country as in other high-income nations.

Some of the infrastructure shortcomings in the United States stem from mismanagement and misallocation by the federal government, rather than a lack of taxpayer support. So part of the solution is to decentralize infrastructure financing, management, and ownership as much as possible. State and local governments and the private sector are more likely to make sound investment decisions without the federal subsidies and regulations that distort their decisionmaking.

This committee's description of today's hearing noted: "Transportation infrastructure is especially important to the manufacturing sector, which relies on various modes of transportation to obtain raw materials and to transport end products to the marketplace." That is certainly true, and I think transportation privatization is part of the answer to improve America's competitiveness in global markets. For example, nearly all airports and seaports in this country are owned by governments, but many airports and seaports abroad have been partly or fully privatized. The World Economic Forum rates America's seaports only 23rd in the world, but the first- and third-best seaports in the world, according to the WEF, are private — Singapore and Hong Kong.38

The federal government cannot afford to expand its infrastructure spending because of today's massive deficits. Many states are also in a budget squeeze. Fortunately, the global trend is toward partly or fully privatizing the financing and ownership of infrastructure. U.S. policymakers should study the recent innovations in infrastructure investment, and then start unloading the financing and ownership of our infrastructure to the private sector.

Private funding for high speed rail is popular

Ekins 2012 (January 5, Emily, “ 55 Percent of Americans Want Private Enterprise to Build High Speed Rail ” <http://reason.com/poll/2012/01/05/55-percent-of-american-want-private-ente>)

With states bringing in lower tax revenues, strapped budgets, and increasing transportation usage, governments are looking to partner with private firms to provide transportation improvements and expansions. According to the recent Reason-Rupe poll, 55% of Americans favor these kinds of partnerships. In fact, a majority of all political groups favor government working with private companies to further transportation projects. Many governments are partnering with private companies to build and expand highways, airports and other infrastructure projects that government might not be able to afford otherwise. Do you favor or oppose these public-private partnerships? Which statement do you agree with more? Federal and state governments should spend taxpayer money to build and operate high-speed rail systems where they think they are needed; or, Private companies should build and operate high-speed rail systems where they think riders will pay to use them. When Americans are asked to choose between government and private business building high-speed rail, however, a majority of Americans (55 percent) want private enterprise to build this infrastructure. In contrast, 34 percent believe government should build high-speed rail. Partisan divisions do arise for this issue of high-speed rail: a plurality of Democrats and Occupy Wall Street supporters prefer government build with taxpayer money, however a majority of pure Independents, Tea Party Supporters and Republicans prefer private companies to build these railways.

## \*\*Aff Answers\*\*

### States Fail – General

State transportation investment fails – bad investments, disconnected policies, and no impact analysis

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (February 22, Robert, “ State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy ” <http://www.bafuture.org/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>)

Second, state investments are not made in a sufficiently strategic, economy-enhancing way. States also face challenges because they spend their (now-declining) transportation dollars poorly. For example, many states have tended to allocate investments via logrolling rather than evidence. As a result, projects are spread around the state like peanut butter.10 The metropolitan areas that will deliver the next economy—since they already concentrate the assets that matter to smart economic growth like transportation—are often undermined by spending and policy decisions that fail to recognize the economic engines they are and focus investments accordingly. Nor have states been deliberate about recognizing and supporting the particular needs and challenges of both metro and non-metro areas.

State transportation policies also remain rigidly stovepiped and disconnected as states fail to take advantage of potential efficiencies gained through integrated systems. By failing to join up transportation up with other policy areas—such as housing, land use, energy—states are diminishing the power of their interventions and reducing the return on their investments. This is a very different approach from how the economy functions and is out-of-step with innovations to connect transportation investments to economic prosperity. The benefits of federal, state and private investments are amplified when metropolitan areas pursue deliberate strategies across city and suburban lines that build on the distinctive advantages of the broader metropolis.

Lastly, states have generally not had the courage to make hard choices and truly tie their transportation programs to achieving the kinds of outcomes described above. Benefit/cost or economic impact analyses are rarely, if ever, used in deciding among alternative projects and regular evaluations of outcomes are typically not conducted.11 Most states fail to prioritize rehabilitation and maintenance on a programmatic level and instead react on a project-by-project basis. So far, efforts to reduce oil dependency are largely ephemeral. And only three states consider social equity a primary transportation goal.12

### States Fail – Cooperation

States opting out decks cooperation – prevents solvency

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (February 22, Robert, “ State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy ” <http://www.bafuture.org/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>)

Other initiatives like the high speed rail program represent a very different model from the late 20th century federalism in transportation with the federal government providing resources that rain down unencumbered to the state and metropolitan level. The new 21st century model of competitive award funding demands that our nation’s state and metropolitan leaders develop innovative approaches to pressing transportation problems, and contribute their own funds to see the projects through. Deep commitments from a broad range of stakeholders—public/private, state/local, legislative/executive—is essential. For projects that extend beyond individual state borders, close coordination—both formal and informal—with neighboring states is essential. More than just backroom deals, these are lengthy relationships that bear real fruit in the form of finalized plans, environmental reviews, and dedicated shared funding agreements. The challenge with this model comes, as the 2010 election has shown, when new governors decide that the federal government’s offer of funding is comparable to an offer of a free puppy: the on-going maintenance demands are more than they want to bear.

### States Fail – Efficiency

Federal spending for nationwide projects is key to efficiency – turns the net benefit

CBO 2010 (November, “ Public Spending on Transportation and Water Infrastructure ” <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/119xx/doc11940/11-17-infrastructure.pdf>)

 Determining the Role of the Federal Government and of State and Local Governments In terms of economic efficiency, whether the federal government or state and local governments should fund certain infrastructure projects depends upon whether that funding benefits the nation as a whole or particular states and localities. If those who benefit from a project do not bear its costs, too large a project (or too many projects) might be undertaken or too many infrastructure services consumed relative to the resources used to provide the project or services. To avoid that problem, the federal government could choose to fund a project undertaken by a particular state or locality only if that funding was expected to generate benefits for taxpayers nationwide. Under that scenario, projects that produced benefits only for the citizens of a given state or locality would be funded at those levels of government. Notwithstanding that argument, the federal government might provide funding for infrastructure that offered only local benefits as a way to address other policy goals, such as guaranteeing that all citizens have equal access to a certain type of facility.

### Federal HSR Good

Federal funding is key to HSR – California proves – prerequisite to private funding

Doyle 2012 (April 3, Michael, “ High-speed rail plan still relies on federal funds” <http://www.modbee.com/2012/04/03/2142893/high-speed-rail-plan-still-relies.html>)

WASHINGTON -- A streamlined California high-speed rail plan still relies on serious federal funding, even as skeptics try to sidetrack the project on Capitol Hill. Federal grants and loans would account for about $42 billion of the total project cost now pegged at $68.4 billion, the revised business plan released this week shows. Getting the money could be a chore, as congressional Republicans continue to resist the project they cast as a high-priced pet of the Obama administration. "Is that money in the bank? Far from it," state Sen. Joe Simitian, D-Palo Alto, said in an interview Tuesday. California has about $3.3 billion in federal funds available to start high-speed rail construction. This money is secure, although some Republicans have discussed trying to divert it to other transportation purposes. But within several years, the new business plan released Monday anticipates that additional federal funds will resume rolling into the state. The federal dollars account for the largest share of the expected spending. Private sources, for instance, are expected to provide about $13 billion. "The new approach helps get the initial operating segment built faster and cheaper," Jessica Kahanek, spokeswoman for rail supporter Rep. Jim Costa, D-Fresno, said Tuesday. "Once trains are moving, private capital can start moving in." Merced part of first phase The revised plan envisions a first phase connecting Merced to the San Fernando Valley within 10 years, as well as a "blended system" involving upgraded commuter lines in Southern California and the Bay Area. The 212-page revised business plan anticipates a combination of federal loans as well direct grants, with some projections extending into a politically opaque future. The plan, for instance, anticipates more than $3 billion from unspecified federal sources in the year 2023. "It's very much a step in the right direction," Simitian said of the revised plan, while adding that "the question that won't go away (is), where does the rest of the money come from?" As part of its funding overview, the plan cites an Obama administration transportation proposal that includes billions of dollars for rail spending. The plan, however, does not recount how some Republicans called Obama's proposal dead on arrival. "You've got a vision," Republican Sen. Jeff Sessions, R-Ala., told Transportation Secretary Ray LaHood at a February budget hearing. "It just isn't connected to reality." The California plan declares that a "cooperative and complementary agenda for jointly pursuing federal support" will be established. "We believe it is a high priority of the federal government," California High-Speed Rail Authority spokesman Lance Simmens said Tuesday, adding that "we have a very solid working relationship with the Department of Transportation and Federal Railroad Administration."

### Perm – General

Federal funding is key to avoid economic collapse – state budget cuts

Friedman 2009 – teacher of economics at University of Massachusetts, Amherst (Gerald, “ The Economic Crisis in the States ” <http://www.dollarsandsense.org/archives/2009/1209friedman.html>)

 The crisis facing the states has just begun and threatens to get worse, much worse. Special circumstances delayed the collapse of state and local government services in the current crisis. While state tax revenues are running more than 10% below last year’s level, and have already fallen to the 2005 level, most states have been able to balance their budgets without draconian cuts because of two special circumstances. First, heading into the recession, 41 states had “rainy day” funds with an average balance of nearly 3% of revenue. These funds, mostly exhausted now, helped to cushion the initial decline in revenue. Second, the federal government came to the rescue with the American Recovery and Reinvestment Act (ARRA). Under the ARRA, the “Obama Stimulus” program, the federal government in effect shared its elastic borrowing capacity with states by granting them nearly $100 billion in immediate fiscal relief with another $230 billion in supplemental and competitive grants.

Rainy day funds and ARRA allowed most states to balance their budgets in the past two fiscal years with cuts of “only” $168 billion. Unfortunately, both the rainy day funds and the ARRA will be exhausted long before the recovery of state and local revenues. Under an optimistic forecast, the combination of declining revenues, rising demand for services, and the withdrawal of ARRA aid will force states to cut as much as 4% of their spending each fiscal year through 2013; if the economic recovery slows the cuts will have to be as much as 8% of spending. Even this forecast may be too optimistic. A recent report by the Center on Budget and Policy Priorities finds that revenue shortfalls in the current fiscal year are forcing 26 states to reopen their budgets and cut an additional $16 billion, or 4%. In the current fiscal year, 48 states have already reduced spending or increased revenues by $178 billion, or 26%, the largest budget gap on record. In the next fiscal year, 2011, budget gaps are projected to be $80 billion for 35 states, or 14%, and this total is likely to grow to over $180 billion as revenues continue to deteriorate. Deficits of this magnitude will require further state and local spending cuts and revenue enhancements made even more punishing than previous rounds because of the exhaustion of rainy-day funds and ARRA aid. Ironically, by reducing employment and spending, cuts of these magnitudes will slow any recovery, making the less-optimistic forecast more likely.

The division of labor in American federalism creates the fiscal pressure causing these draconian budget cuts and places them squarely on the infrastructure investments and education and social services financed at the state and local levels. There is nothing new in this depressing analysis. Early-19th-century politicians like John Quincy Adams and Henry Clay, for example, wanted the federal government to use its more elastic and expansive revenue stream to provide more adequate funding for education and welfare as part of a broad national program of internal improvements. Before the Civil War, their proposals were rejected by southern politicians who dominated the federal government. Southern secession in 1860-61 opened the door to a more active federal role. Under the Morrill Act of 1862, the federal government provided land grants to establish public universities in every state, and in 1867, a federal Department of Education was formed building on the work of the Freedman’s Bureau and charged with promoting education and learning.

Over the next 20 years, measures were proposed to expand the federal role in education, including the 1870 Hoar Bill, sponsored by Massachusetts Senator George Hoar, to “compel by national authority the establishment of a thorough and efficient system of public instruction throughout the whole country.” The most sustained efforts were led by Senator Henry W. Blair of New Hampshire whose so-called Blair Bill would have provided federal funds to states for education with extra funds provided states with high levels of illiteracy. Despite this provision, that would have sent additional funds to the South, white southern Democrats repeatedly voted down Blair’s bill because it required that funds be expended on free common schools to all children without distinction of race or color. Some northerners resisted this expansion of federal spending, especially on southern schools. The Blair Bill was anathema to southern planters and politicians who feared, as one put it, “the difficulty of controlling more educated Negroes.”

The determination of southern politicians to control their African American and poor white labor force led them to stymie efforts to use federal funds to expand access to education and, later, to social welfare benefits. The Hoar Bill or the Blair Bill could have been enacted; we could finance education or welfare nationally using the relatively abundant and elastic federal tax system. Their defeat, and the defeat of later measures, left the financing of education and welfare on the state and local level because it was a decision made by politicians to accommodate entrenched local oligarchs, especially southern planters. Had the American left been politically stronger or legislatively more astute, we could have had a different fiscal regime. Maybe we still can. And then maybe we’ll have adequate financing of education and human services; and the Pentagon will have to hold bake sales to buy bombers.

The mismatch of needs and revenues on the state and local level threatens social services and endangers needed investments in health, in transportation, in green technology, and elsewhere. If we allow this to happen, cuts in state and local spending will chase the economy down the hill to economic recession or worse. All of us, including the needy, the poor, the young, the disabled, and the sick will pay the price. Building on the ARRA program, we can insist on a renewed program of federal support for states and localities. This would avoid the worst effects of the current crisis but it would be better to eliminate the problem, the standing threat of local fiscal failure to essential programs of social insurance and investment, with a renewed revenue sharing program which would place a floor under state revenues. Even better would be to fund these programs with federal dollars, spreading the umbrella of the federal government’s elastic revenue stream over them so as to give all Americans equal access to schooling and social services, regardless of what states they live in. In this way, we would give education, health care, the environment, and other services the same fiscal priority we now give the military.

For two centuries, racists used a “states’ rights” to block national programs. By dismantling segregation, the Civil Rights movement eliminated this obstacle. We now have the opportunity to bring Lincoln’s “new birth of freedom” to all Americans by moving our federal system away from the shadow of states’ rights and, as the late Hubert Humphrey said, to “walk forthrightly into the bright sunshine of human rights.” It is only our political failure that leaves infrastructure, social services, and education on the chopping block to be decimated by state and local budget balancers who are bound to match expanding spending needs with shrinking revenues.

### Perm – SIB

Federal funding of state infrastructure banks solves and avoids Congressional backlash

Milford 2011 – Clean Energy Group (September 13, Lew, “ State Support for Clean Energy Jobs: A Way to Avoid Congressional Gridlock and Unlock the Job Creation Engine ” <http://www.cleanegroup.org/blog/state-support-for-clean-energy-jobs-a-way-to-avoid-congressional-gridlock-and-unlock-the-job-creation-engine/>)

The President’s speech to Congress on September 8th did not say anything explicitly about clean energy. But the provisions mentioned that might promote clean energy jobs were the federal infrastructure bank idea and the project to fix up our nation’s schools with energy efficient equipment, along with some others.

These projects are good starts, but there may be some ways to accomplish the same results without Congressional approval. I suggest a few here: all propose “leading from behind” the states, which have proven the consistent leaders and job creators on clean energy for the last decade.

First, while the national infrastructure bank is a good idea, it may have rough sledding in Congress. The Administration might consider an alternative: fund existing or new state-level infrastructure banks that finance conventional projects like roads but also new clean energy technologies.

According to FHA, 32 states and Puerto Rico have state-run infrastructure banks, which have distributed over $6.2 billion to 609 projects as of 2008. Most cover transportation but some include energy and water. If a new federal institution can’t work, fund state-level banks with more capital to expand their lending and job creating capacity.

Taking up on this theme, Connecticut was the first state to create a state-level green energy bank (modeled after the first national-level Green Investment Bank in the UK). The Connecticut green bank, managed by the Clean Energy Finance and Investment Authority (CEFIA), will start with an initial $50 million for state investment, which is expected to leverage multiples of private capital. Instead of creating a new federal institution, a federal program could send capital to state green banks that have more projects than they can finance, immediately creating new jobs.

Second, many states have created new economic development programs and policies for clean energy – the Administration could direct funds (reprogrammed or repurposed rather than new funds) to these states to expand their job creating programs without creating a new federal bureaucracy.

To date, over 20 states have created a varied array of these public investment vehicles to invest in clean energy pursuits with revenues often derived from small public-benefit surcharges on electric utility bills. Over the last decade, state clean energy funds have invested over $2.7 billion in state dollars to support renewable energy markets while leveraging another $9.7 billion in additional federal and private sector investment, with the resulting $12 billion flowing to the deployment of over 72,000 projects in the United States ranging from solar installations on homes and businesses to wind turbines in communities.

Many states have now moved beyond project finance to support active economic development programs, including cluster development, supply chain analysis, workforce training, and various forms of company investments. But this work is underfunded and they could do more to create jobs with additional support. This kind of local job creation for smaller companies is the typical engine of economic growth in the United States.

As part of any federal jobs program, the Administration should consider some form of matching state fund program to extend the reach of these state economic development programs in clean energy. This could be millions, not billions of dollars, again in repurposed or reprogrammed funds, which could perhaps be done without new congressional legislation.

For jobs creation, especially in clean energy where there is little federal bipartisan support, creating new federal agencies and programs may not be the answer.

In addition, relying on state experts who are closer to their markets and their companies might avoid some of the Solyndra controversies in the future. For decades, state officials have created policies and made or approved investments in energy technology and companies to build out the fossil fuel and nuclear energy infrastructure we now have. For a hundred years, through our heavily regulated, monopoly electric generation system, trillions of dollars of government directed support has gone to our network of energy technologies, utilities and companies.

Now that system is slowly moving toward clean energy. Unless electric generation becomes deregulated, a good experiment that largely stalled in the 1990s, state government will remain a big investor in that transition from a fossil fuel economy to cleaner energy technologies.

Future job creation in clean energy should respect, not ignore, these state level historical trends and institutional frameworks. The Administration might pay closer attention to this issue as well. For in conservative federalist fashion, additional Administration support for these states might avoid federal controversies and jumpstart the clean energy segments of the local economies with minimal delay.

## \*\*Spending DA\*\*

### 2AC Spending DA

States have no money for transportation – declines in consumption – the CP causes massive state spending

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (February 22, Robert, “ State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy ” <http://www.bafuture.org/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>)

First, state transportation funding sources are shrinking. Twenty-one states—including New York, Illinois, and Florida—saw transportation program area cuts in fiscal year 2010 and 11—like Michigan— expected cuts for the next fiscal year.4 Part of the states’ funding problem is that they are still heavily reliant on the motor vehicle fuel tax (the gas tax) for the bulk of their transportation revenues. From 1995 to 2008, more than half of the funds states used for highways came directly or indirectly through state and federal gas taxes (Table 1). But slowdowns in fuel consumption overall and stagnant gas tax rates have squeezed this revenue source.5

At the same time revenues are down, the demands for spending have increased. A litany of reports and analyses highlight the deteriorating condition of the nation’s transportation infrastructure.6 Over a quarter of major roads’ rides in urbanized areas are not at acceptable levels.7 According to the latest data, nearly 72,000 bridges (12 percent of the total) in the U.S. are considered to be “structurally deficient” meaning their condition had deteriorated to the point that rehabilitation or replacement is approaching or imminent. More than one-fifth of the bridges are deficient in states like Oklahoma, Iowa, Pennsylvania, Rhode Island, and South Dakota.8 In addition to its condition, U.S. infrastructure lags when it comes to the deployment of advanced information and telecommunications technology.9

Spending destroys state reserve funds – those are key to avoid economic downturn

CBPP 2011 – Center for Budget and Policy Priorities (February 3, “ Why and How States Should Strengthen Their Rainy Day Funds Recession Highlighted Importance of Funds and Need for Improvements ” <http://www.cbpp.org/cms/index.cfm?fa=view&id=3387>)

Unrestricted general fund balances and designated rainy day funds serve as a state’s first line of defense against the budget pressures caused by declining revenues and the rising need for public services during a downturn. Figure 1 shows state general fund balances (including rainy day fund balances) at the close of each fiscal year since 2000.

These balances have played an important role in helping states cope with the last two recessions, those of 2001 and 2007. Before both recessions, states accumulated reserve funds equal to some 10 percent of state budgets. In the years following the 2001 recession (2001-2004), states faced shortfalls totaling some $240 billion, and they used reserves to close some 10 percent of those shortfalls. If the funds had not been available, states would have had to make even deeper cuts in health care, education, and other important services or raise additional revenues.

Having funds available in a reserve — and using those funds when needed during a downturn — reduces the toll that spending cuts or revenue increases can take on a state’s economy in a downturn.

Spending cuts are problematic during a downturn because they reduce overall demand, which can make the downturn deeper. When states cut spending, they lay off employees, cancel contracts with vendors, eliminate or lower payments to businesses and nonprofit organizations that provide direct services, and cut benefit payments to individuals. In all of these circumstances, the companies and organizations that would have received government payments have less money to spend on salaries and supplies, and individuals who would have received salaries or benefits have less money for consumption. This directly removes demand from the economy. So do many tax increases. [5]

**That causes global nuclear war**
**Friedberg and Schoenfeld 8** (Aaron Friedberg-professor of politics and international relations at the Woodrow Wilson School, and Gabriel Schoenfeld-visiting scholar at the Witherspoon Institute, 10/21/2008, The Dangers of a Diminished America, The Wall Street Journal, p. HYPERLINK "http://online.wsj.com/article/SB122455074012352571.html?mod=googlenews\_wsj" http://online.wsj.com/article/SB122455074012352571.html?mod=googlenews\_wsj)

Then there arethe dolorous consequences of a potential collapse of the world's financial architecture. For decades now, Americans have enjoyed the advantages of being at the center of that system. The worldwide use of the dollar, and the stability of our economy, among other things, made it easier for us to run huge budget deficits, as we counted on foreigners to pick up the tab by buying dollar-denominated assets as a safe haven. Will this be possible in the future? Meanwhile, traditionalforeign-policy challenges are multiplying. The threat from al Qaeda and Islamic terrorist affiliates has not been extinguished. Iran and North Korea are continuing on their bellicose paths, while Pakistan and Afghanistan are progressing *smartly* down the road to chaos.Russia's new militancy and China's seemingly relentless rise also give cause for concern*.* If America now tries to pull back from the world stage, it will leave a dangerous power vacuum. The stabilizing effects of our presence in Asia, our continuing commitment toEurope, and our position as defender of last resort for Middle Eastenergy sourcesandsupply linescould all be placed at risk*.* [CONTINUED]

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In such a scenariothere are shades of the 1930s, when global trade and finance ground

nearly to a halt,the peacefuldemocracies failed to cooperate*,* and aggressive powers led by the remorseless fanatics who rose up on the crest of economic disaster exploited their divisions.Today we run the risk that rogue states may choose to become ever more reckless with their nuclear toys, just at our moment of maximum vulnerability. The aftershocks of the financial crisis will almost certainly rock our principal strategic competitors even harder than they will rock us*.* The dramatic free fall of the Russian stock market has demonstrated the fragility of a state whose economic performance hinges on high oil prices, now driven down by the global slowdown. China is perhaps even more fragile, its economic growth depending heavily on foreign investment and access to foreign markets. Both will now be constricted, inflicting economic pain and perhaps even sparking unrest in a country where political legitimacy rests on progress in the long march to prosperity. None of this is good news if the authoritarian leaders of these countries seek to divert attention from internal travails with external adventures.

### State Spending Bad

State spending decks the economy – forces spending cuts and tax increases

CBPP 2008 – Center for Budget and Policy Priorities (“ States in Trouble Due to Economic Downturn ” <http://www.cbpp.org/cms/index.cfm?fa=archivePage&id=policy-points.htm>)

The weak economy is generating great fiscal distress among states. Because states cannot run deficits, they must close their shortfalls by cutting spending or raising taxes. That causes two further problems. First, their spending cuts and tax increases take money out of the economy, making the downturn even worse. Second, as states have to cut back, they cannot respond to the rising need for health care and other services that occurs when workers lose jobs or are otherwise hit by the economic downturn. Forty-one states faced or are facing budget shortfalls. Twenty-nine states and Washington, D.C. closed shortfalls of $48 billion in enacting their fiscal 2009 budgets, which began on July 1 in most states. The shortfalls equaled 9 percent of these states’ general fund (operating) budgets. In 31 states and D.C., 2009 budgets have fallen out of balance since their enactment, producing new, mid-year deficits that total more than $24 billion (or 6.6 percent of budgets). Twenty-one states already project shortfalls totaling more than $40 billion for fiscal 2010 (which in most states begins July 1, 2009): Alabama, Arizona, California, Connecticut, Florida, Hawaii, Kansas, Louisiana, Maine, Maryland, Minnesota, Missouri, Nevada, New York, North Carolina, Oregon, Rhode Island, Vermont, Virginia, Washington and Wisconsin. Based on the rate at which states’ revenue bases are deteriorating and the history of prior recessions, the total 2010 state budget gaps will likely be about $100 billion. The state revenue situation is rapidly worsening. To keep pace with the cost of services, state revenues must grow. But overall revenues last year were essentially flat and are weakening dramatically this year. In the most recent quarter, July-September 2008, tax revenues are below last year's levels in most states after adjusting for inflation and are likely to weaken further. The median decline in states that have released data for this quarter is 5 percent after adjusting for inflation. Sales taxes are the hardest hit so far, reflecting a fall in both personal consumption and business purchases. But income taxes and other taxes are also falling. Recent stock market declines and continued job losses will depress revenues further. States face other problems from the weakening economy. Employers are reducing jobs and cutting back on employer-provided health coverage. As a result, more families are turning to programs like Medicaid, which provides health coverage to low- and moderate-income families and is jointly funded by Washington and the states. State spending levels were relatively low even before this crisis. Aggregate state spending fell sharply relative to the economy during the 2001 recession, and it remained below the 2001 level as a share of the economy when states adopted their 2008 budgets. The funding cuts that states will likely make in the coming months will reduce overall spending further below 2001 levels. States have already substantially used budget reserves to address funding gaps, but these reserves are limited. States ended fiscal 2006 and 2007 with $69 billion in reserves each year, equal to about 11 percent of their budgets. Those are the largest reserves states have ever accumulated. But now states have used a significant portion of those reserves, and the remaining amount will not be enough to solve state budget problems. California and Massachusetts officials have expressed concerns about their states’ ability to obtain short-term loans. Such short-term borrowing is a routine part of state fiscal practices, and not an indicator of budget problems. States are simply facing the same problem faced by millions of businesses across the country: tightening credit markets. But in the unlikely event that states cannot obtain needed loans from private lenders or the federal government, their budget problems would worsen significantly.

### AT: Non-Unique

State economies are trending up – fewer cuts

Bloomberg 3/3/12 (“ State budget surpluses rising as economy lifts revenue ” <http://bangordailynews.com/2012/05/03/news/nation/state-budget-surpluses-rising-as-economy-lifts-revenue/>)

WASHINGTON — More than half of the 50 states expect to end their budget years with cash surpluses as a recovery in the economy buoys tax collections, a sign of easing pressure in statehouses across the country. Twenty-nine state governments, including New Jersey, Indiana and Arizona, anticipate ending their fiscal years with more money on hand than forecast when they put together their annual budgets, according to a survey released Thursday by the National Conference of State Legislatures. It marks the first time since the onset of the 2007 recession that so many states will have unspent funds. “State fiscal conditions continue to improve at a slow and steady pace,” the legislatures group said in the report. “To date, collections have met or exceeded expectations in most states. Officials expressed cautious optimism about the fiscal situation, reflecting the slow, but steady, improvement.” The improving financial outlook lessens the need for state officials to make the spending cuts that have exerted a drag on the economy since it emerged almost three years ago from the worst recession since the Great Depression. States have closed more than $500 billion of budget deficits over the last four years by raising taxes, cutting jobs and curbing spending. Tax collections have risen for the last two years, pushing them back above the peak hit before the recession, according to the Albany, N.Y.-based Rockefeller Institute of Government. The gains also mark a positive shift for local governments whose own budget struggles have been exaggerated by cutbacks in state aid, said Alan Schankel, a managing director who tracks the municipal bond market at Janney Montgomery Scott in Philadelphia. As states recover, he said, they may send funds back to cities and counties. Speculation about defaults in the $3.7 trillion municipal bond market has centered on local governments as cities including Harrisburg, Pennsylvania, Central Falls, R.I., and Stockton, Calif., sought or considered bankruptcy. “It’s a positive thing for bondholders,” Schankel said. “It’s going to get some pressure off the local governments.” The influx of funds left fewer states making emergency changes to close mid-year budget deficits and cut the scale of the shortfalls predicted for the 2013 fiscal year, according to the survey. Just 16 states, and Washington, D.C., reported facing combined deficits of $16.2 billion for 2013, with half of that coming from California and New York. Alaska is projecting the biggest budget surplus for this year, $1.9 billion, as high oil prices benefit the petroleum- rich state. Indiana’s $1.79 billion of unspent funds triggered a taxpayer refund and put more money aside for pensions. Others with extra funds include South Carolina, Tennessee and Rhode Island, a state where fiscal turmoil has left the capital of Providence working to avoid bankruptcy. Most states plan to use the money to rebuild reserve funds that were drawn down in recent years or spend it in the next fiscal year, according to the survey. “Throughout the Great Recession, spending estimates often proved to be too low and revenue estimates too high, resulting in substantial state budget gaps,” the survey reported. “The fiscal environment, however, is beginning to stabilize.” The legislatures group said that states could still suffer setbacks from federal budget cuts or a slowdown in the world’s economy. “A degree of uncertainty still lingers over state budgets,” the group wrote in the survey. “Concerns about unemployment levels, potential federal deficit reduction actions, spending pressures and global economic events, are contributing to a cautious state budget outlook.”

### AT: No Brink

Recovery Act means state budgets are at a tipping point – federal funds are running out

Greenblatt 2010 (March/April, Alan, “Stimulus May Have Helped States Now, but Policymakers Still Face Tough Decisions” <http://www.csg.org/pubs/capitolideas/mar_apr_2010/pdfs_mar/CI_Mar2010.pdf>)

Adjusting to the cliff effect of stimulus funds running out is going to be a challenge for states more generally. The Recovery Act helped states get through their worst patch in memory, but because revenues have not yet picked up, budget writers are going to have a hard time doing without the big influx of federal dollars.

States still seem to lack the political will to impose sales tax on services, but many states are starting to take a hard look at other fundamental changes. Californians are likely to vote on various reform measures this year, including a constitutional convention. Calls for constitutional conventions are also mounting in New York and Pennsylvania, while major overhauls of state governance structures and tax systems are receiving serious attention in Michigan, Ohio and Illinois.

Still, most state lawmakers are muddling through, seeking short-term solutions to what increasingly look like structural problems. In this regard, the Recovery Act has made the job states face in adjusting to an era of diminished budgetary expectations harder, by precluding them from making program cuts in core areas such as education, transportation and health care.

“There are really some tough decisions out there to be made,” said Emler of Kansas. He said the stimulus allowed states to delay that decision-making, which is one of the biggest reasons it’s hard to say the Recovery Act, despite its many positive effects, was a complete success.

### AT: HSR Solves Economic Decline

High speed rail overburdens state budgets – California proves

Brownfield 2012 (May 14, “ California’s High-Speed Spending Spree ” <http://blog.heritage.org/2012/05/14/californias-high-speed-spending-spree/>)

The State of California keeps sinking into a deeper hole of debt, with reports showing that the state’s budget shortfall is projected to be $16 billion, up from $9.2 billion in January. But despite all the red ink, the state is still going ahead with a high-speed rail boondoggle that would cost billions. The LA Times reports: If California starts building a 130-mile segment of high-speed rail late this year as planned, it will enter into a risky race against a deadline set up under federal law. The bullet train track through the Central Valley would cost $6 billion and have to be completed by September 2017, or else potentially lose some of its federal funding. It would mean spending as much as $3.5 million every calendar day, holidays and weekends included — the fastest rate of transportation construction known in U.S. history, according to industry and academic experts. That $6 billion is for just part of the project, which has been estimated to cost as much as $98.5 billion. But note the perverse incentive to spend. California stands to receive as much as $4 billion in federal funds that have either been provided or set aside for the project. If they don’t complete it on time, the LA Times reports, that money disappears. Now the race is on to spend. But all the spending is happening in a state that is already far in the red — and whose leaders are turning toward tax hikes in order to dig themselves out. Gov. Jerry Brown (D) is proposing a 0.25 percent increase in sales tax and an income tax surcharge on wealthy Californians to prevent him from having to cut spending. But that just means more money will be available to spend on projects like California’s high-speed rail. When it comes to the bullet train, is it worth it? Critics have slammed the increasingly high projected costs and have questioned its usefulness (the LA Times reported that just one segment of the track, costing $4.15 billion, would essentially be a “train to nowhere.”) And generally, projects like these have long-term costs, a perpetual need for government subsidies, and wasted money from a lack of ridership. In April, a congressional committee headed by Rep. Darrell Issa (R-CA) launched an investigation into the project. Issa remarked: California high-speed rail was sold to voters as a grand vision for tomorrow but in practice appears to be no different than countless other pork-barrel projects — driven more by political interests and consultant spending than valid cost-benefit analysis. Before more taxpayer money is sent to the rail authority, questions must be answered about mismanagement, conflicts of interest, route selection, ridership and other risks. Taxpayers should take notice. Government likes to spend without limits, and even “free money” from Uncle Sam has costs. California is a prime example of what happens when that spending runs unchecked and elected officials refuse to just say “no.”

Long-term costs mean states can’t afford HSR

Halbur 2010 (March 1, Tim, “ Can States Afford High-Speed Rail? ” http://www.planetizen.com/node/43132)

Federal money is making high-speed rail possible, but state governments are unsure if they can afford to maintain and operate the systems once they are in place.

Daniel C. Vock of the Pew Center on the States writes, "The price tag of high-speed rail remains a big sticking point, even in Wisconsin, where the federal government granted the state its full request for the Milwaukee-Madison leg. At issue is whether the state could subsidize the route's operating costs once trains start to run in 2013. The state, in its application (PDF), estimated that the Milwaukee-Madison route would require $7.5 million a year in state subsidies, on top of the $8.1 million needed to keep trains running between Milwaukee and Chicago."

## \*\*Neg Answers\*\*

### Non-Unique

State action on transportation is inevitable

Puentes 2011 - senior fellow with the Brookings Institution's Metropolitan Policy Program (February 22, Robert, “ State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy ” <http://www.bafuture.org/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>)

The recent dust-up over high speed rail proves an important point: States and governors are still in the driver’s seat when it comes to transportation decisionmaking and project selection. So even with robust federal action, and a framework that puts transportation policy in the service of an American economy driven by exports, powered by low carbon, fuelled by innovation, an rich with opportunity, it is still incumbent upon the states to carry it out.

State governments already spend on transportation

NELP 2011 (“ State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation ” <http://www.nelp.org/page/-/Job_Creation/State_Infrastructure_Banks.pdf?nocdn=1>)

 State and local governments and their constituents already carry much of the burden of funding these critical resources. Nationally, “transportation” is typically the third-largest state expenditure after “education” and “public welfare.”7 Since the Cold War era, local governments have invested more than $1.25 trillion in water and sewer investments.8 As the National Conference of State Legislatures has pointed out, “Local governments—including counties, townships and municipalities—provide approximately 30 percent of total surface transportation funding and own 77 percent of the nation’s roadway miles.”9

### HSR Solves State Economies

**HSR spending is key to state economies – oil dependence and job creation**

**Cruickshank 2012** – political activist and historian (April 5, Robert, “ High Speed Rail Helps, Not Hurts, the State Budget ” <http://www.cahsrblog.com/2012/04/high-speed-rail-helps-not-hurts-the-state-budget/>)

One of the biggest problems California faces, well beyond the issue of high speed rail, is a belief that government spending is all cost and no benefit. One only needs to look at Europe, where austerity is causing profound and insane levels of suffering from Greece to Portugal to Britain to see that government spending is actually a crucial element of economic growth as well as budget health. In places like Greece, massive cuts to public spending haven’t produced balanced budgets – all they have done is cause deficits to persist while destroying the rest of the economy in the process. So when looking at any kind of public spending, benefits have to be considered alongside costs. That’s apparently a hard thing for many California journalists and pundits to do, as they remain committed to a highly ideological perspective that says all state spending is a cost, a drain, and a potential problem. George Skelton’s latest LA Times column provides a classic example of the genre: And even if the state can find the bucks, should it spend them on building a high-speed rail line, a cool choo-choo? Especially when higher education in California is such a train wreck? Education — kindergarten through college — should be our No. 1 priority, for both moral and economic reasons. Producing an educated, skilled workforce for the increasingly competitive global economy is even more important than creating temporary track-laying jobs. University of California student tuitions have been soaring, largely because of state funding cutbacks. The California State University system has announced it will freeze most admissions for spring 2013, sidetracking freshmen to community colleges. But community colleges have shed more than 300,000 students since 2009. Bullet train versus book learning doesn’t have to be an either/or question, nor should it be. But first Sacramento needs to pump a lot more revenue into its treasury. I’ll be the first in line to support more revenue. It’s desperately needed, and the state’s economy will continue to struggle until taxes are increased. California needs to spend more money on higher education, on K-12 education, on job creation, and on all kinds of transit, from buses to bullet trains. It’s not just that those priorities shouldn’t be an either/or question. It’s that addressing and spending money to invest in them helps make everything more affordable. One of the main reasons California got hit hard by the economic crisis, which is still not over, is because of its dependence on oil. Over the last 10 years oil prices have steadily been rising. That sucks money out of the economy, causing job losses, foreclosures, and in turn causing tax revenues to decline. Part of the state’s economic recovery strategy, therefore, has to be the construction of cheaper alternatives to lighting oil on fire. By building high speed rail the state will reap not only the tax revenues that come from all the construction jobs, but lasting benefits from the “green dividend” it will create as money that was once spent on oil gets saved and reinvested in other, more productive uses. In fact, studies show that the green dividend for California from high speed rail could be as much as $7.6 billion a year for LA alone, and as much as $10 billion statewide. That savings would help generate new tax revenues that would help pay for schools and other important public priorities.