THE USE OF EARMARKS TO FUND STATE AND LOCAL INFRASTRUCTURE

BY

KAREN KUNZ

B.S., University of Illinois, 2002

M.A., University of Illinois, 2004

DISSERTATION

Submitted in partial fulfillment of the requirements
for the degree of Doctor of Public Administration
University of Illinois at Springfield, 2008

Springfield, Illinois

ABSTRACT

This dissertation examines the methods employed by local, state and federal governments to finance public works, with particular emphasis on understanding the use of federal earmarks and Illinois member initiatives as funding mechanisms. Through the evaluation of capital budgeting theory and traditional methods available to finance public works, and the analysis of government spending on infrastructure maintenance and development, this study provides an initial assessment of the use of earmarks to fund infrastructure needs. An archival review of public documents is supplemented by the development of federal and Illinois appropriations and earmarked spending data. In addition, a case study of capital budgeting and the use of federal earmarks and state member initiatives in Illinois demonstrate the fiscal and political practicalities of funding capital expenditures. The perspectives of government and elected officials and executives from professional associations and research organizations, obtained my means of a survey instrument and personal interviews, supplement the document and data analysis.

The argument is often made that the cost of earmarks in relation to total appropriations spending is negligible, and that the amount of earmarked funding provided for public works is equally inconsequential in relation to funding provided through state and federal infrastructure programs. Consequently little is contained in present literature about the use of earmarks by as a funding option for infrastructure needs despite the fact that the use of federal and state earmarked funds for capital projects has increased considerably over the past decade. This study examines this growing practice as all levels of government face the fiscal challenges brought about by deteriorating public faculties.

ACKNOWLEDGEMENTS

This dissertation would not have been possible without the support and assistance of many people. I especially appreciate the guidance and encouragement provided by my dissertation adviser, Pat Mullen, and the members of my committee, Beverly Bunch, Charles Wheeler III and Dean Pinky Wassenberg. Their critiques helped me refine my thinking and produce a more coherent scholarly work. I also extend my appreciation to the Department faculty and staff and to Tosha Cantrel-Bruce and Jeff Paine, fellow members of our DPA cohort. My thanks as well to Rich Gilman-Opalsky, Tony Halter, Chris Mooney, Meredith Newman and Kent Redfield for their guidance and support, and especially to Larry Golden and Bob Sipe for their friendship and encouragement. Finally, I cannot thank enough my amazing husband and wonderful friends who provided me with the support needed to finish this dissertation.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ACRONYMS

State and Federal Agencies

CBO	Congressional Budget Office
CRS	Congressional Research Service
DCCA	Illinois Department of Commerce and Community Affairs
DECO	Illinois Department of Commerce and Economic Opportunity
DOI	Department of Interior
DOT	Department of Transportation
EPA	Environmental Protection Agency
FHWA	Federal Highway Administration
GAO	Government Accountability Office
GOMB	Governor's Office of Management and Budget (Illinois)
HUD	Housing and Urban Development
OMB	President's Office of Management and Budget
SEC	Securities and Exchange Commission
NRSRO	Nationally Recognized Statistical Rating Organizations

Non-Profit Organizations

AASHTO	American Association of State Highway and Transportation Officers
ASCE	American Society of Civil Engineers
CAGW	Citizens Against Government Waste
CBPP	Center for Budget and Policy Priorities
CPI	Center for Public Integrity
CTBA	Center for Tax and Budget Accountability
GFOA	Government Finance Officers Association
ICMA	International City/County Managers Association

Infrastructure financing mechanisms

ATT	Airport and Airway Trust Fund
CDF	Community Facilities District Financing
CDWSR	Clean Drinking Water State Revolving Fund
CWSRF	Clean Water State Revolving Fund
CoP	Certification of Participation
GAN	Grant Anticipation Note
GARVEE	Grant Anticipation Revenue Vehicle
SIB	State Infrastructure Bank
TIF	Tax Increment Financing

<u>Government reports and Congressional Acts</u>

CAFR	Comprehensive Annual Financial Report
CWA	Clean Water Act
FOIA	Freedom of Information Act
SDWA	Safe Drinking Water Act
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
TEA-21	The Transportation Equity Act for the 21^{st} Century

CHAPTER 1: INTRODUCTION

Governments at all levels are struggling with how to make the best use of limited revenues. Demands for public funds to finance everything from pensions and health care to education and infrastructure are increasing exponentially, resulting in smaller pieces of the pie going to an increasing number of agencies and programs. Education, health care and other social programs generally take priority. Infrastructure maintenance and development, while acknowledged as important, are more costly and not as high on constituents' priority lists, and are often postponed (Brunori et al., 2005).

With state and local coffers stretched thin and inadequate funding provided through federal programs, all levels of government are increasingly looking to legislators for earmarked funding for their infrastructure financing needs. Intergovernmental funds provided by the Clean Water Act (CWA) and Safe Drinking Water Act (SDWA), for example, began being supplemented by "pork"[1] for designated projects in FY1989. Since then, $41.7 billion has been appropriated to the EPA for water works assistance, and of that, 16% ($6.8 billion) has gone to earmarked project grants (Copeland, 2006). And of the $244 billion contained in the recent transportation appropriations bill (Fischer, 2005), 4,659 earmarks account for over $24 billion for state and local infrastructure projects, an increase of approximately one-third over that contained in its predecessor[2].

In this exploratory study of infrastructure funding needs faced by local, state and federal governments, capital budgeting theory is compared with current practice in planning for long-term public works expenditures. Informed by discussions with participants in various aspects of the process, the preponderance of this study examines the increasing dependence on earmarks as a financing mechanism. Finally, it assesses future infrastructure funding challenges and the viability of this resource to meet those needs.

Research Question

The fundamental research question that this dissertation seeks to answer is:
To what extent are earmarks used to fund state and local infrastructure?

To that end, this study examines a series of sub-questions: (1) what percentage of the earmarks contained in appropriations bills are designed to fund state and local infrastructure projects; (2) how does earmarked funding compare to traditional funding methods, intergovernmental program allocations to state and local governments, and to state and local capital spending; (3) what, if any, funding trends or patterns are observed in earmarked funding vs.

---

1 For more about what constitutes "pork" and pork barrel spending, see Citizens' Against Government Waste's list of criteria at http://www.cagw.org/site/PageServer?pagename=reports_pigbook2008#criteria

2 The Transportation Equity Act for the 21st Century, or TEA 21, authorized Federal surface transportation programs for highways, highway safety, and transit for the 6-year period 1998-2003. It was reauthorized as The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, or SAFETEA-LU, in 2005 and extends TEA 21 for the 5-year period 2005-2009

intergovernmental program funding; (4) how does earmarked funding impact the use of debt funding; and (5) how is the use of earmarks impacted by fiscal stress?

Purpose of the Research

How does earmarking, which generally precludes the traditional budgeting precepts of scrutiny, priority-setting, accountability, and transparency – seemingly essential components for determining which public works projects should be funded and how – impact state and local infrastructure financing efforts? This dissertation situates the use of earmarks for infrastructure funding within traditional budget theory and political appropriations practices; identifies the impact on capital planning strategies; examines the ways in which local, state and federal governments are currently addressing long-term infrastructure needs; and assesses the legitimacy and viability of earmarks as a continuing financing source. To assess the impact of directed spending on infrastructure funding at various governmental levels, this study is accentuated by survey and interview data acquired from federal, state and local elected and agency officials and staff, the study begins with an examination of federal appropriations and earmark data, and progresses to a case study of state and local infrastructure financing via Illinois state member initiatives

Significance of the Research

The breakdown and collapse of public infrastructure is becoming a common occurrence. The recent disintegration of the bridge in Minnesota and the constant explosion of underground pipes in New York and San Diego illustrate the deteriorating condition of public works systems and pending fiscal crises faced by local, state and federal governments. Fiscal stress resulting from stagnant revenues, decreasing intergovernmental revenue sharing and increasing expenditures for social services, education and pension funding has made capital planning and budgeting for long-term asset maintenance and development increasingly challenging for state and local governments. Additionally, the costs of the second war with Iraq have effectively redirected federal fiscal resources. Limited resources and deficient capital budgets make earmarks, a hidden but on-budget financing mechanism, an increasingly significant tool for infrastructure funding at all levels. How long this option will remain viable, given resource limitations and deficit spending, remains to be seen. The use of earmarks to finance infrastructure spending has increased dramatically in the last decade, yet this important topic has yet to be discussed in the literature. This exploratory study provides baseline illustrations of the use of this financing alternative.

Literature Gap

The dichotomy between the rational executive budget process and the political nature of Congressional budgeting has been a contention between theorists and practitioners going back decades. The Budget and Accountability Act of 1921 first split what was previously a solely Congressional spending process into a dual-branch, mutually-dependent budget practice that gave the President a participatory role (Schick, 2000). Thirty years later, the Hoover Commission formalized the roles and responsibilities of the executive branch in its promotion of a rational budget process, focusing on programs, performance, priority setting, transparency and accountability – practices already in place in a number of municipal governments that were used as templates for the Commission's recommendations (Seckler-Hudson, 1978). It was another 25 years, however, before the Congressional Budget and Impoundment Control Act of 1974 was passed; it set the tone for our current budget process by making the roles and relationships between the executive and legislative branches more definitive. It provided authorization for increased Presidential involvement in budget decision-making and Congressional ability to rework Presidential budget policies, in turn increasing the divide and animosity between the branches. As the antithesis of rational, merit-based program budget allocations, earmarks - directed funding for specific, individual projects – are seen as the worst aspects of political budgeting: vote trading, ideological dominance, influence peddling, and lack of disclosure or accountability (Clemmitt, 2006; Lilly 2006b; Rubin, 2006). In reality, however, earmarking itself is one of the few budget activities that bridge this dichotomy in that it is engaged in by both the executive and legislative branches.

Contemporary and historical literature on funding infrastructure maintenance and development has been divided between reports on the status of the nation's infrastructure at the various levels of governmental, many focusing on deficiencies and suggested remediation efforts (Choate & Walters, 1987; Council of State Governments, 1983; GAO, 2001, 2003); and discussions from a capital budgeting and planning process perspective (Bell et al., 2006; Forrester, 1993; Lee, Johnson, & Joyce, 2008; Posner, 1993, 1998). A number of sources offer case studies and provide suggestions for alternative thinking (Brunori et al., 2005; Doss, 1987; Pagano, 1980; Vogt 2004). The legitimacy of earmarks within the budget process has been a frequent topic of discussion in the media and Congress particularly during the last two years, resulting in a proliferation of bills and resolutions introduced to eliminate, curtail or simply study the use of earmarks by Congress. But neither the literature on infrastructure nor the discussions of earmark abuse acknowledge the use of earmarked funding to finance state and local infrastructure projects. This study illustrates how one person's pork may be another's clean water.

Structure of the Dissertation

This Chapter provides a diagram of the study, highlighting the research questions and their significance. The subsequent three chapters provide context for the research question. Chapter Two begins with an overview of executive budgeting, with its emphasis on accountability, transparency, priority-setting and merit-based allocation. It then narrows into a discussion of capital budgeting in federal, state and local governments, complete with an examination of common methods used to fund infrastructure needs. The next chapter focuses on the political aspects of the budget process, illustrating the role of the legislative appropriations process at federal and state levels, as well as the practice and effects of mandated spending. It concludes with an examination of political decisionmaking, which contrasts the rationality of traditional methods discussed in the preceding chapter. Chapter Four explains earmarks and the earmarking process, providing definitions and clarifying the process by which earmarks are requested and distributed.

The scope of the research design and the methods used to gather and analyze data comprises Chapter Five. Chapters Six and Seven illustrate infrastructure funding needs and interpret earmarks and member initiative data. Chapter Six begins with a needs assessment of national infrastructure funding and then moves into a comparison of current financing methods, including federal program funds and state capital spending. For a closer look, it examines the use of federal earmarks to finance public works projects in the East North Central States, a region encompassing five industrial, Midwest, Great-Lakes states. A case study of capital budgeting in Illinois and the use of earmarks and state member initiatives to fund infrastructure comprises Chapter Seven. This section illustrates the degree to which political conflict can hamstring state public works spending. An examination of municipal needs and practices based on survey and interview responses highlights insights gleaned from participants. Conclusions and suggestions for further study are contained in Chapter Eight. Included in the Appendices are a copy of the survey and interview questions used and a list of federal and state legislation cited throughout the study.

CHAPTER 2: CAPITAL BUDGETING

Within the broad theoretical view of government budgeting, the executive aspect of fiscal planning has a bureaucratic, administrative orientation in which rationality, transparency and priority setting are predominant. Performance, accountability and efficiency, and the means to measure these characteristics play important roles in the process.

Capital budgeting, simply put, is an aspect of the budgetary process that is used to plan for large and often long-term expenditures. These expenditures typically comprise two types of investments: physical assets for a government's own use, such as buildings and equipment, and physical facilities that provide the underpinnings for private economic development and delivery of public services, such as water and wastewater systems, bridges, dams, rail roads, airports, highways and mass-transit (Lee, Johnson, & Joyce, 2008). Such investments require significant resources for completion and are funded by up-front, lump-sum appropriations (known also as pay-go) or by spreading the costs over the time necessary to complete the projects through the use of bonds and other methods of financing (pay-use) (Vogt, 2004; Wang, Hou, & Duncome, 2007).

Planning for capital projects generally requires decision-making by and coordination between agencies at various levels of government, consequently corresponding decision-making and coordination of funding is important as appropriations and authorizations for expenditures often extend over multiple years. Effective capital planning and budgeting includes establishment of a plan that extends beyond the time horizons of an operating budget, coordination of long-term resource needs, prioritization of competing requests, management of projects during implementation, and establishment of asset maintenance programs (Ebdon, 2002).

Financing capital assets at the federal level differs in many ways from that at the state and local levels. The federal government's definition of capital assets is much broader than the traditional "bricks and mortar" understanding; it includes intangible, human capital investments, such as education and research and development, but not other similar elements such as mental health and juvenile justice programs, even though they could also be considered investments in future economic health (Lee et al., 2008). In addition, state and local governments generally own the capital assets they invest in, whereas that is not usually the case at the federal level (Posner, 1998a).

Further, the federal budget is consolidated, whereas state and local governments often consider capital budgets separately from the more regulated operating budget, in which revenues are expected to meet or exceed expenditures (Bell et al., 2006). Because some form of annual balanced budget is frequently required, it is becoming more common for the state and local governments to spread the costs of capital improvements or acquisitions out over time, rather than paying for them as needed from general revenues. Conversely, federal budgeting combines all annual expenses, with no delineation of capital projects or limitations on deficit spending, with expenditures funded through lump-sum appropriations (Caiden, 1990; GAO, 2003).

Federal and state and local budget processes are not completely dissimilar. The federal government is beginning to plan for some long-term expenditures (GAO, 1989, 2003) and some state and local governments allow for deficit spending. Illinois, for example, requires an estimated balanced budget (projected revenues must exceed projected expenditures, if only by $1), but once enacted allows for carry over of expenditures from one year to the next. And while some state and local governments develop capital budgets that are separate and distinct from their operating budgets, others may consider capital spending separately within the overall budget process but without benefit of formal distinction. There are a number of arguments for and against separate capital budgeting that apply to all levels of government.

One reason given against development of a distinct capital budget is the concern that projects and programs included in the capital budget could be "elevated to the status of sacred cows" (Posner, 1993), possibly distorting the investment parameters to allow for pet projects with questionable long-term benefits. A separate capital budget might also encourage political logrolling as it has the potential to be used to satisfy multiple interests in the process of vote gathering. In that case, capital projects would get funded but priority-setting of allocations would be absent, possibly leaving important needs unmet in the quest to meet quid-pro-quo obligations. Finally, "if capital projects are presented in a completely separate budget, particularly when financed by borrowing, it may appear as if capital decisions are 'costless' in the current year" (Lee et al., 2008).

Arguments in favor of the use of an individuated capital budget far exceed those against it. For starters, it would encourage policymakers to develop a long-term perspective when it comes to budgetary decision-making (Posner, 1993). A focus on capital investment has a public-relations value for public officials, as well, in that it demonstrates to voters that public funds are being used for their benefit (Lee et al., 2008). Separating capital expenditures also puts them more on par with current operations spending in that they could benefit from cost-benefit analysis comparisons (Posner, 1993). Further, as Posner (1993, 1998a) and Lee, Johnson and Joyce (2008) note, capital investment decisions play a greater part in determining the future of the nation/state/city than do current spending decisions. Lee, Johnson and Joyce (2008, p.487) argue that "local governments capital investments may in some cases play a leading role in encouraging future local economic development." That assessment is applicable beyond the municipal level to state and federal investments as well.

Development of a distinct capital budget places emphasis on issues that are outside the scope of general operating budgets in principle and practice. Capital budgeting has a multi-year, planning orientation in which funding is generally facilitated by debt financing rather than through current revenues. To ensure funding of ongoing annual operating and maintenance expenses of capital projects, however, there must ultimately be cohesion between capital and operating budgets (GAO, 1989; Lee et al., 2008; Mikesell, 2002).

Capital Budgeting in Federal Government

The federal government approaches the budget process from a macroeconomic perspective, with a focus on the effects of aggregate budgetary decisions on the business cycle. Consequently, federal capital spending may at times be oriented more toward stimulating a state or local economy than toward funding necessary infrastructure. Further, approximately half of all federal capital spending is directed at defense investments. Of the remainder that is used for capital investments, more than half of that is distributed to state and local governments through grants and revolving loans. For the most part, however, the federal budget process does not incorporate plans for management of long-term assets or consideration of long-term capital needs (GAO, 1989; Lee et al., 2008; OMB 2008a.). Nor does it consider the various effects that long-term capital investments would have on the long-term potential output of the economy (Posner, 1993).

Budget reform proponents have encouraged the incorporation of a capital budget within the federal process (GAO, 2003; Lee et al., 2008; Posner, 1993, 1998a), arguing that "an investment focus within the budget would provide a valuable supplement to the unified budget's concentration on macroeconomic issues by directing attention to the consequences of choices within the budget for long-term economic growth" (Posner, 1993, p.5). This would allow for priority-setting of long-term projects within the capital budget and of investment projects within the unified budget since it now incorporated off-budget items, such as the Social Security Trust Fund and the Highway Trust Fund). When the unified budget process was adopted, as a result of the 1967 President's Commission on Budget Concepts, calls to include a capital budget were rebuffed, as were similar efforts in the 1980s. During the Clinton Administration, an examination of the budget process by the President's Commission to Study Capital Budgeting recognized the need for additional attention to capital investments but rejected the idea of a separate capital budget or budgeting process. In a 1998 speech before the Commission, Federal Reserve Board Governor Edward M. Gramlich came out against it, stating that "...a relatively small amount of federal spending will be validly classified as capital spending. But there will be major headaches involved in identifying this small amount of spending" (Gramlich, 1998).

More recently, President George W. Bush's FY2003 budget provided a separate analysis of capital investments. The section, entitled "Federal Investment Spending and Capital Budgeting," (GPO, 2003) contained a prototype budget that segregated operating and capital expenditures. Additionally, it suggested legislation to create Capital Acquisition Funds and to alter the means by which agencies acquired and accounted for physical assets. While subsequent annual budgets contain a section on capital investments (OMB, 2008a) the advancement of a distinct capital budget within the federal unified process to the degree proffered in the President's FY 2003 budget was a one-time phenomena (Lee et al., 2008). Consequently, capital projects continue to compete with all other spending for annual appropriations.

Capital spending is more likely to enhance the future capacity of the economy in comparison to consumption spending (Posner, 1993). In addition to enhancing federal infrastructure funding, the addition of capital budgeting at the federal level would also help stabilize state and local government funding in that it would help to prioritize public works investments and encourage intergovernmental communication and capital planning. Further, as it is now, the federal budget process directly impacts state long-term planning in that deficit spending increases interest costs, thereby reducing savings that would otherwise be available for domestic investment in bridges, highways, railroads, water systems, schools, etc. As such, it exerts the single most important federal influence on state capital budgeting (Posner, 1993).

State and Local Capital Budgeting

In contrast to the federal macroeconomic perspective, most state and local governments take a long-term, microeconomic approach to capital planning, separating operating expenses from ongoing infrastructure needs (Posner, 1993). They are also often required to produce balanced budgets, whether it is in the initial estimation of annual revenues and expenditures, as in Illinois, for example, or in final implementation, such as in West Virginia. State budgets are predicated on projected current revenues, including taxes, miscellaneous general revenues such as rents, royalties and lottery proceeds, current charges, and intergovernmental funds. Budgeting systems divide fiscal planning into two categories: the annual operating budget (the "balanced budget"), based on current revenues, and the capital budget, which provides for long-term spending on infrastructure development and improvement projects. Some argue that the effects of capital budgeting, which often translate to long-term debt, should be included (Bell et al., 2006) to provide for a more unified and realistic spending picture.

Governments generally use capital budgeting to accomplish a number of purposes, including "debt management, resource allocation, and averting fiscal crises." The process is essential for economic growth in that it provides the means for facilitating big-ticket, long-term asset development (Forrester, 1993, p. 85). According to the literature, whether and how states and municipal governments utilize capital budgeting is impacted by several factors. First, definitions differ. "The size of the expenditure and the longevity of the asset or facility to be purchased distinguish a capital expenditure from a current one" (Lee et al., 2008); however, functional understandings of capital expenditures vary according to local interpretation (Forrester, 1993). Second, there are a variety of ways in which state and local governments tackle capital budgeting. Some governments use an analytical approach while others are more intuitive; decision-making may be located within a specific committee or oriented in staff administrators; and some governments may include some capital expenditures in their operating budgets. Third, arguments for the use of estimation criteria, such as cost-benefit analyses, may be lost on governments ill-equipped or disinclined to use the criteria. Such tools may not be appropriate or beneficial- their use may be hampered by constraints such as the inability to quantify benefits or consider the possibility of partial program failure, unequal distribution of benefits over time, and misstated opportunity costs, as well as management priorities and legal issues. Finally, local economic development is not necessarily always tied to the use of capital budgeting processes; there are other means of effecting such economic improvements (Forrester, 1993).

The means used to finance capital investments, an essential component of the budgetary decision-making process, "...leads most state governments and a majority of local ones to pay at least some attention to capital expenditures in the annual budget decision-making process. Most states distinguish capital from current expenses in formal capital improvement plans or budgets or both, and many larger counties and cities as well as some smaller ones make similar distinctions" (Lee et al., 2008, p. 488). There are times, however, when municipalities allocate fewer funds for capital projects than in prior years. This enables them to decrease overall spending in times of fiscal stress in ways that won't upset constituents or interest groups. The downfall of this practice is that the municipality then presents a distorted, overly optimistic view of financial conditions; in the case of defrayed infrastructure maintenance, the results are a significant understatement of the locality's fiscal liabilities (Doss, 1987).

State and local governments' ability to fund infrastructure needs has been an ongoing concern for decades. Over twenty-five years ago Pagano (1980, p.31) argued that financing capital projects and continued maintenance had "exacerbated the fiscal strain for localities." In addition, he noted that state and local fiscal crisis was the result of ..."shifting (shrinking) revenue bases...; increased demand for service delivery systems from the public sector; the changing federal-local relationship; and the changing role of 'public debt,'" as well as the ability of the locality's infrastructure to support community social and economic needs (Pagano, 1980, p. 37). Further, he found that capital budgets tend to focus on new construction, whereas maintenance was often an operating budget line item. As infrastructure ages, whether the community's population is able to absorb additional taxes or user fees to support infrastructure maintenance was likely the determining factor in financing necessary repairs, particularly since the orientation of federal categorical programs (i.e., highway and bridge trust funds) was toward new construction (Pagano, 1980, p. 240). These same issues are central to the challenges facing state and local infrastructure funding today.

Funding Capital Assets

Capital projects are generally large and expensive, and funding is usually structured through lump-sum appropriation, when possible, or alternatively, spread over the life expectancy of the asset for approximately 20-50 years. A recent study (Wang et al., 2007) argues that, pay-as-you-go funding (pay-go) is sensitive to business cycles at the state level. States with volatile business cycles are more likely to use this method, particularly if the volatility is a result of the first waves of economic expansion, because such volatility increases the risk associated with long-term debt. Pay-go is advantageous for several reasons. It allows governments to avoid interest and debt issuance expenses; quickly take care of less costly or recurring capital projects; maintain more flexible, non-debt service driven, future budgets; and improve their financial position and, as a result, maintain or improve their bond rating for future borrowing needs. Further, not incurring debt can help officials and residents maintain what they perceive to be as a more responsible fiscal policy and political orientation (Vogt, 2004). However, to work effectively, there must be adequate revenues for all purposes and political officials must be responsible for their spending choices.

Another study (Finke, 2007) found that pay-go has to a large extent been replaced by pay-use or debt financing at the state and local levels. This method is associated with increased fiscal stress and continued economic instability, such as that resulting from pension, education and health care funding shortfalls and stagnant or declining revenues. Pay-use allows for benefits and repayments to be spread equally over time, impacting today's users (rate payers) and all future users over the life of the asset (Lee et al., 2008).

Financing Federal of Capital Assets

In the federal government, long term planning for capital investments is generally minimal. Financing of asset development, maintenance or acquisition is most often fully funded by Congress through budget authorizations, but it can be cut short unexpectedly if funds are needed elsewhere (GAO, 2003; Posner, 1993; Wildavsky & Caiden, 2001).. According to the General Accounting Office (2003), such up-front funding illustrates commitment to the project and allows for government-wide fiscal control. However, deficit spending can curtail resources, eliminating or derailing authorized capital projects pending or in progress.

The Federal Acquisition Streamlining Act of 1994 provided the initial impetus toward a long-range planning orientation by attempting to reconcile federal full-funding practices with agency needs. A few years later, OMB required agencies to start producing 5-year capital spending plans (Wildavsky & Caiden, 2001). Subsequently, GAO (2003) identified ten alternative financing approaches used by agencies to finance capital assets: incremental funding, operating leases, retained fees, real property swaps, sale-leasebacks, lease-leasebacks, public private partnerships, out leases, share-in-savings contracts, and debt issuance. These "innovative financing techniques," however, "fail to disclose the up front commitment that government is entering into..." (Posner, 2007). Leases and partnership obligations, for example, often have a much longer contractual life than the five year projections of the federal budget.

Use of "alternative financing approaches can make it easier for agencies to meet mission capital demands within the constraints of their appropriation" (GAO, 2003). They enable agencies to obtain necessary capital assets without having to secure prior Congressional budgetary authorization for total project costs. In fact, these costs may be spread out over multiple years, or be structured in such a way as to never "incur a monetary cost that is recognized in the budget" (GAO 2003). Agency use of these different funding mechanisms is more expensive than traditional long-term borrowing; however, it does provide the economy with consistent, long-term government spending.

Funding State and Local Capital Investments

Whether incorporated into a definitive capital budget or simply part of a general capital plan, when it comes to funding capital investment projects, state and local governments have a variety of financing mechanisms to choose from.

Municipal Bonds and Bond Banks

Municipal bonds are the predominant financing mechanism used by state and local governments to finance capital expenditures. The use of debt rather than current revenues enables them to coordinate the time pattern of benefits derived from capital facilities with the time pattern of tax payments. In addition, municipal bonds are subsidized by the federal government in that interest income is exempt from federal income tax (CRS, 2001).

The most common types of bonds issued are general obligation bonds, in which general revenues are used to satisfy the issuing government's responsibility for repayment, and revenue bonds, such as those used for utilities or toll ways, wherein specified revenue streams are designated as the repayment source. Federal law places limitations, based on a population-driven formula, on the amount of tax-exempt debt each state can issue in any given calendar year (Lockler, 2008). Likewise, many states restrict bond authorization to voter approval through referendums, or place limitations on the dollar amount of debt that can be incurred, often in a ratio to outstanding debt, debt retired during the current year, or property taxes or assessments, or both (Vogt, 2004).

General obligation bonds, secured by the full faith and credit of the issuing government, are the popular choice of state and local governments to fund infrastructure. They are backed by the unlimited taxing power of the issuing government. The government is empowered to take any measures necessary - including levying additional property or sales or other taxes - to ensure payment of the bonds and interest, which virtually ‘guarantees’ that investors will be repaid. Revenue bonds are also commonly used to fund public works projects and are usually issued with an identified, self-sustaining, local revenue source (Vogt 2004). Revenue bonds are used to fund utilities, toll roads, and other income-producing projects. They also direct revenue sources, such as cigarette, casino and other sin taxes, to particular projects in order to provide necessary funding.

Other, less-utilized types of debt financing include lease-purchase bonds, secured by the property financed, and special obligation bonds, such as “special assessment debt, non-property tax debt, and moral obligation debt,” which are funded by income derived by a particular tax or assessment. Airport construction bonds, funded by a special airline travel tax, are a form of special obligation bonds. GARVEE (Grant Anticipation Revenue Vehicle) bonds are based on the receipt of future Federal-aid highway funds to retire debt. These bonds are also occasionally issued as Grant Anticipation Notes (GANs). They are particularly useful when the cost of delay outweighs the cost of financing and when no other revenue sources, such as taxes or tolls, are available. These bonds differ from general obligation and revenue bonds in that Federal highway fund allocations to states can fluctuate; as a result GARVEEs and GANs are not ‘guaranteed’ by the full-faith and credit of the issuing government.

When it comes to using bonds to fund infrastructure, the primary challenges faced by small communities are the high cost of debt service and issuance, and the ability to find an investment banker and a market for what will likely be a relatively small (dollar amount) bond offering. Bond banks offer and sell bonds for municipalities, pooling local issuers and backing them with the state’s credit in order to reduce borrowing costs for these small communities (Bell et al. 2005). The Maine Municipal Bond Bank (MMBB), for example, offers funding to local government entities through their general bond resolution program and clean water state revolving fund (SRF) programs (MMBB, 2007). MMBB bonds issued in 2004 received Fitch’s highest rating of AAA; however, the rating agency noted concerns about a pending referendum that had the potential to limit property tax rates and potentially impact the Bond Bank’s ratings (AllBusiness, 2004).

Bond ratings. The credit worthiness of state and local governments affects their ability to issue bonds. Organizations designated by the Securities and Exchange Commission (SEC) as Nationally Recognized Statistical Rating Organizations (NRSRO) are charged with evaluating the credit risk of every bond issued, along with that of the issuing government. Of the seven NRSROs listed with the SEC - DBRS Ltd., Japan Credit Rating Agency Ltd., Ratings and Investment Information, Inc., AM Best, Fitch Inc., Moody’s Investors Services, Inc., and Standard and Poor’s Rating Services - Fitch, Moody’s and Standard and Poor’s are the most recognized rating organizations (SEC, 2008).

Bond ratings for general obligation bonds combine statistical and subjective data, culled from an evaluation of the state and local economy, the demographic characteristics, financial condition and management practices of the issuer and the debt structure of the bonds. Ratings for general revenue bonds include general credit criteria, such as anticipated users and designated revenue streams, in addition to that used for general obligations debt.

Bond ratings are significant to both issuer and buyer. A national rating system expands the universe of buyers for state and local debt, and more buyers often results in competition among investors, which lowers interest costs. Institutional investors are often not able or willing to purchase bonds that are not rated by a nationally recognized agency. Further, bond ratings can make issues more marketable on the secondary market, allowing them to be bought and sold throughout their lifetime, rather than simply redeemed at maturity. In addition, a good rating indicates competent planning and fiscal management, and as such, provides incentive for the issuer to maintain and/or improve their practices. A rating upgrade is indicative of enhanced management performance, just as a downgrade indicates weakness. Finally, only nationally rated bond issues qualify for bond insurance, which provides investors with a guarantee that all future interest and principal payments will be made (Vogt, 2004).

"A bond rating performs the isolated function of credit risk evaluation.... While many factors go into the investment decision making process, the bond rating is often the single most important factor affecting the interest cost on bonds" (WM Financial Strategies, 2008). Unfunded liabilities (i.e., outstanding pension and health care costs) can adversely affect a state's credit rating, as can reliance on debt financing to fund non-capital expenditures, such as pension contributions. This, in turn, can significantly increase bond issuance and interest costs (Standard & Poor's, 2007). It can restrict the issuing government's ability to issue bonds for capital; as the government moves closer to the annual federal issuance cap, credit risk increases, thus potentially lowering the ratings issued by the NRSROs. The lower the rating, the higher the borrowing costs.

Privatization

Leases, installment-financing, lease-purchase agreements, and revenue leases are popular methods of privatizing infrastructure needs. Certificates of participation, used to sell interests in large capital-lease financing projects, and privately placed leases, used to garner public investors for smaller-dollar capital lease projects, are common ways of marketing the various leasing methods to the public (Bell et al., 2006). Chicago Mayor Richard Daley's 99-year lease of the Chicago Skyway, an eight-mile toll way, to a group of foreign investors is an example of privatized infrastructure. This successful venture added $1.82 billion to the city's treasury (Skorburg, 2004),

The use of TIF (tax increment financing) districts, which freeze local property assessments and direct subsequent increases in property taxes that result from economic development to repayment of TIF bonds and/or expenses, is a type of special financing designed to facilitate structural improvements. Similarly, CFD (community facilities district) financing uses debt to finance infrastructure for land development. TIFs and CFDs are considered a form of privatization because of the involvement of private developers, but in contrast to typical public-private joint ventures, the up-front development costs are funded through special obligation bonds (Vogt, 2004).

Public-Private Partnerships

Contractual arrangements that allow private industry to provide public services are becoming more common at all levels of government. Contracting out, vouchers, and asset sales, such as the proposed sale of the Illinois State Lottery to fund school construction, are all ways of involving private entities, directly and indirectly, in the provision of public services. These methods often lower costs and improve efficiency and timeliness (Bell et al., 2006). Competition purportedly encourages the best possible service for residents and allowing the private sector to take on some or all of the financing responsibility frees up public funds for other budget needs.

Tolls and Impact Fees

These options are other popular ways of funding improvements and construction, in spite of the fact that users and beneficiaries are not always the same. Toll collection, via toll roads and bridges, creates the purest form of user-related revenue as only those who use the service pay for it. Impact fees, on the other hand, are levied to compensate for the increased costs for public services resulting from new residential construction within a community. Fees are paid by new home buyers, but resulting increases in services and property values are shared by all residents (Bell, Brunori, Hanson, Choi, & Metcalf, 2006).

Intergovernmental Revenues

The most comprehensive aid for infrastructure financing comes from federal and state grants, loans, and revolving funds. The federal government provides funding to state and local governments through a variety of agencies (Departments of Transportation, and Environmental Protection Agency, for example) and in several ways. In cooperative cost-sharing agreements, state and local governments are required to supplement federal grants with in-kind cost sharing through donations of land, easements, and rights-of-way, and payment of all or a portion of costs incurred in planning and construction stages.

Through grant, loan and loan guarantee programs federal dollars are used to subsidize state and local investments. Federal grant programs include the Federal Aid Highway Program, Transit Formula and Bus Grant Program, Transit Capital Investment Grant Program and Airport Improvement Program. Examples of federally-supported state assistance include State Infrastructure Banks and Clean Water State Revolving Loan Fund Programs. Direct federal loans and loan guarantees are provided in legislation such as the Transportation Infrastructure Finance and Innovation Act (TIFIA), which focuses on leveraging federal funds by attracting substantive private and other non-federal investment, and Railroad Rehabilitation and Improvement Financing (RRIF) Program, which facilitates federal loans and loan guarantees for railroad projects. Finally, federal support of state and local bonds makes them cheaper for issues and more attractive to investors through exemption of federal tax requirements (*Financing Infrastructure Investments*, 2008).

Tax expenditures, such as special exclusions, exemptions and deductions are used to spur institutional and individual investment in infrastructure projects (Bell et al., 2006). For example, GARVEEs, as noted above, allow states to pay bond expenses and debt service with future federal highway funds. And tax-credit bonds, which require authorization by Congress, "allow investors to receive a non-refundable tax credit against their federal income tax liability instead of a cash interest payment" (Financing Infrastructure Investments 2008, p.9). In addition to funds allocated to federal departments and agencies through annual appropriation and authorization legislation, additional funds can be accessed and allocated by federal programs – and passed on to state and local governments - through established contingency funds, reprogrammed funds, transfers between accounts, and the timing of obligations, including carryovers and accelerated spending (Fisher, 1975).

In their examination of federal infrastructure grants, Bell et al. (2006) found that approximately 52 federal programs provided $46.3 billion dollars to state and local governments in 2002; that represented a 44% increase in the number of programs and a 77% increase in grant dollars since 1990. Federal highway programs are by far the largest source of federal infrastructure dollars. The acclaimed federal transportation funding legislation, The Transportation Equity Act for the 21st Century, or TEA-21[3], which expired in 2003, "brought unprecedented levels of federal funding for transportation projects by linking spending from the Highway Trust fund to highway revenues" and encouraged increased state and local funding through matching commitments and improved methods of credit assistance (Bell et al. 2006). It was reauthorized in 2005 as The Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which provided for an increase in distributed funds, again based on revenues. This time, however, the new formula did not distribute the increases equally across states, causing unanticipated shortfalls for some recipients. The legislation projects continued annual increases in federal highway program funding at $1 million, or roughly 2.5% each year (Fischer, 2005), which has so far failed to keep pace with the average 3.33% rate of inflation (Federal Reserve Bank of Minneapolis, 2008). Continued SAFETEA-LU funding is also contingent on the future viability of the Highway Trust Fund, which has recently come under scrutiny by the Congressional Budget Office and the Government Accountability Office because of anticipated underlying revenue shortfalls (GAO 2006b).

In addition to acting as a conduit for distribution of federal program funding, state governments provide state-financed grants, loans and loan guarantees to local governments through state revolving funds and state infrastructure banks. State revolving funds are similar to those at the federal level in that they provide low-cost loans with repayments recycled back through the program to fund future projects. For example, the Alaska Clean Water Fund and the Alaska Drinking Water Fund - part of Alaska's Municipal Loan Program - provide 20-year low-interest loans for water and wastewater projects, refinancing for existing projects, and engineering assistance. Both Funds also receive some federal EPA dollars because of the environmental nature of water and sewer projects; these federal funds are added to the larger pool of state funds and disbursed to loan recipients through the Funds (Lewis, 2008).

Similarly, state infrastructure banks (SIBs) provide a financing alternative for transportation projects through loans and credit programs. They encourage the use of long-range planning through the promotion of long-term bond financing, and with their funding flexibility they are suitable for large projects. (Bell et al., 2006). As of late 2006, 39 states have been approved and allocated a share of the $150 million Congressional start-up appropriation; however, DOT's innovative financing endeavor remains a pilot program (FHWA 2006a).

[3] Public Law No. 105-178, The Transportation Equity Act for the 21st Century (TEA 21 authorized Federal surface transportation programs for highways, highway safety, and transit for the 6-year period 1998-2003. It was reauthorized by the 109th Congress as Public Law 109-59, The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) in 2005 and extends TEA 21 for the 5-year period 2005-2009.

State and local governments shoulder a considerably larger share of the infrastructure financing burden than the federal government. Bell et al., (2006) found that in 2002 state and local governments spent $263.5 billion on capital projects, six times the total amount of federal funding. Local government funding accounted for the vast majority – an average of approximately two-thirds - of the state/local share.

CHAPTER 3: CAPITAL SPENDING

The legislative role in government spending is constitutionally vested in Congress' power of the purse. Congressional spending takes into account the political aspect of the budgeting process. Fiscal decisionmaking takes place within committees; it is usually dominated by the lawmakers in control of preeminent committees such as Appropriations and Ways and Means, and often oriented toward retention and reelection of those belonging to the party in power. The division of power between the executive and legislative branch was designed to be complementary and to provide checks and balances; however it can also be adversarial and politically polarized.

The shift in the federal budget process to a divided system of executive administration and congressional appropriation is a relatively recent occurrence. Prior to the Civil War, Congress and the federal government maintained fiscal stability without the need for a presidential administrative system to coordinate revenues and expenditures. The immense costs of the war and the subsequent increases in Congressional workloads resulted in the establishment of the first appropriations committees within the House in 1865 and the Senate in 1867. Several years later, in retaliation for spending restrictions instituted by the appropriations committees, legislative committees seized jurisdiction over at least half of the appropriations bills. This fragmentation in the Congressional spending process paralleled the lack of a centralized administration in the executive branch, wherein some agency spending requests were maintained by the Treasury in the *Book of Estimates*, while others were submitted directly to Congress. As a result of the ever-increasing cost of running government and the continued fragmentation, the income tax was introduced in 1913, accompanied by a call for an administrative budget process. The immense costs incurred during World War I and the resulting deficits underscored the need for strong executive leadership in the budget process. Hence, the Budget and Accountability Act of 1921, which ushered in the double-edged, executive-congressional budget process (Schick, 2000).

Half a century later, the Congressional Budget and Impoundment Control Act of 1974 set the tone for our current budget process by defining the roles and relationships between the executive and legislative branches. It centralized the fragmented appropriations and decision-making processes into a comprehensive structure. The result was more Presidential involvement in budget decision-making and increased Congressional ability to rework Presidential budget policies. Each branch can effectively quash or amend the other's preferences; as a result, the anticipated process based on negotiation and compromise has not often been achieved.

Similarly, the division of labor at the state level typically calls for the presentation by the governor of an annual (or in some cases, biennial) executive budget. Actual spending authority is provided by the general assembly through enactment of budget implementation bills. A unique facet of the state process is the line-item-veto power often wielded by the executive office. At the federal level, the President is able to veto a bill only in its entirety, whereas state governors are in many cases constitutionally entitled to veto individual provisions within each piece of legislation.

Municipal government is more independent and generally less partisan, but it is likewise a divided system, with authorization of the proposed executive budget generally the responsibility of the city council or village trustees. At the local level, proposed spending discussions are often contained within scheduled public hearings, allowing for more transparency than state and federal processes. Forrester (1993, p. 89) notes that local politics influences capital budgeting, not only in the allocation of funds, but also in final planning and criteria selection decisions. “As an environmental factor, politics, along with the business market, also may determine how projects are funded, since such factors ‘may compound the fears of local government administrators about future revenues’.” Political perceptions of equity may determine what projects get funded and by what means. Further, political negotiation may be necessary for conflict resolution.

The Politics of Capital Spending

Congressional spending is conducted within a defined structure and timetable and includes development of a total budget, similar to that offered by the President; open debate on the priorities set within that budget; and the ability to set and enforce targeted spending. Conversely, the process is hampered by institutional games, such as delay and failure to adopt appropriations within the required timeframe and the increasing use of continuing resolutions; budget games, such as the use of less than realistic assumptions and estimates; and political games, such as appropriations untouchables and the inability to make tough spending decisions (Panetta, 1986, pp. 79-82).

Congress’ constitutional power of the purse is realized through the authorization and appropriation of federal government spending. Likewise, in state and local government similar authority is vested in the legislature and city council or village trustees, respectively. This dichotomy usually pits the executive office against the legislature in terms of spending priorities and ideologies. The exception to this rule was illustrated in the first term of the Bush Administration, in which the Republican Party maintained control of both branches of government, effectively guaranteeing implementation of the executive budget as planned.

The Appropriations Process

Every February the President presents a unified budget plan for the upcoming fiscal year to Congress. Congress, in turn, takes the President’s recommendations into consideration as it crafts its budget resolutions (Schick, 1986). Within Congress, budget authority and subsequent capital outlays are segregated into discretionary and mandatory spending categories. Discretionary spending is conducted through annual appropriations legislation, which is controlled by House and Senate Appropriations Committees and their various subcommittees, whereas mandatory spending is the purview of the authorizing committees, primarily the House Committee on Ways and Means and the Senate Committee on Finance. All discretionary as well as some mandatory spending is contained in the annual appropriations bills (Streeter, 2008).

> An appropriation act is a law passed by Congress that enables agencies to incur obligations and the Treasury to make payments for designated purposes....An agency may not spend more than the amount appropriated to it, and it must use available funds only for the purposes, and according to the terms, that Congress sets. (Schick 2000, p. 186)

Appropriations set out legal authority for outlays, for the most part, in the form of budget authority. Funds are obligated for anticipated expenditures, but actual amounts to be disbursed are not identified. Appropriated funds are not required to be spent within the year; often outlays continue for a number of years after the appropriation/obligation was enacted. Because the appropriations process is an annual event, appropriation authorizations expire at the end of the year they were enacted. Obligations for funding must be made before expiration; once authorization expires so does access to any remaining funds (Schick, 2000; Streeter, 2007).

There are several types of appropriations. Regular appropriations bills provide budget authority for the current or upcoming fiscal year. Because of recent reorganization in House and Senate appropriations committees, each of the House and Senate appropriations subcommittees is currently responsible for 13 regular bills. The text of these bills usually contains lump-sum provisions for general accounts within each agency. More detailed directions are provided in the report language of the appropriations subcommittees. Regular bills may also include the authorization for funds to be conveyed from one agency to another - without authorization, agencies may only transfer funds within the agency.

Continuing appropriations, or resolutions, are used to provide interim funding to agencies when annual appropriations bills have not been approved within the required timeframe. This may be due to fundamental disagreement about an appropriations bill, or simply because of a routine delay in finalization of funding decisions within a bill. Interim continuing resolutions provide temporary funding to bridge these routine delays. Full-year continuing resolutions are used to provide funding for the remainder of the fiscal year when passage of one or more appropriations bills is not anticipated. This preempts the kind of government shut down experienced during the Clinton administration (Schick, 2000; Streeter, 2007, 2008).

> In 26 of the past 31 years (FY1977-FY2007), Congress and the President did not complete action on a majority of the regular bills by the start of the fiscal year.... In eight years, they did not finish any of the bills by the deadline. They completed action on all the bills on schedule only four times: FY1977, FY1989, FY1995, and FY1997 (Streeter, 2007).

Finally, supplemental appropriations provide funding for unanticipated needs, such as war spending and natural disaster (hurricane, flood) relief. Like regular appropriations bills, supplemental bills provide lump-sum funding for general accounts for agencies named in the bill.

Appropriations bills fund all functions of government. Transportation spending makes up the second largest appropriations bill (Defense appropriations legislation is typically the leading source of federal spending); it is the primary source of intergovernmental funding for state and local capital projects such as roads, mass transit, bridges, air and rail travel, pipeline and rail safety. Traditionally, regular appropriations bills are initiated in the House of Representatives and then amended in the Senate. But in five of the last ten years, neither chamber passed all appropriations bills – those that were not approved were generally funded through omnibus bills. Also, regular bills have traditionally been considered and approved individually, but in 18 of the past 20 years Congress has combined two or more bills within one or two omnibus spending measures (Schick, 2000; Streeter, 2007). In fiscal year 2008, 7 of the 11 appropriations bills passed by Congress (Agriculture, Commerce/Justice/Science, Energy & Water, Financial Services, Homeland Security, Interior & Environment, and Labor/HHS/Education) were combined (THOMAS, 2008c).

Lawmakers approve capital projects and spending as an overall part of the unified budget but they are not segregated for Congressional review or decision-making. Additionally, since they are bundled with all other spending, capital projects have to compete with all other spending for appropriations. "Should capital spending ever be isolated, with its own spending allocation, this would change the rules of budgetary politics..." (Wildavsky & Caiden 2001).

The inability to reach agreement on spending priorities illustrates the degree to which politics influences spending decisions. Patashnik (2000, p. 65) contends that "...budget politics is a major battleground for partisan and ideological struggles...." The most important allocations of budget resources have, in effect, been decided by politicians long out of office. With more and more of government spending already committed through mandatory programs, less and less is left to divide among conflicting priorities.

Further, the elusiveness of genuine consensus within the appropriations process encourages politicians to find ways around the system. A recent GAO examination of supplemental appropriations for fiscal years 1997-2006 revealed that expenditures funded through supplemental bills increased five-fold, in part because the deliberation inherent to the appropriations process is absent when passing supplemental legislation. "Supplemental spending has become an alternative funding process, parallel to the normal annual appropriations process. This allows certain expenditures to elude close congressional and public scrutiny and allows Congress to escape debate over federal funding priorities" (GAO 2008d).

Maneuvering and delays in getting spending bills passed are not limited to the federal budget process. Idealistic conflicts between legislative caucuses within state general assemblies and between the general assemblies and their governors have equally stymied state capital spending, prompting the use of creative and/or manipulative strategies. This sets the stage for similar conflict at the local level, since federal and state appropriations provide significant funding for municipal capital improvements. Local governments then have to resolve conflicts around resource scarcity and priority setting when deciding which projects to fund first, if and when state resources are allocated. These issues are illustrated more fully in the case study of Illinois capital spending (see Chapter 7).

Local Spending and State Mandates

Local governments owe their autonomy, as ambiguous as it may be, to state government; consequently, they usually are not the masters of their own budget processes. Through home rule, state statute or "municipal budget laws," charters, and constitutions, state governments provide localities with the rules of the game when it comes to governance and budgeting (Rubin 2006, p. 130). The extent of state control varies. In some states all aspects of the budget process are designated; whereas in others, less restriction may mean simply a balanced budget and audited annual report. According to Rubin (2006, p. 132), "States specify which taxes or fees local governments may use and they may limit the amount of revenue that local governments can collect or mandate the provision of particular services."

State efforts at control can preempt local efforts at priority setting and budgeting in several ways. Statutes pertaining to municipal budgeting, for example, are often rigid and generally last well beyond their useful life. Out-of-date rules, including some cost controls and incremental, line-item budgeting methods, can constrain local operating and planning efforts. Additionally, interest group pressure at the state level to reduce taxes - such as California's Proposition 13, which limited future property tax increases - can have a detrimental fiscal impact on municipal revenues (Hanak

& Baldassare, 2005). Further, there is the contradiction between state requirements for direct citizen input into the budget process and mandated spending. The former encourages democratic responsiveness and encourages the realization of local priorities, while the latter limits self-governance and independent decision-making. Responding to pressure from municipalities, some states legislatures have passed laws limiting unfunded mandates or allowing localities to opt-out of state mandates that are not fully funded (Rubin, 2006). The objectives of many mandates have strong public appeal, however, making it difficult for legislators interested in keeping their seats to publicly oppose them. In those cases, modification, rather than defeat, is often their preferred goal (Posner, 1998b).

Political Decisionmaking

> Budgeting is about making choices, and making choices is impossible without discriminating among competing values... which is what politics is all about...Every 'rational' approach is, in fact, a way of emphasizing some values over others. ...budgeting at its very core is political.... (Kettl 1992, p. 157)

The economic rationality of executive budgeting and its hallmark value of measurable efficiency is often superseded in the legislative budgetary process by political reality, as characterized by conflicting interests, compromises, and fuzzy values such as equity, fairness, and effectiveness (Stone, 1997).

Caiden (1990) argues that problems in the federal budgetary decision-making process stem from this political environment. The lack of long-term executive and legislative vision and planning – passing appropriations without considering how those funding commitments will restrict future revenues, or failing to make tough spending decisions in light of the extent of the deficit, for example – is evidence of how rational individual decisions can become irrational collective decisions. With government beholden to special interests and campaign contributors, gridlock is inevitable and opportunities for real change are rare. Further, the formal and informal societal standards that used to check spending growth, promote ethical behavior, enforce the division of labor among participants in the process, and promote the interests of the whole over those of the individual members have significantly deteriorated. The fundamental problem in the budgetary decision-making process is its intrinsic bias toward special interests and against the interests of the public. "Budget processes, then, are the product of political preferences and may be framed to accomplish whatever purposes are desired at any time" (Caiden 1990, p. 238).

Based on a survey of the literature, Rubin (2006, pp. 28-9) developed categorical descriptions of the role of politics in the budget process. They are not mutually-exclusive and for the most part support the contention of politics as a necessary evil. The most positive view of politics in the budget process, the "*incrementalist* view" (italics in original) considers budgeting to be a series of negotiations among and between participants in both the executive and legislative processes. Bargaining is open to all comers - no one wins big, but most everyone wins a little, which holds down spending. However, in the "*reform orientation*" (italics in original), rational efficiency triumphs over pragmatic effectiveness - politics is considered an unwelcome intrusion into what should be an entirely administrative, technical process. Alternatively, domination of the budget process by interest groups is seen as increasing conflict within the process, resulting in rich, powerful winners and poor, disenfranchised losers and outcomes that are not particularly democratic in nature. A complementary perspective is that the entire budget process is political; maneuverings to promote values, goals and self-interest and the influence of special interests are as much a part of rational executive budgeting as they are in the congressional process. Similarly, another view identifies the budget process in total as a series of policy debates within the larger picture of political policymaking that, through agency/program funding tradeoffs, reflects social and economic conditions.

In spite of primarily negative connotations, what gives the budget process its vitality is the capacity of Congress to change its role in the process. It has moved, albeit slowly, from a distributive institution as a result of the post-World War II expanding economy, to a redistributive orientation as economic downturns required re-prioritization of spending and funding sources. A more focused leadership and increased sources of information, as well as procedural changes within the budget and appropriations processes have contributed to Congress' ability to better reflect contemporary political and social values (Caiden, 1990).

In terms of capital spending, the unified budget directs federal "policymakers' attention on the impact of federal cash borrowing on the economy" (Posner 2008, p. 4). Their resultant budgetary decisions impact both short-term and long-term investment. Political decision-making at the federal level directly and indirectly affects not only federal capital investment, but also, through federal program funding and directed appropriations, state and local capital investments.

Political decision-making, seen as the allocation of resources, is typically characterized by calculated self-interest (March & Olsen, 1984). Principal-agent theory identifies self-interest as the motivating factor for principals such as congress, based on issues of control and the underlying assumption that bureaucrats (agents) cannot be trusted to act in the best interest of the public (Gormley & Balla, 2003). Politicians who advocate for capital spending are seen as advocating for constituents services. "Citizen buy-in, not just of the projects themselves, but also the means of funding, is important"(Ebdon, 2002)

> A formal capital budget is politically expedient because it focuses the public's attention on future planning needs. Funding these 'bricks and mortar' projects can go a long way in getting an incumbent re-elected. Attention to capital assets also reminds citizens that public assets, like highways, may deteriorate to the point of uselessness if not regularly maintained (Lee, Johnson, & Joyce, 2008).

CHAPTER 4: EARMARKS

The practice of using the budget process to direct federal funds to specified individual projects – known as earmarking on the federal level and described in state government by variety of euphemisms, including "member initiatives" (Illinois) and " walking-around-money" (West Virginia) - has grown significantly over the last decade (Allen, 2007; Clemmitt, 2006; CRS, 2006; OMB, 2008e).

Earmarking is commonly understood to be a Congressional practice and one that is primarily effected through the appropriations process (CAGW, 2008b; CRS, 2006; OMB 2008e). Rarely considered, however , is that the President's budget, as presented to Congressional Appropriations' sub-committees, often contains as many, if not more earmarks as those resulting from the Congressional budget process (Interviewee #505, Calmes, 2006). There are several reasons for the institutional, academic and media focus on Congressional earmarks. First, they are contained in appropriations committee reports and, in part due to recent legislation[4], are more easily identified. Second, earmarks contained in the President's budget are much more difficult to recognize, while others are often transacted through verbal directives and as such impossible to document even through Freedom of Information Act (FOIA) requests (Interviewee #502). And finally, Congressional earmarking abuses (i.e. the Rep. Randy "Duke" Cunningham, Jack Abramoff, and Rep. William Jefferson scandals), as reported widely by the media, have associated the process with corruption (Clemmitt, 2006).

Earmarked funding is an alternative and increasingly common source of infrastructure financing not often discussed in the literature (Law & Tonan, 2006). Also known as "pork," or "pork-barrel spending" (CAGW 2008b; Clemmitt 2006) earmarks are attached primarily to appropriations and authorization bills and have been widely used to fund a variety of projects and services related to agriculture, education, social services and more. Earmarks can also be contained within earmarks. Law and Tonan (2006) observe that earmarks for agriculture research often contain special grants directed to specific entities or organizations. The Department of Transportation notes that Federal Highway Administration discretionary funds are made available to projects that meet current legal and regulatory criteria – but "Congress also makes decisions on some grants" (FHA, 2002).

Correspondingly, state government directed funding is generally seen as the purview of the legislature, and is similarly subject to party politics and power posturing. Funding for individual projects designated by the Governor or members of his executive office generates slightly more interest than do those initiated by White House administrators, but still considerably less than those enacted by the legislature. Like their federal counterparts, state earmarked funding precludes administrative agencies' merit-based priority setting and competitive grant processes; similarly, decision-making is based on political proclivity (i.e., ensuring incumbent reelection, rewarding supporters) and delivery of constituent services thought to be inaccessible through agency programs. (A more thorough discussion of state earmarking is found in Chapter 7).

---

[4] The Honest Leadership and Open Government Act of 2007 (S.1.P.P) accessible from Thomas, The Library of Congress at http://thomas.loc.gov.

It is important to note that earmarks direct the use of funds already appropriated within the federal budget; they are not requests for additional spending and in fact are budget neutral. If a "$10 million earmark were eliminated there *would not be a $10 million budget savings*" (italics in original) (OMB, 2008e, p. 4). Rather, elimination of the earmark funds would simply redirect the funds to agency control, which the administration and the agency could then spend it as they saw fit. Reducing earmarks will not reduce federal spending (OMB 2008e).

Definitions

How earmarks are defined depends on political perspective. Not surprisingly, the director of the President's Office of Budget and Management (OMB) describes them as basically anything Congress asks for that is not contained in the President's budget:

> Earmarks are funds provided by the Congress for projects or programs where the congressional direction (in bill or report language) circumvents Executive Branch merit-based or competitive allocation processes, or specifies the location or recipient, or otherwise curtails the ability of the Executive Branch to manage critical aspects of the funds allocation process (Portman, 2007).

OMB tracks earmarks in both appropriation and authorization legislation. According to their website (http://earmarks.omb.gov/), in addition to the definition above, they look for

a. Add-ons. If the Administration asks for $100 million for formula grants, for example, and Congress provides $110 million and places restrictions (such as site-specific locations) on the additional $10 million, the additional $10 million is counted as an earmark.
b. Carve-outs. If the Administration asks for $100 million and Congress provides $100 million but places restrictions on some portion of the funding, the restricted portion is counted as an earmark.
c. Funding provisions that do not name a recipient, but are so specific that only one recipient can qualify for funding.

OMB used this definition, which is similar to that contained in recently passed legislation designed to increase earmark disclosure and transparency, to compile a database of earmarks contained in FY 2005 appropriations and authorizing bills. Data for previous years is not available; however, appropriations and authorization earmark totals for FY 2008 and other non-project specific data are currently available online[5].

The American Congressional Dictionary also considers earmarks to be a singularly Congressional occurrence, noting that "…virtually every appropriation is earmarked." According to CRS (2006), the Dictionary defines earmarks as a "species of appropriation...characterized by a spending request:

- that is generated by one chamber, and usually one member, of Congress;
- not pursuant to a previous authorization; added to an appropriations or spending bill during conference;

[5] OMB reports detailing FY 2005 and FY 2008 earmarks are available at http://earmarks.omb.gov/

- appearing not in the bill's text but in an accompanying committee or manager's report, not subject to hearing, debate or separate vote;
- and, directed at a single and usually specific beneficiary, project or recipient."

An executive at the Congressional Research Service (CRS), on the other hand, provides the Congressional perspective, noting that they classify earmarks as anything that has been specially and specifically requested, regardless of the source of the request. Testimony before the Senate Subcommittee on Federal Financial Management, Government Information and International Security noted that CRS "has produced a different definition with respect to each separate appropriations bill and their definition(s) continues to change with each paper they generate on the subject (Lilly, 2006b).

Other, similarly broad views distinguish earmarks as designations of funds in circumvention of normal budget review procedures, not specifically authorized or competitively awarded, and serving only a local or special interest (Finnigan, 2007). These definitions are unique in that they allow for sources of earmarks beyond Congress, such as the Office of the President, Vice President and First Lady, as well as executive and legislative agency directors. Watch-dog organizations, such as Americans Against Government Waste and Taxpayers for Common Sense, on the other hand, generally define earmarks using aspects of the definitions above. Due to the difficulty in tracking executive earmarks, their focus also tends to be on those found in Congressional appropriations.

This inability to specifically characterize earmarks makes accounting for them more challenging. Even the Government Accountability Office (GAO), "the investigative arm of Congress" and "... congressional watchdog" (GAO, 2008c) "has spent years attempting to develop a standardized and usable definition of the term and has thus far failed" (Lilly 2006b, p. 1).

Congressional Earmarks

All action on congressional earmarks, from requests to inclusion in legislation to enactment, takes place in the appropriations process. The House and Senate divvy up appropriations budget allocations among relevant subcommittees, such as Transportation & Infrastructure in the House Budget Committee, Transportation & Housing and Urban Development (HUD) in the House Appropriations Committee, and Environment & Public Works in the Senate Appropriations Committee, and they, in turn, sub-allocate amounts to programs and agencies within their jurisdiction (OMB Watch, 2008).

Earmarking is an inherently partisan action. "... the majority party historically uses earmarks to hold onto that status" (Clemmitt 2006, p. 541) through strategic distribution of earmarked dollars to shore up support for less-powerful members within their districts. Members' political rankings within their chamber and committees, where party loyalty is valued vastly more than expertise the area(s) under the subcommittee's control, determine the pecking order (Ellwood & Patashnik, 1993), although the need to garner votes to ensure passage of the appropriations bill or other upcoming legislation is also a factor in determining funding allocations. Earmark disbursement for vote-gathering, or logrolling, is generally more bi-partisan in nature, and all members who are granted earmarks in response to their requests are expected to vote for the appropriations bill or other specified legislation in return (Schick, 2000).

The earmarking process begins each year with every legislator submitting his/her wish list to their committee/subcommittee chair or minority leader. Often these lists are made up of electronic constituent requests submitted through legislators' websites on forms designed specifically for individual project funding requests. Under the direction of the subcommittee chairman and ranking minority member, subcommittee leaders are first to receive funding for their individual projects, followed by subcommittee members, then full committee members and finally, if there are any funds available, remaining chamber members. Generally, subcommittee members receive hundreds of requests – many more than they can accommodate (Interviewee…May 5, 2008); however, "they satisfy enough of them to give each appropriations bill a solid base of support in the full committee and on the floor" (Schick, 2000, p. 212).

Within each committee and sub-committee, what constitutes an earmark is often narrowly construed, as evidenced by differences in types of earmarks within appropriations acts (Streeter, 2004; CRS 2006). An earmark in one bill may contain spending floors for identified projects, while another, more general designation "may refer to a certain level of specificity within an account" (Streeter, 2004, p. 1), or it may specify spending limitations on how funds may *not* be used (OMB, 2008e). A further distinction categorizes earmarks by the degree that spending is directed by congress: "hard" earmarks require the administration to spend a specific amount of money for a particular activity, whereas "soft" earmarks contain recommended or suggested spending levels (Schatz, 2004).

Within appropriations acts earmarks may be contained in the text of the bill, in floor amendments and/or in conference reports, as well as in committee reports and managers' joint explanatory statements. Those contained in committee reports and explanatory statements are not legally binding, whereas the others are. Appropriate levels of earmarking within each appropriations bill are determined by each subcommittee chairman's ideology; some support the process more than others, while some restrict the ways in which the earmarking process may be used.

The process and the number and dollar amounts of earmarks contained in each bill are usually somewhat vague for a reason:

> ...information about the operation of the earmarks evaluation and approval process – how much money each member is allocated for earmarks; how much each appropriations subcommittee is permitted, and how these decisions are made and by whom – is largely unknown, since 'all congressional communications is [sic] exempt from the Freedom of Information Act [and] appropriations Committees prohibit members from commenting on the authorship of specific provisions.' (Finnigan, as cited in OBM, 2008e, p. 3)

In addition to appropriations bills, earmarks are also contained in authorizing legislation, continuing resolutions and omnibus funding bills, and increasingly, in supplemental funding requests as well. Earmarks are widespread in all of these funding methods because of the "significant lack of transparency in these budgeting processes," the massive amount of pages in each bill (OMB, 2008e, p. 3), and the last minute, "midnight printing" of bills and accompanying reports (Interviewee #415) to discourage scrutiny. Passing annual appropriations bills in a timely manner has been more and more challenging for Congress, which has been increasingly funding government activities through continuing resolutions and omnibus bills. Also, as noted in the previous chapter, the use of supplemental appropriations and the number of earmarks contained within these supplemental bills have risen considerably over the last five years.

Pros and Cons

There is a negative perception of earmarks among the public, lawmakers, government reform organizations and the media. The concept is generally associated with pork-barrel, wasteful government spending, political favoritism, and vote-buying as a means of subverting democratic government. However, sometimes earmarks are the only way that badly needed local projects can get funding. A recent review (GAO, 2008a) of four agencies, the Department of Defense, Department of Energy, Department of Transportation and US Army Corp of Engineers' Civil Works programs, examined agency officials' perceptions of the impact of Congressional earmarks. Some officers felt that the impact on their ability to accomplish their goals was minimal or limited; others indicated that congressional directives could displace agencies' program priorities as they shift resources to meet the directives; still others noted that the directives provided funds for sought after projects that weren't funded in through budget requests; and finally, some reported that they caused uncertainty as agencies shifted gears midstream from planning based on the President's budget to compliance with Congressional directives received months later.

All Those in Favor...

Proponents of earmarked funding argue that earmarks comprise only a very minor portion of total appropriations (see Table 2), and that its usefulness as a successful method of vote-gathering to pass nationally important legislation far exceeds the insignificance of the funding totals. Many feel that they know the needs of their district better than do bureaucrats in agency offices (Schick, 2000, Interviewee 416) and that "federal agencies would shortchange many significant projects if lawmakers didn't direct funds to them" (Clemmitt 2006, p. 535). Earmarking makes certain that worthwhile projects (such as construction of a railroad overpass in Riverside, California which eliminated hazardous traffic congestion that stymied emergency personnel (NPR 2006)) are not overlooked or underfunded.

Funding local projects serves the national interest. Many projects could only have been initiated by Congress and benefit not only the local economy but also national defense and public safety. "Language in an earmark created the bipartisan Iraq Study Group…which has become a critical part of the Iraq debate. Earmarks created international programs to eliminate child labor. They fund the Boys & Girls Clubs of America and are responsible for funding most federal breast cancer research" (Weisman, 2008, p. 1) Finally, Congressional earmarks illustrate Congressional funding priorities; they direct, or re-direct administrative branch activities based on their ideologies, thereby placing some constraints, as Constitutionally anticipated, on executive control (Clemmitt, 2006).

And Those Opposed...

From an administrative perspective, however, Congressional earmarks limit agency spending discretion. They move the prioritization process from a rational, competitive basis to one of vote gathering and quid-pro-quo. Earmarks curtail agency spending by taking funds away from existing and planned programs and projects. But bureaucrats play roles in this process, as well. First and foremost, their job is to protect the president, meaning that administrative staffers (frequently political appointees) often redirect federal resources to states or projects or individuals who are politically important to the President or his "cronies." Additionally,

> When there is too-little room in the budget to accommodate all the programs that the bureaucracy sees as essential to accomplishing its assigned mission, frequently the highest priority items are left out. That is simply because those are the items that the executive branch can most comfortably rely on the Congress to restore (Lilly, 2006b, p. 1).

Earmarking also creates and supports funding and social inequities: earmark distribution is based on political power and district support needs. "Geographic distribution is not fair" (Lilly 2006b, p. 2): earmarks are not distributed on the basis of need within districts or states so the poorest of communities often receive the least earmark dollars. In addition, earmark allocations within Congress is discriminatory: black and Hispanic legislators receive an average of 50% less in earmarked dollars than do their white counterparts (Allen, 2007).

Earmarking now dominates Congressional members' time. The approximately "...15,000 earmarks that flow into appropriators' 'in' boxes each session divert lawmakers' attention from larger policy questions" (Clemmitt 2006, p. 535). With an ever shortening legislative calendar, legislators spend less time than ever in Washington DC, but the preponderance of that time is dedicated to dealing with the minutia of state and local needs rather than the big, national picture. The same holds true for their staff, and that of key committees (Clemmitt 2006; Lilly, 2006b). Earmarking is an all consuming process that takes them away from their Constitutional, "power of the purse" responsibilities to hold the executive branch accountable (Clemmitt 2006, p. 535).

Finally, there is increasing emphasis on corruption as inherent to the process. Most earmarks are for genuinely needed projects that provide value to taxpayers at state, local and even national levels. Those that are the subject of scandal - usually touted as exemplifying "pork barrel" spending (CAGW, 2008b, Clemmitt, 2006) - often benefit relatives and friends in addition to those who requested them. Senator Ted Steven's bridge to nowhere in Alaska and the bribery scandals of former Senator Duke Cunningham and Jack Abramoff are but recent examples. They "have a corrosive effect on government generally and lower the standards and expectations of recipients of government services" as well as the lawmakers who create them. (Lilly 2006b, p. 3). In addition to personal gain, earmarks are used increasingly to persuade colleagues to support or oppose not only the bills containing the earmarks, but also future unrelated legislation.

R e f o r m s

In President Bush's January 2008 State of the Union address he vowed to veto spending bills that did not reduce the number and cost of earmarks by half. His subsequent Executive Order 13457 directed federal agencies to disregard funding directives for earmarked projects contained in committee and other such reports that are attached to appropriations bills but are not backed by force of law. The Order defines earmarks as funds provided by Congress by any means (statutory text, report language, "phone marking" for projects that specify the project recipient or location, that "circumvents merit-based or competitive allocations," or that otherwise limit the ability of the executive branch to control the allocation of funds within its agencies (Federal Register, 2008). However, questions remain as to "whether the reform effort would work – or whether it should work – even if Bush's successor picks up the cause" (Weisman, 2008).

Congressional members have also made efforts to curb, eliminate or otherwise control the amount and degree of disclosure of earmarks within annual spending bills. The Honest Leadership and Open Government Act of 2007 (THOMAS, 2007d) which requires identification of earmark amounts and sponsors, is the first such legislation to be signed into law. Its transparency provisions are meant to shed light on earmarks buried within legislation and reports. As Senator Tom Coburn noted, "…96 percent of the 12,852 appropriations earmarks [granted in 2006] were hidden within report language" (as quoted in Clemmitt 2006, p. 532).

On the other hand, earmarks to members who don't necessarily agree with the Act or its disclosure requirements can make access to information very challenging for the public by simply providing it in formats that segregate amounts, projects and sponsors into individual, unrelated files. "...passing spending bills would have been much trickier this year if the information on earmarks has been more accessible. But a committee slight of hand prevented close scrutiny because dollar values for earmarks were listed separately from sponsor names, and the lists published electronically weren't searchable." The fear within Congress was that, "If winners and losers can be readily identified, the losers may revolt (Allen 2007, p. 2841). Additionally the lists contain funded projects as well as unfunded requests – without identification of which was which. The purpose was to prevent the public – and fellow members of Congress - from identifying and complaining about losing projects.

Serious efforts at earmark reform – usually considered as public access to more detailed identification of projects and funding along with legislative sponsors, rather than complete elimination of the practice – are hampered by the wide array of definitions. Focusing solely on Congressional appropriations is myopic; earmarks occur in authorization bills, tax legislation, executive orders, and within program funding, not to mention those contained in undocumented phone-marking and verbal executive directives. And yet even in recent law there is dissention regarding what constitutes a Congressional earmark.

The Honest Leadership and Open Government Act of 2007 omitted numerous things that have commonly been considered to be Congressional earmarks, including "a unit of State or local government, and Indian tribes [think Abramoff scandal], or a foreign government,'" public colleges and universities, and authorizations bills. The loopholes contained in this Act actually exempt most earmarks from the disclosure requirements. The majority go to state and local governments, which are exempt. Even the record number of earmarks contained in the 2005 highway bill (SAFETEA-LU) did not have to be disclosed as the bill was not considered an Appropriation (Lilly 2006a, p. 1).

Of the numerous bills introduced in both the House and Senate during the last two years to address earmark reform, the majority address Congressional earmarks. But these also vary almost as much in their description of what constitutes an earmark as they do in the types of reform actions called for.

Taken from the Library of Congress' THOMAS[6] website, select examples from the First Session of the 110th Congress include Senate Resolution 123 (S. Res. 123) which requires that information about earmarks, limited tax benefits and limited tariff benefits be posted on the Internet at least 48 hours before the legislation in which they are contained is brought for vote. The posting is required to include the name of the member(s) who requested each item, or a statement that the proposed bill contains no earmarks, limited tax benefits or limited tariff benefits.

House Resolution 3857 (H.R.3857) prohibits earmarks from being included in supplemental appropriations legislation. Neither the Senate nor the House of Representatives will be allowed to consider any supplemental appropriation that contains earmarks. And House Resolution 1733 (H.R.1733) prohibits the inclusion of earmarks in conference reports unless they were already contained in the bill as passed by the initiating chamber. The text of the legislation, however, requires that a point of order be made and separate votes taken for each earmark or tax earmark included in a conference report; it doesn't directly prohibit them.

Finally, Senate Bill 1134 (S.1134) calls for "transparency and accountability for direct appropriations to non-federal entities." Interestingly, this bill calls for disclosure of earmarks by the executive branch, but only as they pertain to agency take-downs (when the full amount of an appropriation is not awarded to the designated recipient).

The Second Session saw the introduction of House Resolution 6105 (H.R. 6105), entitled the Fiscal Integrity through Transparency (FIT) Act of 2008. The bill seeks to constrain the growth of the federal government through fiscal restraint and provide transparency for the earmark process through disclosure. It requires that each earmark be posted on the applicable subcommittee's website 14 days in advance, with the name of the requestor, cost and justification of the request.

Other legislation seeks to study or end the earmarking practice altogether. House Constitutional Resolution 314 (H. Con. Res. 314) proposes a constitutional amendment to establishment of a Joint Select Committee on Earmark Reform, and House Resolution 5755 (H.R. 5755) proposes the Bipartisan Earmark Reform Commission Act of 2008. The Earmark Reform Act of 2007 is introduced in House Resolution 3738 (H. R. 3738) and House Resolution 5995 (H. R. 5995) calls for the Gas Tax Relief and Earmark Moratorium Act of 2008.

As these efforts at reform were introduced, Congress curtailed its FY 2007 appropriations process and dramatically reduced the amount of earmarks included in the few bills that did pass both chambers. Reforms were short lived, however, as earmarking rose in FY 2008 and increased again in FY 2009.

---

[6]THOMAS can be accessed at http://thomas.loc.gov/. See Appendix C for a listing and the status of these bills.

CHAPTER 5: SCOPE AND METHODOLOGY

Because there is little, if any literature on the use of earmarks to fund state and local infrastructure, this research is intended as an exploratory effort aimed at furthering that discussion. The focal points of this study are: (1) a broad-based investigation of national infrastructure funding needs, federal agency funding practices, and changes in the allocation of program funding and earmarks for public works projects; (2) a comparison of five Great-Lakes states, comprising the US Census Bureau's East North Central Division[7] (Indiana, Illinois, Michigan, Ohio, and Wisconsin), that are similar in climate, geographic location, and industrial heritage; and (3) a case study of state and local capital budgeting and infrastructure funding practices within the state of Illinois, with emphasis on the use of member initiatives (the state-level equivalent of federal earmarks) to fund public works projects.

Data Collection and Analysis

Document Review

The examination of earmarks is, for the most part, an exercise in document review and analysis. The preponderance of this research is based on federal and state documents, including the President's budgets, congressional appropriations bills and legislation and related independent analysis; Illinois annual financial reports, including the Governor's budgets, Comprehensive Annual Financial Reports (CAFRs), Appropriations Reports and the Auditor General's reports of state agencies; US Census Bureau data; data from state and federal agencies, such as departments of transportation, environmental protection agencies, and economic development agencies; and documentation and data from national associations, such as the American Society of Civil Engineers (ASCE) and the American Association of State Highway Transportation Officials (AASHTO), and non-profit organizations, including Citizens Against Government Waste (CAGW), Taxpayers for Common Sense (TSC), Water Infrastructure Network (WIN), Transportation for Illinois Coalition (TFIC), Center for Tax & Budget Accountability (CTBA), and Taxpayers' Federation of Illinois (TFI).

Federal appropriations spending totals for the bills passed in each fiscal year are not maintained by CBO, CRS or OMB, or to their knowledge, Congressional staffers or other government agencies. To obtain the appropriations spending data presented in this study, each piece of legislation was reviewed and individual spending authorizations tallied to determine the total appropriation of each bill.

Infrastructure: Definition and Data

The American Society of Civil Engineers (ASCE) periodically examines and rates the country's infrastructure from national and state-wide perspectives. They investigate and rate various categories of infrastructure using a report-card grading system, defining the various categories as aviation, bridges, dams, drinking water, energy, hazardous waste, navigable waterways, public parks and recreation, railroads, schools, security, solid waste, transit and waste water. Based on these ASCE's categorical divisions, this study examines and codes appropriations

[7] The US Census Bureau, Census Regions and Divisions of the United States, Division 3: East North Central, http://www.census.gov/geo/www/us_regdiv.pdf

earmarks using the following classifications: (1) aviation; (2) bridges; (3) drinking water; (4) mass transit; (5) railroads; (6) waterways/water transport (dams, ferries, harbors, ports); and (7) (waste water (sewage). Schools and parks and recreation are omitted because of their dependence on local referendums and property taxes as funding sources. Property taxation has been the subject of numerous studies and is outside the scope of this study. Energy, solid and hazardous waste and security were also not included because of the rarity of solid/hazardous waste earmarks within the data, and the difficulty in defining energy and security items for coding purposes.

Earmarks: Definition and Data

Data sources. Several organizations monitor and collect earmark data. OMB has a comprehensive database of the earmarks contained in FY 2005 appropriations and authorizing legislation; that along with preliminary data for FY 2008 is posted on their website for public use. When contacted, however, they stated that they have no similar data for fiscal years 2006 or 2007 or for the years prior to 2005. TCS provides a searchable database of earmarks in FY 2008 appropriations only. Other sites provide information about earmarks in specific legislation, such as the 2005 Transportation bill (SAFETEA-LU) or compare earmarks in House and Senate versions of legislation.

Citizens Against Government Waste has maintained databases on earmarks contained in Congressional appropriations bills since 1991.[8] Although the parameters are limited – earmarks are also contained in numerous other types of legislation and may be initiated by individuals and agencies other than Congress - they have remained constant throughout the 17 years of data collection. The consistent and historical nature of CAGW's data makes it the best possible choice for this research.

Selection and coding. For this study, each earmark contained in CAGW's earmark data for FY 1997, and FY 2003-2007 (almost 50,000 line items) was examined and coded based on the infrastructure categories delineated by ASCE. They were further sorted by state to allow for comparisons of earmarks allocated to the five East North Central States, as well as for use in the Illinois case study. Line items pertaining to state and local infrastructure were then selected and assigned to the applicable transportation group - air, bridge, highway, rail, and waterway - or to the appropriate water category. For example, earmarks for dams, ports, ferries, and harbors were included within the waterway category. Road improvements, signals, pedestrian walkways and highway bike paths were included in the highway category, whereas sidewalks and trails were not. Earmarks for Army Corps of Engineers projects were also omitted because of their generally grand scale. Their infrastructure projects often impacted numerous states, making allocations to specific state and local governments impracticable.

Definition. As noted in Chapter 4, there are a variety of ways to define earmarks when setting the parameters for this research. Because CAGW's earmark data is used here it is only natural that this study would also rely on their definition of the term. To be considered an earmark, a spending item must meet at least two of the following criteria:

---

[8] CAGW's *Pig Book* is available at http://www.cagw.org/site/PageServer?pagename=reports_pigbook2008

- Requested by only one chamber of Congress;
- Not specifically authorized;
- Not competitively awarded;
- Not requested by the President;
- Greatly exceeds the President's budget request or the previous year's funding;
- Not the subject of congressional hearings; or
- Serves only a local or special interest.

Interviews

Interviews were used to supplement the document review and earmark data. Participants included a US Senator and a member of Congress, five Illinois State Senators and Representatives, five Illinois Mayors/Village Presidents, representatives from the Governor's Office of Management and Budget, the Capital Development Board, executives from five research/advocacy organizations, and professors and journalists whose expertise includes capital budgeting and Congressional and Illinois politics. Discussions about particular issues were conducted with individuals from the Illinois Auditor General's Office, the US Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service and the US Census-State and Local Government Finance's data reporting office. The interviews with congressional and legislative members and their staff were based on five questions (see Appendix B) and ran approximately 35-40 minutes. Discussions with academics, professionals and executives from federal and state agencies and think-tanks generally lasted an hour or more. Conversations with local leaders were based on indications of interest generated through survey participation and served as open-ended extensions of survey questions. The varying perspectives provided real-time insights on topics ranging from infrastructure funding needs and the challenges of funding those needs to the use of earmarks as a financing tool and earmark reform.

Case Study: Illinois

Within qualitative, exploratory studies such as this, the case study design is the most effective research technique for examining the practical applications of capital budgeting strategies at the state and local levels of government. The case study method is a comprehensive strategy (Yin, 1994) that encompasses the investigation of "…contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." Further, the case study " relies on multiple sources of evidence, with data needing to converge in a triangulating fashion...[and] benefits from the prior development of theoretical propositions to guide data collection and analysis" (Yin, 1994, p. 13).

The state of Illinois was chosen for several reasons. First, the state is comprised of more local governments (6,994) and more municipal governments (1,299) than any other state in the nation (Census Bureau, 2007), making it possible to canvas more local leaders through survey deployment. In addition, the state contains a broad range of city sizes, from rural villages with populations of 100 to the city of Chicago with its almost 3 million people, making it possible to observe whether size matters when it comes to infrastructure needs and perspectives. Illinois also has its share of budget-related political challenges. Hostilities within the Statehouse have been exacerbated by open hostilities between the Governor and Speaker of the House and general tensions between the Governor and the legislature. These challenges have been exacerbated by unsuccessful attempts to pass a balanced budget for FY 2009, and lack of agreement on viable sources of revenue to fund operating and capital budgets. The FY 2008 appropriations bill also contains itemized, specified member initiatives, whereas previous state budgets contained lump-sum amounts (#506). This made it more possible to identify and classify those member initiatives that were applicable to specific infrastructure projects. And finally, it was a matter of convenience. Being a resident of Illinois and in close proximity to the Statehouse facilitated data gathering and interview efforts.

A survey of municipal officers was conducted to assess the characteristics of infrastructure funding with local community governments. Questions centered on the receipt of federal earmarks and Illinois member initiatives between FY 2003 and FY 2007, the most pressing current and anticipated public works needs, and the methods most commonly used to finance infrastructure needs. The survey was limited to mayors, village presidents and managers and village administrators because, according to one interviewee, the "Majority of earmark requests come from elected officials" (#416). Elected officials and authorities from county, township and special districts were not included in this study; it is possible that they could have been able to add to this study if asked to participate.

Financial data. Determinations of appropriations spending and member initiative totals were based on in-depth reviews of previously passed spending legislation. As with the federal government, several sources at the state level, such as GOMB, legislative staffers, and the Legislative Research Unit, indicated that such annual data are not maintained. Annual appropriations were determined by tallying the individual spending authorizations within each piece of legislation. Member initiatives were identified (prior to FY 2008) reviewed and coded using the ASCE infrastructure categories: air, bridge, highway, rail and highway transportation and drinking and waste water. In the case of the 1394-page FY 2008 spending bill (Public Act 095-0348), member initiatives contained in almost 500 pages of the bill were individually coded and those pertaining to public works projects were then sorted into corresponding categories. The CTBA's compilation of member initiative projects subjected to gubernatorial veto in this legislation were also coded and incorporated.

Survey data. The narrow focus of the survey questions and the limited time frame in which to conduct the survey supported the use of an electronic survey instrument. Survey Monkey,[9] one of the leading web-based survey tools, provides secure communication, anonymous responses (in keeping with IRB requirements) and the ability to download complied data in a variety of formats. Its survey format is clear-cut, and the delivery method and data collection methods are efficient and effective. For these reasons it was chosen as the means by which to deploy the survey.

The use of sampling logic to determine the universe in which surveys would be deployed is appropriate for case study designs. The use of an electronic delivery method dictated the parameters of the sampling pool, limiting it to those Illinois Mayors and Village Presidents with viable email contact. Of the 1,293 cities and villages in the state of Illinois, 340 municipalities had valid email addresses for the municipal executive. Surveys were sent to every address and after accounting for boucebacks (invalid addresses) and those who opted-out, a total of 332 surveys,

[9] www.surveymonkey.com

representing 26% of the population, were delivered to cities and villages within the state. Two subsequent solicitations for participation were sent, garnering 103 responses (31%). Appendix A contains a copy of the survey instrument.

Data Analysis

Charts, graphs, tables and other such comparative means are used to compare archival data pertaining to the relationship between total appropriations earmarks and infrastructure earmarks, federal program funding for state and local infrastructure projects in relation to earmarks for related projects, capital spending per state, per capita in relation to earmarks received, and other such analysis. The data derived from the survey are non-random sample data. Descriptive statistics, the most applicable method for analyzing this type of data, are used to evaluate the survey data (Johnson, 2002). Information derived from the interviews is provided to add color to the collected data, and is used to highlight or emphasize findings where applicable.

Limitations of the Research

A variety of limitations apply to this study. Results obtained from archival sources is dependent on the sources identified by the researcher; it is possible that a significant publication, an updated government report or other published work that contradicts the study findings has not been identified or has been overlooked or discarded. Compilation of unique databases and use of data sources is dependent on the validity of the underlying source material. Assumed validity is based on the reliability of the originating organization; however, there is no way to know if data were overlooked or if errors occurred in the compilation of the originating data.

Bias and limitations of the data. Individual error and coding bias may also impact this research. Almost 50,000 earmarks contained in the CAGW databases for 1997, and 2003-2007 were individually reviewed and coded by the researcher. Similarly, thousands of pages of federal and Illinois appropriations legislation were reviewed for spending authorizations and hundreds of pages of member initiatives were individually coded. Between the massive number of line items to be reviewed and the limited time in which to complete the process, it is possible that some line items could have been inadvertently miscoded or omitted. Further, subjectivity in the interpretation and identification processes could bias the study as only the researcher choose which earmarks were classified into which categories.

In addition, using only earmarks contained in appropriations, while more accessible, certainly constrained the research. Considerable numbers of earmarks are contained in other congressional sources including conference reports, authorizing legislation, supplemental appropriations and continuing resolutions, and also executive sources such as budget documents, directives, executive orders and signing statements. However, these other resources are often much more difficult and sometimes impossible to find, even outside of the existing time constraints.

Tracking earmarks is challenging, however, comparing appropriations funding presents its own set of difficulties. According to a source at the Congressional Budget Office (CBO) neither CBO nor OMB maintain current or historical data of spending totals in appropriations legislation. Only actual spending figures are maintained (this precludes any attempts at comparison of legislated spending versus actual outlays - just how close was Congress in any given year?) ; the only way to determine total spending authority for any given bill is to tally the amounts contained in the numerous provisions. Additionally, subcommittees and their ranges of funding authority have been rearranged during the last five years, making comparisons of subcommittee spending inconsistent.

The list of infrastructure categories used herein and by the ASCE is limited. Both fail to take into consideration the growing importance of information technology as a form of infrastructure at all levels of government. And even within the defined categories, determining the fiscal resources needed, as well as those available, and the levels of governmental fiscal responsibility warranted to produce needed fiscal improvements within each category of infrastructure is dependent on the organization performing the estimates and the amount of annual funds allocated by governmental agencies. Governmental agencies, including OMB, CBO, EPA, DOT and GAO, as well as professional organizations such as ASCE and AASHTO, have all produced conflicting studies. Even federal budget documents and program reports of funding levels are contradictory, making determinations of annual funding by program and/or function somewhat challenging.

Bias and limitations of the survey and interviews. The most obvious limitation is the subjective nature of interview and survey research. Respondents are self-reporting; their answers are subjective, and interpretation of open-ended questions is itself a subjective activity. Additionally, there is no way to know if the person to whom the survey sent is the same person who completed the survey. In order to reduce response bias, the information asked for is predominantly factual; however, questions pertaining to future funding needs and concerns about acquiring funding, including the potential use of lobbyist, are subjective in nature. Consequently, response bias is possible. Selection bias, a usual limitation of survey research, is countered by sending the survey to the entire population of possible respondents (all mayors, village presidents) having a valid email address. That criterion is not related to the subject matter contained in the survey and so should not bias the population.

There is also the potential for bias within the interview process as questions can be framed or intoned in such a way as to solicit responses in keeping with the investigator's expectations. Yin suggests the use of an individual other than the primary researcher to conduct interviews as a means of eliminating this bias. That was not an option in this study. A number of respondents hailed from differing political factions, and with the current volatility of the political climate in Illinois it was especially important to remain impartial in order to even gain access to interviewees. Every effort was made to maintain a neutral posture so as to allow each individual to fully express their views. In addition to the potential for bias in the interview process, interpretation of interview responses by the researcher is a subjective activity.

CHAPTER 6: CAPITAL INVESTMENT

The amount of money contained in Congressional earmarks, and in earmarks directed to public works has increased considerably over the last decade This chapter opens with an assessment of Congressional appropriations and earmarking practices during the period, illustrating that even at the height of earmarked spending in FY 2005, earmarks comprise a minute portion of annual federal appropriations. Earmarks used to finance capital assets make up an even smaller, fractional percentage of annual Congressional spending.

Earmarks do add to the ability of state and local governments to fund public works, but to what degree? A comparative overview of infrastructure earmarks, federal program funding to state and local governments (such as the Highway Trust Fund), and state government capital expenditures is followed by an in-depth comparison of these factors within a small group of mid-western states. The East North Central States (Census Bureau, n.d.) are comprised of Illinois, Indiana, Michigan, Ohio and Wisconsin. All are Great Lakes states with like climates and similar physical infrastructure development that dates back to the industrial era. The examination of capital spending, the distribution of federal program funds, and the receipt of federal infrastructure earmarks by each state within this group demonstrates the categories of infrastructure in which earmarked funds have the greatest impact. In addition, it provides benchmarks for use in the case study of the state of Illinois (see Chapter 7).

Congressional Spending, 1997-2007

An examination of appropriations legislation enacted over the last decade shows that the number of subcommittee appropriations bills passed during each congressional session varied considerably. This is important because Congressional spending bills are often considered by the media and the President, as well as this study, to be the primary resource for earmarked spending. In 1997, all twelve spending appropriations were enacted. The addition of a new subcommittee in 1998 brought the total number of subcommittees and possible annual appropriations bills to thirteen. The majority of each subcommittee's bills were passed every year until FY 2003, when spending became more partisan and volatile activity. Table 1 shows the number of appropriations bills passed in each annual budget cycle between fiscal years 1997 and 2007.

Table 1. Number of Congressional Subcommittee Appropriations Enacted in Session, FY 1997-2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
No. of Appropriations enacted	12	13	13	12	13	11	**2**	**6**	**11**	**0**	**0**
No. Remaining	0	0	0	1	0	2	11	7	2	13	13
Total Annual Appropriations	12	13	13	13	13	13	13	13	13	13	13

Source: Figures compiled by author based on data obtained from THOMAS, The Library of Congress, http://thomas.loc.gov/

During the five year period ending in FY 2007, only 2 spending bills were approved for FY2003 (a contentious election-year); and less than half (6 of 13) were enacted for FY 2004. Then Congress moved beyond continuing resolution spending, thanks in large part to one-party control of both the executive and legislative branches, and 11 of 13 appropriations bills for FY

2005 were passed. That effort was short-lived, however, as fiscal years 2006 and 2007 were again funded through continuing resolutions and appropriations enacted in subsequent sessions. What differentiated FY 2006 and 2007 from prior years were calls for earmark moratoriums and enacted earmark disclosure legislation that limited initial Congressional spending to supplemental appropriations for hurricane Katrina disaster relief and small business loans, respectively (GPO, 2008c).

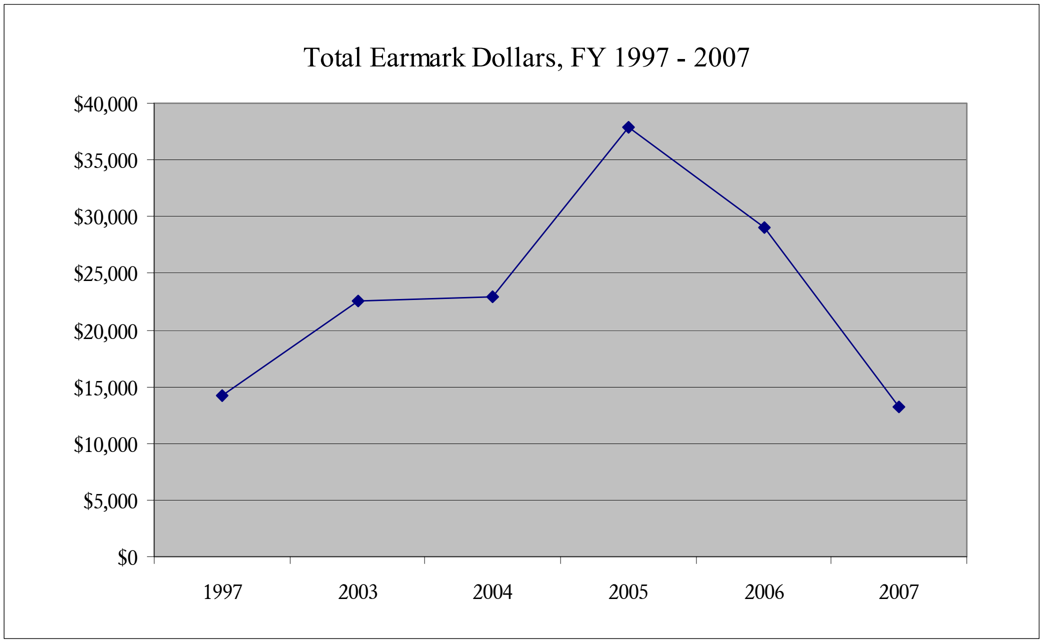

Figure 1. Total Earmark Dollars in Appropriations Legislation, FY 1997, 2003-2007
Source: CAGW, www.cagw.org

In spite of spending volatility, earmarks remained a constant presence within spending legislation. In fact, regardless of how many bills were passed, the aggregate number and dollar amounts of earmarks rose continuously through most of the decade. Spending legislation for FY 1997 contained 1,554 earmarks, totaling $14.2 billion. By FY 2005, after facing a third round of continuing resolutions (OMB, 2005). Congress passed appropriations with a record-setting 15, 411 earmarks totaling $37.8 billion, a 267% increase over 1997. An array of earmark-limiting legislation introduced in 2006 and 2007, in both the House and Senate, ranged from calls for complete abolition or moratoriums to additional disclosure or establishment of a study group.[10] This legislation significantly reduced both Congressional appropriations and earmarked spending. FY 2006 earmarks totaled $29 billion, down 25% from FY 2005. They declined almost half as

[10]A search of THOMAS (the Library of Congress) for "earmark" legislation turned up a listing of 51 responses referring to 36 different pieces of legislation introduced in the 100th Congress alone. More information can be found at http://thomas.loc.gov/

much again the following year, in large part because only two appropriations bills were ultimately passed in FY 2007 and they contained only $13 billion in directed (earmarked) funding. To put that into perspective, that is more than the Department of the Interior's (DOI) entire discretionary budget authority for FY 2007 ($10.8 billion) (GPO Access, 2008a). Figure 1 illustrates the changes in the amounts of earmarked appropriations between 1997 and 2007.

Table 2. Appropriations, Earmarks and Infrastructure Earmarks, FY 2005 (in $millions)

Subcommittees	Appropriations	Total Earmarks	% of Appropriations	Infrastructure Earmarks	% of Appropriations	% of Total Earmarks
Agriculture		$729.5		$23.0		3.2%
Commerce/State/Justice		$1,818.5		$13.2		0.7%
Energy/Water		$2,320.7		$395.4		17.0%
Foreign Operations		$494.3		$100.0		20.2%
Interior		$781.6		$26.8		3.4%
Labor/HHS/Educ		$4,259.1				0.0%
Legislative Branch		$24.8				0.0%
Transportation		$4,665.1		$4,096.0		87.8%
Treasury/Postal SVC						
Veterans' Affairs/Housing		$1,855.9		$239.4		12.9%
Consolidated Appropriations	$113,100.2	$16,949.5	15.0%	$4,893.8	4.33%	28.9%
Defense	$400,245.6	$17,255.9	4.3%	$101.8	0.03%	0.6%
District of Columbia	$23,656.4	$33.3	0.1%	$0.3	0.00%	0.9%
Homeland Security	$31,622.0	$1,717.6	5.4%	$256.9	0.81%	15.0%
Military Construction	$20,499.5	$1,875.9	9.2%	$305.6	1.49%	16.3%
TOTALS	$589,123.7	$37,832.2	6.4%	$5,558.4	0.94%	14.7%

Sources. Figures compiled by author based on data from Citizens Against Government Waste's 2005 Pig Book, www.cagw.org, and the Library of Congress' THOMAS legislation database, at http://thomas.loc.gov/home/approp/app05.html

Despite the fact that FY 2005 was a watershed year for earmarks, in relation to Congressional appropriations they accounted for just 6.4% of the year's appropriations spending. Earmarks for state and local infrastructure needs were but a fraction of that, comprising less than one percent of all Congressional spending for the year. Table 2 shows the total dollar amounts of the FY 2005 appropriations bills along with the dollar amounts of all earmarks contained in the bills and the amounts of those earmarks that were directed to public works projects. While eleven out of thirteen bills spending bills were approved that year only three passed as stand-alone legislation. The Consolidated Appropriations bill incorporated ten subcommittees' spending for the Departments of Agriculture, Commerce/State/Justice, Energy/Water, Foreign Operations, Interior, Labor/Health and Human Services/Education, Transportation, Treasury/Postal Services, Veterans' Affairs/Housing, and for the Legislative Branch.

Table 3. Total Earmarks and Total Infrastructure Earmarks, 2003, 2005, 2007 (in millions)									
	Total Earmarks	Infrastructure Earmarks	% of Total Earmarks	Total Earmarks	Infrastructure Earmarks	% of Total Earmarks	Total Earmarks	Infrastructure Earmarks	% of Total Earmarks
Subcommittee	**2003**			**2005**			**2007**		
Agriculture	$478	$22	4.50%	$730	$23	3.15%			
Commerce/State/Justice	$1,376	$14	1.01%	$1,819	$13	0.73%			
Defense	$11,013	$22	0.20%	$17,256	$102	0.59%	$10,786	$1	0.01%
District of Columbia	$88	$0	0.00%	$33	$0	0.90%			
Energy/Water	$1,696	$166	9.78%	$2,321	$395	17.03%			
Foreign Ops	$181	$0	0.00%	$494	$100	20.23%			
Homeland Security				$1,718	$257	14.96%	$2,425	$0	0.00%
Interior	$345	$1	0.20%	$782	$27	3.43%			
Labor/HHS/Education	$1,125	$0	0.00%	$4,259	$0	0.00%			
Legislative Branch	$72	$0	0.00%	$25	$0	0.00%			
Military Construction	$1,175	$206	17.54%	$1,876	$306	16.29%			
Transportation	$3,119	$2,826	90.60%	$4,665	$4,096	87.80%			
Treasury/Postal Service	$193	$0	0.00%						
Veterans' Affairs/HUD	$1,671	$321	19.23%	$1,856	$239	12.88%			
TOTALS	$22,532	$3,577	15.88%	$37,832	$5,558	14.69%	$13,211	$1	0.01%
Source: Figures compiled by author based on data from Citizens Against Government Waste, http://www.cagw.org									

Like total earmarks, earmarks for infrastructure were at their zenith in FY 2005. Even at their highpoint, however, infrastructure earmarks accounted for slightly less than 15 percent of all earmarked spending and less than one percent of total federal appropriations.

Table 4. Earmarks for Infrastructure by Category as contained in Subcommittee Appropriations, Cumulative FY2003-2007 (in $millions)										
	Air Transport	**Bridges**	**Dams, Ports & Harbors**	**Ferries**	**Railroads**	**Highways**	**Mass Transit**	**Waste Water**	**Drinking Water**	**TOTALS**
Agriculture	$0.0	$0.0	$0.5	$0.0	$0.0	$0.1	$0.0	$31.7	$65.6	$97.8
Commerce/State/Justice	$4.0	$0.0	$6.7	$26.8	$0.0	$2.0	$0.0	$0.0	$14.0	$53.4
Defense	$139.9	$9.0	$27.6	$0.0	$5.0	$3.0	$0.5	$11.0	$90.8	$286.8
District of Columbia	$0.0	$0.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.3
Energy/Water	$3.1	$2.8	$692.3	$5.0	$0.0	$0.7	$0.0	$131.2	$245.7	$1,080.7
Foreign Operations	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$100.0	$100.0
Homeland Security	$218.9	$45.2	$299.0	$0.0	$167.0	$0.0	$180.0	$0.0	$0.0	$910.1
Interior	$5.0	$0.1	$12.1	$0.0	$0.3	$5.3	$0.0	$116.8	$140.2	$279.8
Military Construction	$730.7	$1.5	$6.0	$0.0	$0.2	$24.6	$0.0	$2.6	$37.2	$802.8
Transportation	$1,894.5	$551.5	$131.1	$119.0	$1,836.6	$4,705.3	$4,127.8	$4.4	$2.1	$13,372.4
Veterans'Administration/HUD	$5.7	$0.0	$5.3	$0.2	$1.6	$6.2	$4.9	$280.5	$612.9	$917.4
TOTALS	$3,001.7	$610.3	$1,180.6	$150.9	$2,010.8	$4,747.2	$4,313.3	$578.2	$1,308.6	$17,901.5
Source: Figures compiled by author based on data from Citizens Against Government Waste, www.cagw.org										

As Table 4 illustrates, not all transportation earmarks within a subcommittee bill provide funding for related projects. Earmarks for the all of the infrastructure categories - highways, bridges and ferries, air, rail and water transportation and water and waste water - were strewn about the appropriations bills. Consequently, earmarks for water-related projects were not all contained in Energy/Water bills, nor were all transportation earmarks incorporated only into Transportation bills. For example, in 1997 (not shown), earmarked funding for drinking water projects came from

Agriculture (4%), Energy (12%), Interior (9%), and Veteran's Administration/HUD (75%). In 2005, earmarked funding for drinking water was more disbursed among the subcommittees: Agriculture (5%), Commerce/Justice (2%), Defense (7%), Energy/Water (16%), Foreign Operations (20%), Interior (3%), Military Construction (4%) and VA/HUD (43%). In both cases the majority of drinking-water related earmarks came out of the Veterans' Administration/Housing and Urban Development (HUD) subcommittee and primarily for HUD programs.

A Closer Look: Infrastructure Earmarks and Federal Aid in the East North Central States

To assess the relationship between infrastructure earmarks, federal program funding and state capital spending, five states that are similar in location, climate and aging infrastructure were chosen for examination and comparison. These Great Lakes states, Illinois, Indiana, Michigan, Ohio and Wisconsin, are in the rust-belt region of the nation and have aging infrastructure that dates to the industrial age. This section begins with a discussion of infrastructure earmarks in comparison to federal program funds and then incorporates comparisons of the five states to illustrate differences and similarities in program funding and capital spending priorities as well as categorical infrastructure earmark needs.

Overview of Program Funds, Capital Spending and Infrastructure Earmarks

Earmarks do not supplement program funds; rather they redirect monies within programs away from previously planned expenditures to specified state and local projects. As such, infrastructure earmarks impact federal program spending by pre-empting and re-prioritizing agency and program funding plans. This practice, based on the "lawmaker knows best" premise and encouraged by constituent requests for projects seemingly ignored by federal agencies, is on the rise. In 1997, transportation earmarks totaled $285 million, less than 1% of the Department of Transportation's $38.4 billion budget. By 2005, earmarks for transportation projects totaled $5.1 billion – a 1,685% increase over 1997, and almost 8% of DOT's $66.1 billion budget (GPO, 2008b).

The slowdown in FY 2006 spending reduced transportation earmarks by 40% ($3.6 billion - 5% of DOT's $68.9 budget) (GPO, 2008b). The broad use of continuing resolutions to fund FY 2007 spending reduced infrastructure earmarks to almost nil, as illustrated in Figure 2.

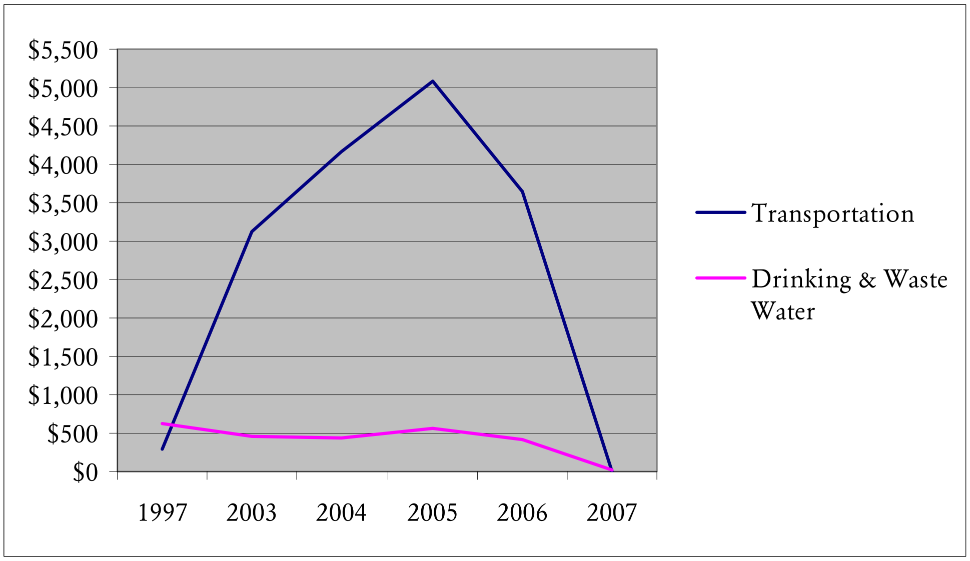

Figure 2. Aggregate Infrastructure Earmarks, 1997-2007 (in $millions)
Source: Figures compiled by author based on data from CAGW, www.cagw.org

Aggregate earmarks for water projects decreased 11% between 1997 and 2005, from $620 million to $554 million respectively. In line with transportation earmarks, they declined an additional 33%, to $417 million, in 2006. These aggregate figures do not provide an accurate picture of the situation, however. Earmarks for wastewater systems alone decreased 89% between 1997 and 2005 – from $570 million to $62 million, respectively – but then rebounded in 2006 to $171 million. And while 2007's supplemental spending was almost earmark-free, it did allocate $14 million for state and local sewer projects. On the other hand, earmarks for drinking water systems increased 882% between 1997 and 2005, going from $50 million in 1997 to $492 million, only to be reduced by half in 2006.

According to interviewees (#416 and #505), earmarks are Congressional responses to constituent requests. The dramatic increase in earmarks for transportation and drinking water projects between 1997 and 2005 suggest increased demand at the state and local level for funding assistance beyond that provided through grants and program funding. Between 2003 and 2006, for example, total revenues for state and local governments rose 34%, averaging 8.5 percent per year, and almost half of that was attributable to increased intergovernmental transfers. Own source revenues for the period increased at an average annual rate of 8% per year. Yet capital spending increased only three percent per year, barely keeping up in with inflation. It is often thought that because earmarks direct federal spending to state and local capital projects, that those federal funds make up for state and local governments' relatively flat annual capital spending levels. As illustrated in Table 4, however, earmarked federal funds added only approximately one to two percent to state and local capital spending between 2003 and 2006.

Table 5. State and Local Capital Outlays in Relation to Infrastructure Earmarks, 2003-2006 (in $millions)				
	2003	**2004**	**2005**	**2006**
Total Revenues	$2,047,337	$2,435,083	$2,523,006	$2,739,938
Intergovernmental (Federal) Revenues	$389,264	$425,683	$438,156	$452,233
Own Source Revenues	$1,373,948	$1,464,058	$1,582,770	1,733,785
Current Operations	$1,579,290	$1,662,510	$1,761,857	$1,863,062
Capital Expenditures	$263,198	$269,976	$278,540	$295,368
% Capital Expenditures to Operations	17%	16%	16%	16%
Infrastructure Earmarks	$3,577	$4,604	$5,558	$4,055
% Earmarks to Federal Revenues	1%	1%	1%	1%
% Earmarks to Capital Expenditures	1%	2%	2%	1%
Sources: Earmark figures compiled by author based on data from CAGW, www.cagw.org; other data from the US Census Bureau, State and Local Governments, State and Local Government Finance, http://www.census.gov/govs/www/estimate.html				

In aggregate, earmarks are not a significant portion of federal program or state and local spending in general. The question becomes, then, whether they make a difference within specific categorical spending. A review of program spending, state capital spending and earmarks as they pertain to specific infrastructure categories, and a comparison among the states of the East North Central States, will provide a unique perspective.

Transportation

State governments' allegations (GAO, 2006b) that earmarking deters federal agencies from focusing on planned and competitively-prioritized projects is not borne out by a comparison of earmark awards and transportation capital spending in the five East North Central states. This is illustrated using federal transportation program funding data for various categories of transportation earmarks.

The Department of Transportation (DOT) manages the US domestic budget for ground, air and water transportation. Most DOT funding comes from the Highway Trust Fund, which provides program funds for highways, bridges, rail and mass transit (CRS, 2006). Table 6 compares federal expenditures to earmarks in various categories of transportation infrastructure. Overall, program funding allocations rose almost 30% between FY 2003 and FY 2007 (OMB, 2007a), but a review of the individual categories indicates that federal funding for air transportation declined 20% over the period, while funding for ground and water transportation rose 28% and 27% respectively. On average, federal funds allocations for ground transportation were eight times greater than that for water and other transportation, and at least twice that for air transportation.

Table 6. Federal Transportation Program Funding by Category and Transportation Earmarks, FY 2003-2007 (in $millions)

	2003			2004			2005			2006			2007		
	Program Funds	Earmarks	%	Program Funds	Earmarks	%	Program Funds	Earmarks	%	Program Funds	Earmarks	%	Program Funds	Earmarks	%
Ground transportaion	$35,813	$2,720	8%	$39,930	$2,660	7%	$41,583	$3,750	9%	$44,212	$2,551	6%	$45,877	$0	0%
Air transportation	$23,086	236	1%	$17,123	$1	0%	$18,937	$865	5%	$18,803	$588	3%	$18,589	$3	0%
Water and other transporta	$5,283	$160	3%	$5,735	$192	3%	$5,556	$476	9%	$5,850	$499	9%	$6,696	$4	0%
Totals	$64,182	$3,117	5%	$62,788	$2,854	5%	$66,076	$5,091	8%	$68,865	$3,639	5%	$71,162	$7	0%

Source: Earmark figures developed by author based data from Citizens Against Government Waste, www.cagw.org; Budget of the U.S., FY 2009, Historical Tables: Table 8.7--Outlays for Discretionary Programs: 1962-2009. p.150, Online via GPO Access, wais.access.gpo.gov

Table 7. Transportation Expenditures and Transportation Earmarks for the East North Central States, FY 2005 (in $thousands)

	Illinois			Indiana			Michigan			Ohio			Wisconsin		
	Expenditures	Earmarks	%	Expenditures	Earmarks	%	Expenditures	Earmarks	%	Expenditures	Earmarks	%	Expenditures	Earmarks	%
FY 2005															
Highways[1]	$5,492,420	$118,450	2%	$2,308,375	$53,200	2%	$3,727,168	$59,563	2%	$4,442,866	$53,500	1%	$3,074,745	$105,884	3%
Air transportation (airports)	$789,366	$13,000	2%	$171,402	$3,200	2%	$454,329	$8,750	2%	$497,693	$19,150	4%	$234,675	$15,100	6%
Sea and inland port facilities[2]	$63	$4,577	7265%	$14,680	$3,800	26%	$0	$5,613	5613%	$18,475	$947	5%	$6,559	$1,730	26%
Totals	$11,698,477	$136,027	1%	$4,897,694	$60,200	1%	$7,880,847	$73,926	1%	$9,637,085	$73,597	1%	$6,655,084	$122,714	2%
FY 2006															
Highways[1]	$5,416,628	$156,835	3%	$2,403,237	$27,125	1%	$3,699,350	$46,534	1%	$4,678,051	$55,050	1%	$3,339,105	$28,480	1%
Air transportation (airports)	$897,528	$14	0%	$251,953	$2	0%	$506,476	$26,120	5%	$349,481	$25,625	7%	$163,639	$24,125	15%
Sea and inland port facilities[2]	$62	$6,178	9965%	$9,873	$1,450	15%	$0	$2,010	2010%	$22,437	$500	2%	$9,785	$2,013	21%
Totals	$6,314,218	$163,027	3%	$2,665,063	$28,577	1%	$4,205,826	$74,664	2%	$5,049,969	$81,175	2%	$3,512,529	$54,618	2%

[1]Includes parking facilities; earmarks include bridges, highways, railroads and mass transit

[2]Earmarks include ports, dams, harbors, and ferrys

Source: Eermark figure compiled by author, basd on data rom Ciizens Against Government Waste, www.cgaw.or; also US Census Bureau, State and Local Government Finances by Level and by State, 2003-4, 2004-5, 2005-6, http://www.census.gov/govs/www/estimate.html, and Citizens Against Government Waste, www.cagw.com

Transportation earmarks rose, in aggregate, 16% between FY 2003 and 2007. However, in looking at the individual categories, earmarks for ground transportation saw a much smaller increase between FY 2003 and 2005 (38%) and an overall decline for the period ending FY 2007 (-6%). By FY 2005 earmarks for air and water transport had increased 266% and 197%, respectively. But the net gain for the period ending FY 2007 indicated a smaller increase for air transpiration (149%) than for water transport (212%).

Despite the increases in air and water transpiration earmarks, funding for each of the two transportation categories at its peak was less than 10% of program allocations, leaving more than 90% of annual authorizations under agency control. This refutes state allegations that earmarking deters federal program funds from planned agency projects.

Table 7 compares state and local transportation expenditures and earmarks for the East North Central States[11] for FY 2005, when earmarking was at its height, and FY 2006, when heightened scrutiny put a damper on directed funding. In FY 2005, highway and air transportation earmarks were minimal, averaging approximately 2% of state and local combined expenditures. Earmarks for water transpiration, on the other hand, made significant contributions to related state and local expenditures in all states except Ohio. For the most part, allocations were similar in the following year. Fewer dollars were allocated, and for highway and air transportation the ratios were similar, with the exception of Ohio and Wisconsin's slightly larger allocations. Once again, earmarks for water transportation made the greatest impact, with Ohio again being the exception.

State and local government highway expenditures remained relatively unchanged for the states between 2005 and 2006. Earmarks increased 2% for Michigan and over 30% for Illinois. They decreased for the remaining states, with Wisconsin seeing the largest loss of 272%. Air transportation expenditures increased in 2006 for Illinois, Indiana and Michigan, but not in Ohio and Wisconsin, where state and local air transport funding decreased by about 30%. Conversely, federal directed spending decreased in Illinois, Indiana and Michigan but increased in Ohio and Wisconsin, making up for the loss of state and local dollars.

Fiscal year 2006 earmarks for water transportation projects in Illinois increased 35% over that of 2005, with no change in state and local spending; in Indiana spending decreased over 30%, while earmarks were down double that. Ohio's spending increased over 20%, which helped to compensate for their receipt of 47% less earmarked dollars than in 2005. Wisconsin almost doubled their spending on waterways and received 16% more in earmarked funding on top of that. Michigan, with no state and local waterway spending for the period, saw the largest decline – $64 thousand - in federal earmarks.

*Highways***.** The American Association of State Highway and Transportation Officers (AASHTO, 2007) estimates that it will take $73 billion annually to preserve the current highway system, double its capacity over the next 50 years in order to keep pace with projected population growth, and make it safer to use. Current funding for highway projects comes from the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, or SAFETEA-

[11] All data for the East North Central States – Illinois, Indiana, Michigan, Ohio and Wisconsin – cited in this chapter reflect state and local combined totals.

LU, which was enacted in 2005, two years after its predecessor, TEA-21, expired. According to the FHWA (2007a), this bill provides almost $40 billion a year from the Highway Trust Fund, on average, for FY 2005-2009.

While SAFETEA-LU provides most states with a substantial increase in highway funding over previous years, it is considerably less than AASHTO's and FHWA's projections of required financial support. The result is a backlog in funding highway repair and maintenance projects and meanwhile, construction and maintenance costs have risen faster than inflation because of high demand for materials and the soaring cost of oil. Consequently the much acclaimed 2005 Transportation bill, at $286 billion, was still $1billion short by FHWA's measurements.

> ... Sen. Frank Lautenberg, D-N.J., a member of the Senate Commerce Committee, said that the nation's transportation infrastructure has been underfunded for years and that the Bush administration has threatened to veto proposals to increase funding.
>
> "We want to get the bills done and want to get them increased at a sufficient amount," he said. "We spend over $3 billion a week on the war. So there is a lot of money that is being spent in other places that we have to recover and put into our highways. Because we face immediate danger in lots of places, and the public deserves better than that." (Schoen, 2007, p. 1).

To make matters worse, OMB recently announced that the Highway Trust Fund, the highway funding vehicle for SAFETEA-LU state and local funding allocations, will experience a $4.3 billion shortfall in FY 2009 because of changes to budget rules that take effect that year (GAO, 2006b; Roads & Bridges, 2007). In addition, SAFETEA-LU guaranteed funding is in jeopardy due to anticipated FY 20009 shortfalls in the Highway Trust Fund as a result of declines in gasoline tax revenues. Additional shortages in gas tax revenues are anticipated due to escalating oil and gasoline prices and decreased gas consumption, which will also impact the Highway Trust Fund.

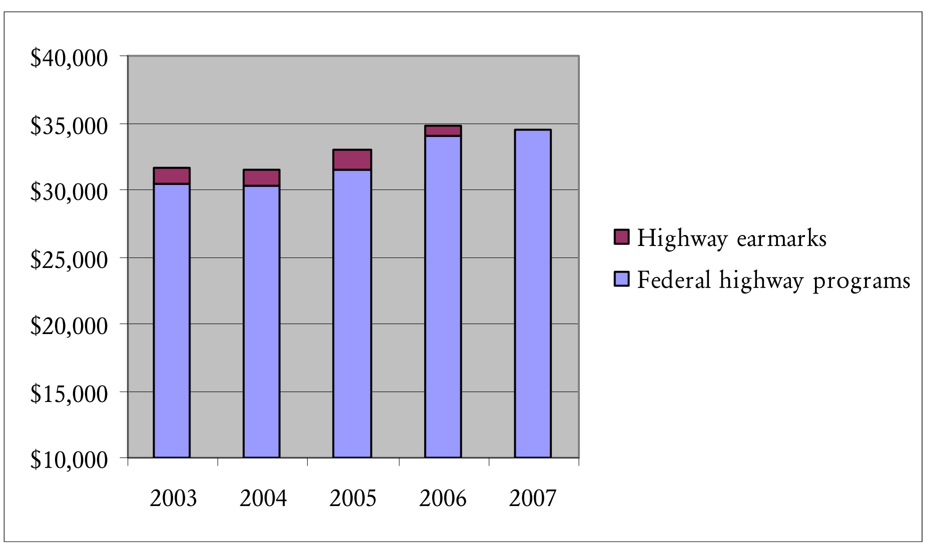

Figure 3. Highway Earmarks In Relation To Program Funding (in $ billions)
Source: Earmark figures compiled by author based on CAGW data, and Highway Trust Fund, Other Federal fund aid, Other Trust fund aid, The Budget for Fiscal Year 2009, Historical Tables, 12.3 Total Outlays for Grants to state and Local Governments by Function, Agency and Program: 1940-2009.

The dramatic increase in FY 2006 highway funding is a result of the 2005 SAFETEA recalibration of state funding allotments; however once those levels were set, they remained relatively constant through FY 2007. Passage of recent legislation provided for continuation of SAFETEA-LU funding guarantees through 2008 (ASCE 2008) served to confirm what AASHTO and FHWA had previously voiced: states and local governments were not getting enough fiscal support to meet needs, and it was likely that projected SAFETEA allocations for FY 2009 and beyond would be substantially reduced due to anticipated shortfalls. In another review, GAO also found that program approaches to prioritizing and funding projects were inefficient and ineffective, sentiments often voiced by interviewees in this research. Further, GAO indicated that states viewed congressional earmarks as restricting their capacity to finance the most needed projects. According to GAO (2008b, pp. 3-4):

> Many current programs are not effective at addressing key transportation challenges such as increasing congestion and freight demand....because federal goals and roles are unclear; many programs lack links to needs or performance, and the programs often do not employ the best tools and approaches.... Furthermore, states' ability to transfer highway infrastructure funds among different programs is so flexible that some program distinctions have little meaning. Moreover, programs often do not employ the best tools and approaches; rigorous economic analysis is not a driving factor in most project selection decisions and tools to make better use of existing infrastructure have not been deployed to their full potential. ...according to state officials, congressionally directed spending may limit the states' ability to implement projects and efficiently use transportation funds.

Local government executives (interviewees and survey respondents), on the other hand, feel the pinch of insufficient program funding. They see states as not meeting the needs of the communities ("not doing its job," as one respondent put it) and view earmarks as the only way, in many cases, to get their sorely needed highway repairs and construction on the list. The small portion of earmarks within highway funding was on the rise through 2005 and may reappear in 2008 spending appropriations, given the recent guarantee of SAFETEA-LU 2008 funding levels, but the fiscal shortfalls facing the Highway Transportation Fund do not look promising for state and local government highway repairs and construction.

Table 8. Highway Capital Outlays and Earmarks for the East North Central States, 2004-2006 (in $millions)

	FY 2004					FY 2005					FY 2006				
	Capital Outlays			Earmarks		Capital Outlays			Earmarks		Capital Outlays			Earmarks	
	Total	Highway	%	Highway	%	Total	Highway	%	Highway	%	Total	Highway	%	Highway	%
Illinois	$10,978	$2,584	24%	$16	1%	$9,463	$2,975	31%	$25	1%	$10,863	$2,834	26%	$14	0%
Indiana	$4,319	$1,278	30%	$11	1%	$4,396	$1,265	29%	$32	2%	$4,848	$1,389	29%	$12	1%
Michigan	$7,559	$1,648	22%	$7	0%	$6,736	$1,528	23%	$15	1%	$6,694	$1,431	21%	$21	1%
Ohio	$9,222	$2,209	24%	$37	2%	$9,478	$2,378	25%	$23	1%	$10,296	$2,521	24%	$14	1%
Wisconsin	$4,345	$1,597	37%	$23	1%	$4,189	$1,696	40%	$87	5%	$4,692	$1,879	40%	$20	1%

Source: Earmark figures compiled by author based on data from Citizens Aganinst Government Waste, www.cagw.org; and US Census Bureau, State and Local GovernmentFinances by Level and by State, 2003-4, 2004-5, 2005-6 http://www.census.gov/govs/www/estimate.html

State and local governments in the five East Central States allotted almost a third of their capital spending (on average 28% per year), in relation to total capital spending, for road construction and maintenance. Individually, Wisconsin, at an average ratio of about 40%, outspent the other states, but its severe weather could account for the spending differential. Michigan's earmarks increased between 2004 and 2006, despite limitations on federal spending and earmark moratoriums; whereas Ohio's declined. For the other three states - Illinois, Indiana and Wisconsin - levels before and after the 2005 spike were relatively uniform. When compared with state and local highway capital spending (and taking into consideration Wisconsin's 2005 windfall) however, the ratio of capital spending to infrastructure earmarks was 1-2%, mirroring the broader relationship between total state and local capital spending and total infrastructure earmarks.

Bridges, ports, locks & dams, airports. The ASCE estimates that as of 2007, 25.6% of the country's bridges were structurally deficient or functionally obsolete.[12] Correction of these deficiencies would require \$9.4 billion annually over twenty years, plus an additional \$7.3 billion annually for preventive maintenance for structures that are not yet deficient or obsolete. For fiscal year 2007, the federal Department of Transportation's Bridge Program Fund apportioned slightly more than \$4 billion for this effort (AASHTO, 2007) leaving a shortfall of \$12.5 billion for that year alone. SAFETEA-LU funding guarantees ensured continued bridge financing for FY 2008; however, the National Bridge Reconstruction and Inspection Act (H.R. 3999), which would establish an inspection program to prioritize repairs and maintenance, with initial funding of \$1billion, has yet to pass the chamber in which it was introduced.

Table 9. Bridge Program Spending and Bridge Earmarks, East North Central States, FY 2003-2006 (in \$millions)

	2003			2004			2005			2006			
	Bridge Trust Fund	**Bridge Earmarks**	**%**	**Bridge Trust Fund**	**Bridge Earmarks**	**%**	**Bridge Trust Fund**	**Bridge Earmarks**	**%**	**Bridge Trust Fund**	**Bridge Earmarks**	**%**	**Earmarks per capita**
Illinois	\$117.69	\$2.70	2%	\$142.33	\$7.45	5%	\$99.82	\$1.00	1%	\$134.40	\$1.00	1%	\$0.08
Indiana	\$36.42	\$3.00	8%	\$41.89	\$3.25	8%	\$32.56	\$0.00	0%	\$46.93	\$2.00	4%	\$0.32
Michigan	\$98.95	\$0.00	0%	\$117.60	\$11.15	9%	\$81.94	\$1.70	2%	\$140.16	\$0.35	0%	\$0.03
Ohio	\$103.88	\$6.00	6%	\$121.89	\$2.60	2%	\$84.19	\$3.50	4%	\$132.81	\$2.00	2%	\$0.17
Wisconsin	\$28.35	\$6.00	21%	\$33.29	\$0.41	1%	\$22.55	\$0.50	2%	\$32.32	\$0.00	0%	\$0.00

Source: Earmarks compiled by author based on data from Citizens Against Government Waste, www. aagw.org; and US Census Bureau, State and Local Governments, State and Local Government Finance, http://www.census.gov/govs/www/estimate.htmland FHWA, Summary of Apportionments Authorized for for Fiscal Year 2003/2004/2005/2006, before programic distribution, http://www.fhwa.dot.gov/tea21/fy2004/index.htm

Capital spending figures for bridge maintenance are not available at state levels. The table above compares earmarks for bridge repair and construction projects with FHWA Bridge Trust Fund distributions to state and local governments in the East North Central region. Clearly, federal program funding has been the mainstay for funding of state and local bridge maintenance. Specified project funding was of the greatest impact on Indiana and Wisconsin in 2003. To a lesser degree, it also impacted Michigan and, Indiana in 2004. By 2005 and 2006 directed spending for specific bridge projects made up a minute portion of federal aid. Intergovernmental financing increases for Illinois and Wisconsin between 2003 and 2006 (approximately 14%) roughly paced average state capital spending increases (12%), illustrating ASCE and FHWA's assertions of inadequate funding. Federal aid to Indiana and Ohio increased at more then double the rate (about 28%) of capital spending increases, and Michigan realized a 42% increase in bridge repair and replacement funding.

[12] "A structurally deficient bridge is closed or restricted to light vehicles because of its deteriorated structural components. While not necessarily unsafe, these bridges must have limits for speed and weight. A functionally obsolete bridge has older design features and, while it is not unsafe for all vehicles, it cannot safely accommodate current traffic volumes, and vehicle sizes and weights." From the ASEC 2005Report Card for America's Future, Infrastructure by Category: Bridges, http://www.asce.org/reportcard/2005/page.cfm?id=22.

Again, the lack of spending bills to act as conduits for Congressional earmarks were largely responsible for the decrease in directed spending in FY 2006 and 2007; the 15-40% increases in federal grant funds are likely due, in part to SAFETEA-LU formula spending[13] as opposed to any addition of new resources to meet the substantial needs. Because FHWA bridge funds can run out before completion of routine or preventative maintenance (Mn/DOT, 2001), funding for substantive bridge renovations tends to be on an as-needed, directed-funding basis. For example, repair of the collapsed Minnesota bridge was done through Congress' $195 million earmark (HR 3869), which capped earlier emergency authorizations, totaling $373 million to date (Coleman, 2008).

Water transport. As with other DOT transportation infrastructure financing programs, water transportation is funded through percentages of gasoline taxes and activity-related regulatory and user fees. This is accomplished through affiliated government corporations, such as the St. Lawrence Development Corporation and the Harbor Maintenance Trust Fund, which finances up to 100 percent of Corps of Engineers' harbor operation and maintenance costs, including costs associated with Great Lakes navigational projects. It also fully finances the operation and maintenance of the Saint Lawrence Seaway Development Corp. and the Inland Waterway Trust Fund, which pays half the cost of construction and major rehabilitation work on inland waterways projects According to ASCE (2008), almost half of the 257 locks throughout the 12,000 miles of inland waterways are functionally obsolete; that number is expected to increase to 80% by 2020. They anticipate that it will take the Army Corps of Engineers, who manage the systems, more than $125 billion to replace them.

The East North Central states all benefited from the funding largesse of the 2005 Transportation Act, but to a much larger degree in Michigan, Indiana and Illinois than in Ohio and Wisconsin. Earmarks for Illinois and Wisconsin waterway projects continued to increase through the pull-back in 2006 spending; overall growth over the 1997-2006 period were 6,078% and 1,613%, respectively. And despite the substantial FY 2005 downturn, Michigan and Indiana ended the period with considerably more earmarks than at the start, up 1,508% and 1,450%, respectively. Only Ohio missed out on the earmarks prize; annual earmark allotments continued to decline from a high of $1.125 million in FY 2003 to $0 in FY 2006.

[13] Bridge funds allocations by state can be found in SAFETEA-LU allocation tables at http://www.fhwa.dot.gov/tea21/fy2004/index.htm and http://www.fhwa.dot.gov/safetealu/fundtables.htm

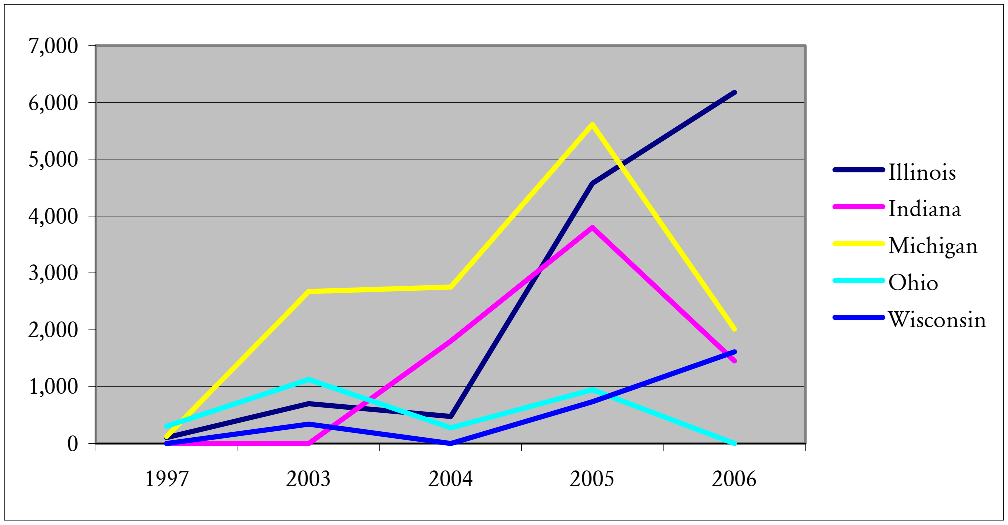

Figure 6. Earmarks for Docks, Locks, Harbors and Ports for the East North Central States, FY 1997-2006
Source: Figures compiled by author based on data from CAGW, www.cagw.org

Drinking and wastewater. Estimates of funds needed to improve and maintain drinking water systems differ significantly, depending on which agency is doing the evaluation. The Environmental Protection Agency's (EPA) 2002 report, The Clean Water and Drinking Water Infrastructure Gap Analysis (EPA, 2002), estimated 20-year costs at between \$45 and \$263 million, depending on funding levels, with \$161 million necessary solely for capital investments. Shortly thereafter, the Congressional Budget Office (CBO) approximated that same 20-year need (FY 2000 – 2019) at between \$11 and \$20 billion (CBO 2002). Either way, Drinking Water State Revolving Fund data indicates that federal funding for FY 2003 through 2007 averaged approximately \$842 million a year (EPA, 2007), less than 10% of the CBS's lower estimated annual requirements.

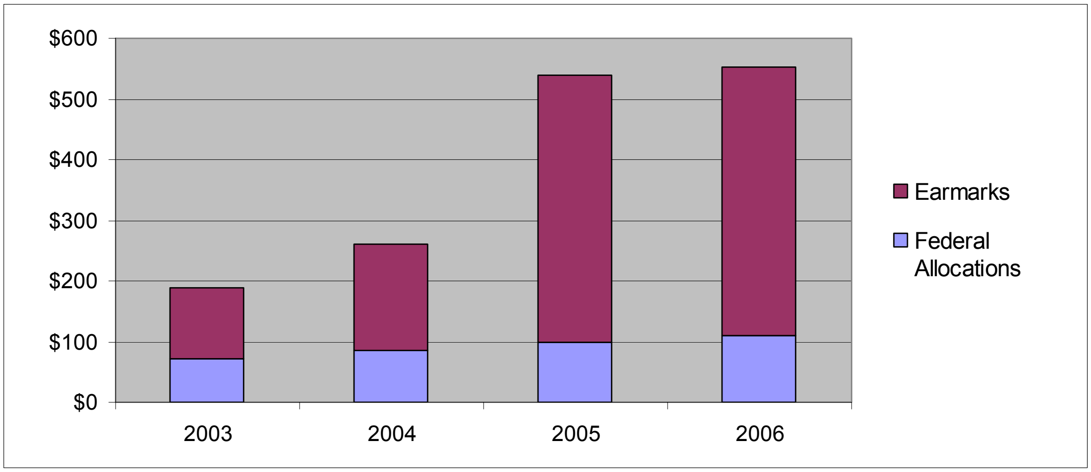

Figure 7. Drinking Water State Revolving Funds and Earmarks for Drinking Water, FY 2003-2006 (in $millions)
Sources: Figures complied by author based on data from CAGW, www.cagw.org; FY 2007 Clean Water State Revolving Fund Final Title IV Allotments; www.epa.gov/OW-OWM.html/cwfinance/cwsrf/cwsrfallots.pdf ; Clean Water State Revolving Fund, www.epa.gov/OW-OWMhtml.cwfinance/cwsrf/index.htm ; and EPA, Drinking Water Infrastructure Grants Tribal Set-Aside (DWIG-TSA) Allotments www.epa.org/safewater/dwsrf/allotments/tribes/allotments.htm#historical.

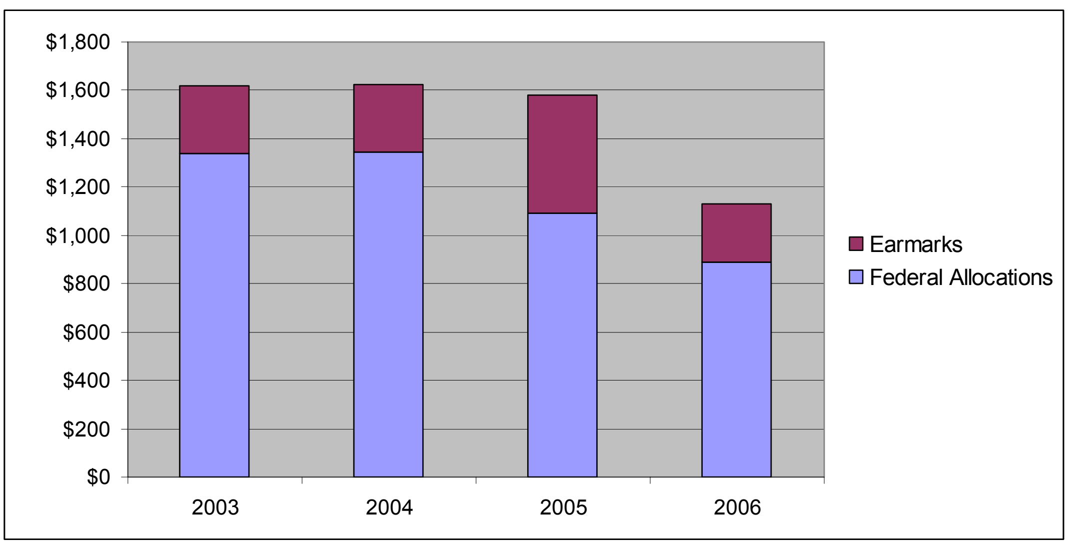

Figure 8. Clean Water State Revolving Funds and Earmarks for Wastewater, FY 2003-2006 (in $millions)
Sources: Figures complied by author based on data from CAGW, www.cagw.org; FY 2007 Clean Water State Revolving Fund Final Title IV Allotments; www.epa.gov/OW-OWM.html/cwfinance/cwsrf/cwsrfallots.pdf ; Clean Water State Revolving Fund, www.epa.gov/OW-OWMhtml.cwfinance/cwsrf/index.htm ; and EPA, Drinking Water Infrastructure Grants Tribal Set-Aside (DWIG-TSA) Allotments www.epa.org/safewater/dwsrf/allotments/tribes/allotments.htm#historical.

In the case of wastewater systems, OMB estimates for that same 20-year period range from \$13 to \$21 billion (OMB 2002), whereas EPA's determination, issued that same year, calls for \$390 billion to replace existing infrastructure and erect new systems (EPA 2002). Federal funding for wastewater is directed through the Clean Water State Revolving Fund, a loan program that has allocated \$57.7 billion to state and local governments over the last 19 years (EPA, 2007a) - more than what OMB called for but about 15% of EPA's estimate.

Table 10. State and Local Drinking Water Expenditures, Sewer Capital Outlays and Earmarks, FY 2004-2006 (in \$ millions)

		2004			2005			2006		
State	Category	State & Local Expenditures	Earmarks	%	State & Local Expenditures	Earmarks	%	State & Local Expenditures	Earmarks	%
Illinois	Drinking Water Expenditures	\$1,634.2	\$4.0	0.2%	\$1,498.5	\$6.9	0.5%	\$1,447.9	\$4.6	0.3%
	Sewage Capital Outlays	\$335.2	\$0.6	0.2%	\$356.3	\$5.4	1.5%	\$356.3	\$2.1	0.6%
Indiana	Drinking Water Expenditures	\$529.2	\$0.7	0.1%	\$471.6	\$2.4	0.5%	\$490.0	\$2.0	0.4%
	Sewage Capital Outlays	\$341.1	\$0.2	0.1%	\$343.2	\$2.0	0.6%	\$343.2	\$1.8	0.5%
Michigan	Drinking Water Expenditures	\$1,280.3	\$21.4	1.7%	\$1,086.5	\$5.1	0.5%	\$1,256.2	\$0.1	0.0%
	Sewage Capital Outlays	\$517.0	\$6.2	1.2%	\$703.7	\$3.9	0.6%	\$703.7	\$2.1	0.3%
Ohio	Drinking Water Expenditures	\$1,502.3	\$5.9	0.4%	\$1,223.9	\$20.7	1.7%	\$1,432.1	\$0.4	0.0%
	Sewage Capital Outlays	\$1,206.4	\$10.1	0.8%	\$1,205.7	\$22.0	1.8%	\$1,205.7	\$5.0	0.4%
Wisconsin	Drinking Water Expenditures	\$471.6	\$0.5	0.1%	\$412.8	\$4.3	1.0%	\$416.3	\$1.8	0.4%
	Sewage Capital Outlays	\$227.5	\$6.0	2.6%	\$220.5	\$3.7	1.7%	\$220.5	\$4.0	1.8%

Source: Earmark figures compiled by author based on data from CAGW, www.cagw.org; and US Census Bureau, State and Local Government Finance, http://www.census.gov/govs/www/estimate.html

When it came to funding state and local infrastructure, earmarks had a far greater impact than federal program funding did on drinking water projects. As shown in Figure 7, earmarked dollars in FY 2005 and 2006 were four times that of funds provided by the Drinking Water State Revolving Fund (DWSRF), the primary source of federal aid. Wastewater projects, conversely, were funded primarily through Clean Water State Revolving Fund (CWSRF) aid. As illustrated in Figure 8, earmarks were only 21% of funding in FY 2003 and 2004; the Congressional spending binge in FY 2005 accounted for the increase to 47%, but the ratio was back down to 28% in FY 2006. For both drinking and wastewater infrastructure, earmarks did make up a substantial amount of federal funding. For communities with diverse water needs, having some control on project prioritization through directed (earmarked) spending may be a boon or an added hardship.

Table 10 illustrates that the lion's share of funding for these drinking water and sewer infrastructure expenditures actually come from state and local governments. In comparison to combined state and local expenditures, federal earmarks have little funding impact in these five states. Overall, expenditures for drinking water and sewage in the East North Central States remained relatively flat between FY 2004 and 2006, with the exception of Michigan's increased spending on wastewater. Earmarks for dinking water ranged from one to five percent of government spending, omitting the anomalies for Michigan in 2004 and Ohio in 2005. For the most part, earmarks for capital outlays for sewage projects were similarly low in comparison to state and local expenditures. However, Michigan received earmarks that totaled more than one percent of spending in FY 2004 and Wisconsin's award was 2.6% of spending and earmarks received in FY 2005 by Illinois, Ohio and Wisconsin totaled more almost two percent of spending.

The dollar amounts of earmark awards varied dramatically, ranging from Michigan's receipt of just $100,000 for drinking water in FY 2006 to Ohio's $22 billion award for sewage in FY 2005. Michigan and Ohio received substantial earmarks for drinking water and sewage in FY 2004 and 2005, as high as $10 to $20 million in some case. They declined in FY 2006, however, and were more in range with that received by the other states.

Overall, earmarked funding for water infrastructure increased slightly over the period for Illinois and Indiana. In spite of early windfalls, Michigan and Ohio experienced a net loss in earmarked dollars for the period. The net effect in Wisconsin was no change: earmarked allocations to the state for drinking water works increased slightly, but earmarks for sewer infrastructure decreased over the period.

Summary

In comparison to annual appropriations, earmarking is not a significant source of federal spending. At its zenith in FY 2005, earmarks comprised 6.4% of appropriations spending for the year. Those allocated for public works projects totaled fifteen percent of that, or slightly less than one percent of total spending. In relation to state and local program and capital spending, earmarks for transportation infrastructure within the East North Central States totaled one to four percent of spending. For water works, the percentage of earmarked awards in comparison to state and local spending was slighter greater, ranging from one-half of one percent to almost two percent of total spending.

For most infrastructure categories, earmarks increased annually through FY 2005, and despite the constraints imposed by the flurry of reform legislation in FY 2006 and 2007, earmarks for state and local infrastructure are once again on the rise in FY 2008 and 2009 (CAGW, 2008). Concurrently, within all transportation and water categories, federal program funds have experienced stagnant or reduced growth.

Within federal program funding, the emphasis has primarily been on highway transportation projects. This has taken precedence over and far outpaced funding water and sewer needs. Little or no increase to federal intergovernmental funding, or major decreases such the anticipated SAFETEA-LU shortfall, will likely prompt an even greater demand for earmarked infrastructure funding assistance from state and local governments. As it is, the growth once again of federal earmarking illustrates federal agencies' inability to keep pace with the fiscal support needed by state and local governments. These findings are born out in survey data of Illinois municipal leaders, as discussed in the next chapter.

CHAPTER 7: CASE STUDY - ILLINOIS

Illinois' unique budgetary politics provide an interesting context in which to examine state and local government infrastructure needs and the use of earmarked and member initiative funds for infrastructure projects. The State has been without capital spending legislation since the 5-year *Illinois FIRST* public works initiative expired in 2003. Fiscal instability and escalating political animosity resulted in extended special legislative sessions to pass FY 2008 appropriations spending and have stymied attempts at garnering support for a new capital spending bill. The state spent $1.9 billion on highway and waterway construction in FY 2007; however, without a new capital bill the state faces the potential loss of millions of dollars in federal transportation matching grants for future projects. A large portion of the State's bridges, railways and water and sewage systems date back to the industrial era. Structural reliability ratings for much of this aging infrastructure have been continuously downgraded by regulatory agencies and monitoring organizations, with a considerable amount considered to be past the point of routine maintenance (ASCE, 2006; The Pew Charitable Trusts, 2008).

State and local governments alike are encumbered by fiscal challenges such as mandated pension contributions, high debt resulting from funding previous infrastructure needs, higher borrowing costs due to low bond ratings, and sales, income and property tax constraints. Some local governments issued bonds to fund previous projects, leaving them without the additional creditworthiness required to fund current needs.

For smaller communities, capital is expensive and financing options are limited. Municipalities who receive little or no earmarks or member initiatives face tougher challenges in funding infrastructure through merit-based programs or traditional revenue-generating means (increased taxes, bond issuance, etc.) if their project needs or fiscal condition do not meet competitive program qualifications. For example, a community with sales and property tax rates that are perceived by residents to be very high would meet considerable resistance to raising taxes to pay for maintenance on several miles of roadway. If the community is financially unstable, or has a great deal of outstanding debt, interest and issuance costs for additional bonds may be cost prohibitive. IDOT may also rank that community's highway repairs as less urgent than those identified for other communities, putting the city further back in line for program funds.

Consequently, long-term capital planning is important to ensure that infrastructure needs can be met. Survey data indicate that 84% of Illinois local government respondents have formally adopted capital budgets in place, and of those, 20% are multi-year budgets. Respondents voiced frustration at the lack of a capital commitment at the state level, arguing that "it is the State's responsibility ...to develop a maintenance plan." Yet in spite of contracted efforts by current and former lawmakers, most interviewees' comments were consistent with one lawmaker who saw "dim...prospects of a capital budget in the near future" (#325).

Earmarks provide funding for state public works, which, in turn, often assist local government needs. Earmarks for transportation projects, such as highway, waterway and bridge repairs benefit both levels of government. Earmarked funds are also awarded directly to local governments. Survey data indicate that many recipients received both federal earmarks and member initiatives for larger efforts such as a bridge and mass transit projects.

State member initiatives also provide local governments with a direct source of needed funding. As one interviewee pointed out, “Lots of communities don’t have resources like Chicago” (#416). Politicians and bureaucrats interviewed for the study agree that it is the role of Congressional and state elected officials to help their communities get the resources they need.

Legislators argue that they know the needs of the State, and particularly their districts, far better than decision-makers in federal and state agencies. According to one interviewee, “The suggestion that their [bureaucrats’] decisions are better because they’re vetted is not always the case. Legislators vet requests as well. Bureaucrats don’t have the luxury of experience, time and manpower to do site visits. Legislators do” (#513). n many cases requests for federal earmarked funds and state member initiative dollars have increased substantially in the last few years. One legislator noted that “not a day goes by without a request for capital infrastructure needs” (#519). According to another (#416), “requests have increased at least 50%” during his time in office. “Success getting major projects done spurs more requests.”

Interviewees found that increasing hostility between the Governor and the General Assembly made it difficult to provide for their constituents. Two interviewees (#314, 325) said that requests for member initiatives have almost stopped coming in because “people don’t think that this governor and general assembly can get anything done.” Overall, it was the perception of interviewees that the lack of trust and allegations of misdeeds by the legislative and executive branches of State government resulted in the break down of cooperation between the two branches.

Legislators and executive officials claim that earmarks and member initiatives are ways in which federal and state politicians, respectively, can provide their districts with funding for much needed projects that would likely not meet the requirements necessary for traditional program funding. In addition, these projects may have a greater degree of urgency at the state or local level than the priority given to them by federal or state agencies. Further, the use of earmarks and member initiatives are ways to increase communication between citizens and their government by engaging them in the process (#505, 513).

This chapter illustrates the communication between federal and state government and their constituent communities when it comes to funding public works. It provides a historical perspective of the changing role of the legislature and gubernatorial leadership in the Illinois capital spending processes. And through the insights of interviewees and survey participants, it examines local government infrastructure needs and funding practices and the impact of earmarks and member initiatives.

Fiscal Challenges and Capital Investment Needs

Fiscal Challenges

Illinois currently faces a structural deficit, the lowest pension funding ratio in the country, and mounting debt. The Illinois Office of the Comptroller reports that at the end of FY 2007 the state had the seventh highest net tax-supported debt per capita in the nation and was number six in the country in highest net tax-supported debt as a percentage of personal income. The recent issuance of $10 billion in bonds to fund the state's pension contribution requirement reduced the State's unfunded liability, but brought the total of the state's outstanding general obligation bonds to $20 billion (Hynes, 2008).

Escalating unfunded liabilities also hamper the state's fiscal stability. In addition to $2 billion in unpaid Medicaid bills, Illinois' FY 2009 budget as currently proposed includes a $2 billion deficit. With a $40.7 billion unfunded pension obligation (CTBA, 2008b), Illinois has the lowest pension funding ratio in the nation (58%). Government accounting estimates of investment returns are based on higher than national averages and broader than average interpretations of conventional accounting standards may provide a more enhanced fiscal outlook than warranted.[14]

The outstanding liabilities, in conjunction with legislation passed in 2003 that allows the Governor to authorize movement of up to 8% of projected revenues each year from dedicated funds to the general fund without legislative approval, and the Governor's selective spending practices, caused rating agencies to downgrade the state's credit rating in 2005. Moody's lowered their rating from Aa2 to Aa3, Fitch rated Illinois debt at AA, down from AA+, and Standard & Poor's issued a negative outlook for the state (The Pew Charitable Trusts, 2005). Lower ratings add to the cost of borrowing, making the recent proposal to use bonds proceeds to make annual pension contributions more expensive. The added debt could adversely affect other state borrowing and potentially lower credit ratings even further.

Lowered credit ratings also increase local government expenditures for borrowing and bond issuance. Many communities have issued bonds to fund previous infrastructure needs, leaving some without the creditworthiness required to finance current needs. One survey respondent voiced concerns about the impact of prior bond funding on upcoming needs. The "existing cost of water/sewer systems is already high due to past bond issues and loans to fund initial start up. These have not been retired as yet."

Illinois has faced a structural deficit for the last several years. The Center for Tax and Budget Accountability (CTBA) reports that as far back as FY 2005 the state has been unable to meet current services needs with existing revenues (CTBA, 2008a). This problem is not unique to Illinois. At least 29 states are facing fiscal shortfalls for FY 2009 (McNichol & Lav, 2008). The Center for Budget and Policy Priorities (CBPP) examined fiscal reports and talked with state officials to determine whether FY 2009 revenues were sufficient to support current services. Illinois placed 10th in their listing with a projected deficit of 6.6% of general fund revenues (for a total of $1.8 billion). That is less than other big-city states of California and New York, but far more than fellow East North Central States Michigan, Ohio, Wisconsin and Indiana (which did not make the CBPP list).

---

[14] The average state pension ration, as of 2006, was 82%. Illinois' three largest pension funds assume 8.5% interest on investments, whereas other states, on average, anticipate an 8% return. The state also uses a 40-year amortization period, as opposed to the 30-year GASB standard. Details can be found in *Promises with a Price: Public Sector Retirement Benefits*, http://www.pewtrusts.org/uploadFIles/wwwpewtrustsorg/Reports/State_policy/pension_report.pdf.

Capital Investment Needs

Illinois also did worse than its counterparts in a recent PEW study of government performance (The Pew Charitable Trusts, 2008), which graded categorical data pertaining to money, infrastructure, people, and technology for every state in the nation. Segments within each category were rated "strength," "mid-level" or "weakness" and then averaged to produce an alpha grade for each category. The categorical grades then were averaged to produce a cumulative grade for each state. Overall, Illinois received a "C." Weak structural balance, budget processes, and long-term outlook earned the state a C- in the money category, whereas weakness in capital planning and maintenance, and mid-level ratings in intergovernmental relations, internal coordination and project monitoring resulted in a C for infrastructure. A decline in the intergovernmental relations rating lowered this year's grade to slightly below the C+ earned in 2005 (The Pew Charitable Trusts, 2005).

In the infrastructure category, segment ratings were based on answers to a series of questions pertaining to the regularity and thoroughness of the state's analysis of infrastructure needs and the transparency of that process; the processes used to monitor infrastructure projects through design and construction phases; the standards used to maintain infrastructure; the extent of comprehensive management practices; and the degree of intergovernmental and interstate infrastructure coordination.[15] Only seven states received worse grades than Illinois in the infrastructure category. New Hampshire and Massachusetts had the lowest scores of D+. Michigan, one of the East North Central States, came in just under the top (Utah) with an A- for strong ratings in capital planning and intergovernmental efforts. Michigan and Kentucky were the only states in the union with strong performance ratings in capital planning.

According to ASCE (2005), the uppermost capital concerns for Illinois' infrastructure are its bridges, highways and waste water systems. In evaluating state infrastructure for their 2005 Report Card, they found, among other things, that

> ...17% of Illinois' bridges are structurally deficient or functionally obsolete; there are 31 state-determined deficient dams in Illinois... [and] 176 high hazard dams...whose failure would cause a loss of life and significant property damage....the rehabilitation cost for [the] most critical dams is estimated at $171.3 million...[and]...Illinois has $11.89 billion in wastewater infrastructure needs... (ASCE, 2006).

In their 2005 analysis, ASCE estimated that the state's drinking water systems needed $6.15 billion in infrastructure investments over the next 20 years (ASCE, 2006). More recently, in updated estimate based on revised EPA data, the organization assessed the requirement at $13.4 billion, more than double their 2005 estimate (ASCE, 2006). ASCE's assessment rated highway and water systems as top concerns. This corresponds to survey and interview data that rate highway, drinking water and waste water infrastructure as the top three categories of current and future concern to local governments.

---

[15] A complete listing of sub questions can be found at http://www.pewcenteronthestates.org/template_page.aspx?id=35360

Capital Budgeting and Illinois Politics

A historic perspective. Illinois' first truly aggressive public works program was Governor Thompson's *Build Illinois*. Initiated in 1985 and based on revenue bonds backed by state sales tax receipts, the capital spending program made it through the Democratic General Assembly, in large part due to the Republican Governor's willingness to collaborate with the upper and lower houses (Wheeler III 1990). In conjunction, The Build Illinois Act (P.A. 88-453, "Public Infrastructure Loan and Grant Programs Act") authorized \$3.8 billion in bonds to fund capital works projects.[16] Further, it charged the Department of Commerce and Community Affairs (DCCA – now the Department of Commerce and Economic Opportunity (DCEO) with management of the Illinois Capital Revolving Loan Fund, Public Infrastructure Loan and Grant Programs, Business Development Public Infrastructure Loans and Grants and numerous other similar programs, as well as oversight responsibilities for the awards, contracts and other activities conducted by these programs.

According to then Lieutenant Governor George Ryan, *Build Illinois* was instrumental to the state's well being. Coming on the heels of a 20% decline over the previous four years in federal intergovernmental aid, appropriations for *Build Illinois* totaled \$2.3 billion and directed \$1.278 billion to infrastructure renovation and the revival of small and large businesses, both deemed integral to the state's long term success. The legislation provided infrastructure financing assistance through an unprecedented amount of directed spending: loan and grant programs "...available to local governments on a specific project basis." This was a win for everyone. The governor was able to curry favor with legislators by ensuring that local governments within their districts received needed funding, and the capital spending created jobs and stimulated the state and local economies. As Ryan noted, "The local governments themselves will show that public infrastructure financing is essential to initiate expansion of an existing business or the attraction of a new one" (Ryan, 1985).

This legislation was not without additional, more personal, incentives for General Assembly members. In fact, Governor Thompson was known for his willingness to compromise when it came to dealing with the legislature (Wheeler III 1990) and Build Illinois became notorious for its spending excesses and waste, including funding for a golf course next to then Senate President James "Pate" Philip's Wood Dale home (NCGB, 1999).

A little over a decade later, in 1999, Governor Ryan introduced Illinois FIRST – (Fund for Infrastructure, Roads, Schools & Transit) (NCGB, 2005b). Unlike *Build Illinois*, which was a grant and loan program, the \$12 billion Illinois FIRST capital spending program was primarily bond authorization legislation with proceeds to be directed to local governments in need of infrastructure and school improvements. The spending plan actually only raised \$6.3 billion in new revenues, which came primarily from increases in motor vehicle taxes. The Governor's claim of a \$12 billion spending plan was based on calculations of "the dollars that could eventually be invested, if local agencies and the federal government fully match[ed] the new

[16] Illinois General Assembly, Illinois Compiled Statutes, FINANCE (30 ILCS 425/) Build Illinois Bond Act, http://www.ilga.gov/legislation/ilcs/ilcs5.asp

State funds." Some agencies and local governments used funds generated by Illinois FIRST to leverage federal agency program funds or congressional earmarks (NCGB, 2005b).

"Within the $12 billion appropriation, a $1.5 billion subset of funds were put aside for what came to be known as "member initiative grants", which were to be dispersed by party caucus leaders to individual legislators' districts" (Herron & Wiseman, 2005, p. 6). According to several interviewees, while *Build Illinois* included discretionary funds for specific projects in particular House and Senate members' districts, it was in Ryan's Illinois FIRST that the concept of member initiatives became institutionalized. In fact, many attribute Ryan's success at getting his capital spending legislation through the General Assembly to his adeptness at old-school Illinois politics, which included a willingness to share the wealth with lawmakers. Non-infrastructure spending within this legislation included "...$507,000 to decorate Attorney General Jim Ryan's Springfield office, $25 million for a ballpark in Peoria, $121 million for a music theater in East St. Louis, and $40 million for improvements to Ulysses S. Grant's Galena home" (NCGB, 1999, p. 1).

Illinois FIRST has been a controversial program from the start, in large part due to public perceptions of vote buying and "pork-barrel" spending. As the Neighborhood Capital Budget Group (NCGB, 2005b), a Chicago coalition, described it,

> ...the Illinois General Assembly linked members' initial support for the program to annual appropriations for discretionary "member initiative" spending items, which often were not capital improvements. These expenditures soon earned the Illinois FIRST label, even though technically, they were not drawn down from the borrowed funds authorized by the public works program, but rather, came from the State's general funds.

Their understanding of the situation was not entirely accurate, however, as most expenditures were paid for with monies from the $55 million Fund for Illinois' Future (IOC, 2005). A respected authority on Illinois budget politics (Wheeler III, 2008) noted that the Illinois FIRST program included an increase in the alcohol tax specifically for use in funding those items paid for through the General Revenue Fund. Further, debt service on bonds issued to fund capital projects was paid for by an increase in vehicle registration and title fees.

Present-day practices. Issuance of *Build Illinois* bonds gradually increased as bond authorizations were extended through the Illinois FIRST program. Spending continued after Illinois FIRST expired in 2003 through issuance of previously authorized bonds. Illinois's Comptroller (Hynes, 2008, p. 1) reports that "the largest year in recent history for Build Illinois capital bond sales was in fiscal year 2004 when $350 million was issued. By the end of FY 2007 almost $2.2 billion in Build Illinois bonds had been issued."

No bonds were actually issued during FY 2007 because bond authority for Build *Illinois* bonds was close to termination (Hynes, 2008) . Infrastructure projects previously initiated continue to be funded through authorized annual and reappropriated funding. An executive agency fiscal staffer (#331) commented that funding is being used for maintenance now more so than new construction. As the state comes "close to the end of its emergency money," expenditures are made primarily for "thousand of small-scale fixes." A legislator (#415) concurred, adding that there "used to be more capital projects – for water tanks and fire trucks - now there are more maintenance projects." Finally, a third interviewee noted that public works funding has become "maintenance versus modernization" (#508).

All of the interviewees agreed that a new capital spending bill was essential; however opinions differed on the probability of getting one passed. To date, efforts have been unsuccessful. In 2007 the legislature failed to approve an increase in cigarette taxes that was estimated to generate at least $328 million in revenue and targeted to finance $4 billion in bonds for road and school construction. This legislation would have also opened the door for county governments to impose their own additional tax on cigarettes (Finke, 2007) which could have provided supplemental funds for local public works projects. The Governor's subsequent efforts at linking a capital bill to funding for Chicago's mass transit also failed, as have attempts to attach a capital bill to FY 2007 and FY 2008 annual appropriations legislation.

The inability to agree upon and pass capital spending legislation is often attributed by the media to escalating hostility between Governor Blagojevich and House Speaker Madigan[17] and conflicts between the Speaker and Senate President Jones. Recently, two former legislators from across the aisle joined forces in an attempt to assist with negotiations to produce a capital bill that would satisfy all parties. Called the *Illinois Works Coalition*, the working group was headed by former US House Speaker Dennis Hastert and Southern Illinois University President Glenn Poshard, a former State Senator and US Congressman. At the request of the Governor, they held town hall meetings across the state and talked with General Assembly members. Their proposed funding plan for the Governor's $31 billion *Illinois Works* capital bill is based on a $7 billion partial lottery lease and additional gambling facilities (ideas that had previously failed to garner support in the House) as well as reliance on current motor fuel taxes to provide the revenue stream necessary to pay for debt service on $2 billion in bonds for new projects.[18]

---

[17] Examples of leaders' behavior can be found at NBC NEWS 5 REPORTS: *Governor Sues Speaker Madigan Over Special Sessions*, from NBC5 Chicago website, Aug 27, 2007, http://illinoischannel.spaces.live.com/blog/cns!B0DB128F5CD96151!2570.entry , and *Firing adds to acrimony in battle between top Democrats*, The Associated Press/WAND, http://www.wandtv.com/Global/story.asp?S=7169196

[18] "The *Illinois Works* capital plan includes the following: (1) Invest $31 billion in transportation, education, energy, health care, environmental and water, economic development and other critical infrastructure and quality of life needs for the citizens of Illinois; (2) Provide a capital improvement plan clearly identifying timelines, priorities and funding sources for projects within each of these investment categories; (3) Fund education construction projects and mass transportation investments with $7 billion partial lottery concession; (4) Create Capital and Educational Trust Funds with "lockbox" accountability guarantees for capital investments and continuation of the current level of lottery proceeds for P-12 education; (5) Use motor fuel taxes to support bonded road projects that allow nearly $2 billion in additional projects; and (6) Expand gaming (Chicago Casino, one additional riverboat license, increases in positions at existing riverboats, and availability of electronic gaming at racetracks) to raise $550 million annually in new revenues for debt service for environmental and water, energy, economic development, health care, state facilities, and other critical purposes. ...a study by Southern Illinois University found a capital plan would create 535,000 new full-time jobs, lead to $49 billion in economic activity and more than $2.9 billion in state and local tax revenues." The complete text of the Governor's May 28, 2008 press release, can be accessed at http://www.illinois.gov/PressReleases/PressReleasesListShow.cfm?RecNum=6869

The majority of those interviewed were pessimistic about the potential for passage of the new capital bill during the 2008 legislative sessions, noting a number of challenges. First and foremost is a deep-seated lack of trust between the governor and legislators. One interviewee (#314) stressed that the importance of this cannot be understated: the legislature will not authorize bonds because it takes a supermajority to do so and the Governor has alienated too many of the rank and file to be able to count on the needed votes. Another source (#514) elaborated: "[the] sense of distrust in the Governor is a major impediment. A capital bill won't happen until trust is established, even in areas where employment generated by a capital bill would help."

According to several interviewees, rank and file lawmakers do not trust the Governor to honor funding allocations as passed (#314, 513 519). For example, FY 2008 member initiative expenditures vetoed by the Governor freed up funds that he subsequently used to fund his expanded health care program, which had earlier failed to pass the General Assembly (Chicago Tribune, 2007). One interviewee (#314) asserted that as a result of the Governor's actions the Senate may now be willing to forego member initiatives altogether, whereas the House will not. However, in many cases funds for House members' projects (those that were not vetoed) have not been funded either. As another interviewee reminded, "many memorandums of understanding [that were attached to the FY 2007 appropriations bill] are still not met."

A capital bill of the magnitude proposed engenders concerns about how to pay for it. Several interviewees expressed concerns that it is too expensive and that the revenue sources are less than desirable. All are particularly against the expansion of gambling in the State. One interviewee commented that he is against gaming because it is an unstable source of income, and that it is, in essence, asking if "people would be willing to lose enough money" to provide the needed revenue stream (#415).

All of the legislators interviewed agree that they want a capital bill – it creates jobs and provides funding for needed improvements – but they all prefer a less expensive, more manageable one-year plan, funded by fee increases similar to that of Illinois FIRST. This would release them from the perceived obligation of having to pass a bill that they are not in favor of and allow the state to receive federal matching funds that it has been unable to claim for two years. Importantly, it would also give legislators a measure of control in the event that the Governor does not distribute the funds as directed by the legislature. Several lawmakers suggested that any bill include a requirement for an independent review board or process responsible for the distribution of funds. As one legislator put it, that would ensure that local governments "don't get stiffed because the governor is mad at the legislature."

Member Initiatives and Illinois Politics

Historical perspective. The practice of directing funds for specific, individual projects has a long history in Illinois. As noted by one interviewee (#513), "member initiatives go back to Lincoln's time. His [Lincoln's] bills in the General Assembly include member initiatives for roads and bridges."[19]

[19] Reference was made to Illinois Revised Statutes, 1840s, for additional information.

Contemporary literature suggests that the idea of lump-sum budget allocations originated with the Senate Republicans (Long & Pearson, 1999). This was confirmed by one of the interview participants (#314). Another (#506) noted that the "first time certain amounts of money were set aside for each for each caucus" was with Ryan's Illinois FIRST program. Money for individual legislators was nothing new; but in previous years it had been relatively minimal and distributions had been transparent. With the Ryan administration an institutional process emerged; as an interviewee (#513) noted, it became "more bipartisan and formalized." Instead of voting on spending for individual projects contained within budget documents, lawmakers voted on lump-sum appropriations to be divvied up later, with any identifying information conspicuously absent.

In constructing the FY 2000 budget, Ryan and the legislative leaders awarded $174 million to unidentified, discretionary projects. In contrast, the only unspecified spending in [the prior] year's budget was less than $10 million set aside for Senate Republicans (Long & Pearson, 1999).

> ...Ryan and the four leaders maintain that the new process of throwing millions of dollars in non-earmarked cash into the budget was a result of the thousands of requests submitted by individual legislators following the passage of the governor's $12 billion Illinois FIRST program, the largest public works program in state history. Because they could not review many project requests before the end of the spring session, they ... put large sums into the budget to divvy up later.....[this] gives them time to weed out inappropriate requests and fine-tune others (Long & Pearson, 1999, p. 2).

The budget for fiscal year 2000 authorized $1.5 billion in member initiative spending; giving the Governor and each of the "Four Tops" - then Senate President Philip and Minority Leader Jones, and then Speaker of the House Madigan and House Minority Leader Daniels – control of approximately $300 million (Herron & Wiseman, 2005). The legislative leaders also controlled $500 million more in bond proceeds from the *Build Illinois* program, which was to be doled out over five years. Speaker Madigan and Senate President Philip each received $100 million, whereas the minority leaders received $75 million each (Long & Pearson, 1999).

Between 1999 and 2000, Governor Ryan and the Four Tops distributed 6,685 grants totaling $789 million from Illinois FIRST funds. "All of the money but Ryan's portion [was] termed 'member initiative' funds and...controlled by the legislative leaders. The money [was] distributed to other legislators for public works projects in their districts. Ryan, meanwhile, sponsored projects of his own choosing across the state" (Musgrave, Whitson, Lewis, & Mychalejko, 2001). Member initiatives were doled out to the party faithful within each caucus, frequently through DCCA and often for local infrastructure, such as roads and water systems. Funds were also used for quasi-infrastructure needs, including fire engines, ambulances and police vehicles, community buildings and parks, and technology. In FY 1999, for example, a $20.2 million lump-sum allocation to DCCA was used to pay for over 100 community projects, including the purchase of a trolley, establishment of a SWAT team and renovation of a band shell (Long & Pearson, 1999).

Observers noted that during the Ryan administration the entire budget process evolved to a series of back-room deals between the Governor and the Four Tops. Rank-and file members were included only when it came time to vote.

> ...the April, 2000 Illinois state budget of approximately $49 billion was almost exclusively a product of negotiations among the four legislative leaders and the governor. [The budget] was brought forth [to the General Assembly] and ratified in a single day. . .To say that the rank-and-file members of the legislature were largely irrelevant to the [budget] process would be an understatement (Herron & Theodos, 2004, p. 12)..

One interviewee (#506), while assessing the evolution of Illinois politics within the budget process, remarked that "initially there was no committee structure." Under Governor Ryan "the [member imitative] process got systematic; it became an entitlement, an expectation. It was a trade off as the legislature lost control of the appropriations process and the ability to craft the budget. The members and the committee system lost control to the Four Tops." This completely changed the Illinois budget process. "Member initiatives started as a capital thing and then got built into the budget. They became a substitute for member participation" as legislators were "bought off by their leaders". He described the practice as "pernicious. It distorts priorities. It takes need-based, rational planning and substitutes political clout."

Through command of millions of dollars in campaign funds, domination of the budget process and control over distribution of member initiatives, the Four Tops maintained almost unlimited power over individual lawmakers, particularly those they determined in need of support or discipline. "Ryan, a former House speaker, acknowledged it was 'possible' that the leaders could use the budget money to help or hurt a legislator. But he contended that legislative leaders already have that power anyway" (Long & Pearson, 1999).

Concerns have been voiced about disproportionate distributions of member initiatives. In their examination of House Democrat distribution practices, Herron and Theodos (2004) found that vulnerable members received the majority of member initiative funding, followed by legislative leaders and committee chairs. "Simple members" received at best a quarter of that given to those in contested districts. A well-respected Statehouse reporter observed that prior to fiscal year 2000, distribution of member initiatives was transparent; items were listed individually in the legislation and included the recipients' name and a description of the project funded. Legislators were able see how funds were distributed within their own caucus and chamber. That ended, however, with the FY 2000 budget and the introduction of lump sum allocations (Wheeler III, 2008).

Most contested Democratic districts are more affluent than safe Democratic districts, which are comprised of primarily African-American and other minority constituents. Consequently, minority members from safe districts consistently received significantly less member initiative funding even though the need for public works projects was considerably greater than in the contested districts. Distribution of member initiatives within the Illinois General Assembly was similar to Congressional earmarking practices in that it, too, was noted to be racially biased against African-American and other minority legislators (Allen, 2007; Herron & Theodos, 2004; Musgrave et al., 2001).

Absent any institutional constraints, the state's leaders were bounded only by fiscal limitations. There were no substantive managerial structures in place within these budgeting and spending processes. A similar lack of oversight and accountability was characteristic of DCCA, the focal point for distribution of individual project funding within the lump-sum initiatives. The agency, under the auspices of the Governor and legislative leaders, was responsible for assessing the merits of the grants and contracts it awarded, auditing the awards, and ensuring its compliance with its own requirements. "DCCA must officially approve every grant, but through May, 2000 officials in DCCA could not cite a single instance where a legislator's project request had been denied" (Herron & Theodos, 2004).

In support of the practices of the time, leaders and many individual members argued that lump-sum appropriations were a benefit to all in that it was easier to correct mistakes than having to enact corrective legislation in fall veto sessions (Long & Pearson, 1999).

*Present-day practices***.** The 2002 elections resulted in a sea change in party politics and political power as Republican dominance gave way to Democrat control of both the administration and General Assembly. Upon taking office, Governor Blagojevich froze Illinois FIRST spending for member initiatives, claiming the need for a thorough review.

> The situation prior to 2003, when Republican Governor Ryan was in the executive mansion ostensibly characterizes policymaking by caucus, where each caucus had approximately equal funds and was arguably free to allocate those funds in whatever manner they deemed appropriate. In contrast, grant disbursement under Blagojevich most represented policymaking by dictator, in which he was solely responsible for actually cutting the checks, despite the fact that the funds had already been appropriated by statute (Herron & Wiseman, 2005, p. 7).

Making good on his promise to end "business as usual"[20] in Illinois, and in spite of demands from legislators, the Governor did not release any of the previously enacted member initiative funds until eight months later. Even then, he only freed up about $80 million in promised funds, withholding the remaining $60 million. At the end of the year and in early 2004 Governor Blagojevich selectively released almost $15 million for projects within particular House and Senate districts (Herron & Theodos, 2004).

The Governor's continued withholding and diversion of monies appropriated for member initiatives led to legislators' eventual demands for memorandums of understanding (MOU) to ensure that funding for particular projects would be released as agreed. The practice began with the FY 2005 budget (Wheeler III, 2008), and a large number of them were issued to ensure passage of the FY 2007 budget. According to one interviewee (#513), lawmakers collected reams of MOUs, and "many of them remain to be met."

Executive leadership and veto power. Constitutional authorization of line-item veto power dates back to the early development of the State's Constitution.

---

[20] A transcript of the Governor's 2003 inauguration speech can be found at http://www200.state.il.us/gov/inaugspeech.cfm

> The [Constitutional] amendment of 1884 authorizes the governor to veto "distinct items" in appropriation bills. This power was gradually interpreted so liberally by the governor as to include the power to reduce distinct items. This was done in two ways: (1) by disapproving the phrase "per annum" in appropriations running for more than one year, and (2) by outright reduction of items. The first instance of the reduction of an item by the governor of Illinois took place in 1907 (Debel, 1917, p. 118).

Restraint in using the line item veto has an equally long history. Between 1884 and 1903 there was only one instance when an individual project was vetoed. In the succeeding dozen years there were only two more, for appropriations where unexpended monies had already been reappropriated (Debel, 1917). Vetoes were equally rare during the first three years of Governor Ryan's administration, as Herron & Theodos (2004) found in the Governor the lack of "a veto player who can prevent individual member initiative grants from being funded." Budget negotiations for FY 2003, however, included Governor Ryan's veto of $550 million (IGNN, 2002).

Once in office, the Governor made efforts to curb member initiatives spending practices, citing his campaign pledge to "end business as usual" and used his veto power to cut allocations in the FY 2004 budget (IGNN, 2003). He signed spending bills in their entirety during the remaining three years of his first term; however those bills contained lump sum appropriations that, in many cases, were deferred to subsequent years[21] or were withheld or diverted for other expenditure. When the legislators failed to craft a budget for FY 2008 by the end of session, the Governor called the General Assembly back during the summer recess for an unprecedented 19 special sessions. The Senate, through the Senate President's alliance with the Governor, supported the Administration's spending priorities. The Governor attempted to bring the House into line by dictating the dates and times of special session meetings. This action devolved into litigation between Speaker Madigan and the Governor, adding acrimony to an already hostile relationship.

A $59 billion FY 2008 spending bill was finally approved by the General Assembly in August 2007. In response, the Governor vetoed $470 million (Mancini, 2007) of what he called "special pet projects and other spending that we simply can't afford" (Chicago Tribune, 2007). Specifically, according to several interviewees (#314, 502, 506), the projects red-lined were those for districts represented by Madigan's House Democrats and Watson's Senate Republicans, both of whom had publicly decried the Governor's spending plans.

> The governor's budget moves are backed by Senate President Emil Jones (D-Chicago), whose caucus turned up as a big winner. Jones vowed that the Senate will not vote to override Blagojevich's veto, which he wielded as a way to punish lawmakers who sought to thwart his ambitious agenda.
>
> Madigan, who blocked numerous expensive Blagojevich proposals, saw his caucus lose tens of millions of dollars for local projects even though the speaker is the state chairman of the

[21] Spending legislation and IOC annual Appropriations Reports for FY 2005-2007 clearly identify funds reappropriated from the prior year, some of which were also reappropriated from the preceding year. These can be found at http://www.ilga.gov/legislation/publicacts/default.asp and http://www.ioc.state.il.us/, respectively.

> governor's political party. Though there were exceptions, most House Democrats saw their projects sliced.
>
> House Republicans led by Tom Cross of Oswego kept most of the $50 million in initiatives for their districts. The gambit underscored Blagojevich's desire to try to sway Republicans into blocking attempts at overriding his vetoes in the House.
> Though Senate Republicans saw most of their projects eliminated, the Blagojevich administration hopes it doesn't need their help on the budget because Jones has vowed to kill overrides of the governor's vetoes (Long & Pearson, 1999, p. 2).

The Governor insisted that his budget cuts, which included $131 million in health care appropriations and $103 million in human services (Mancini, 2007), were made to fund an expanded health care program that the General Assembly failed to pass earlier in the session. The Governor's new program is intended to provide an additional 500,000 residents with access to medical care. Its establishment, through funds diverted without legislative approval, has been challenged in court.[22]

An examination of directed appropriations and reappropriations contained in the FY 2008 spending bill (HB3866) found $332.6 million in allocations for individual member initiatives. An assessment of each line item determined that projects for local communities that could be segregated into the defined infrastructure categories used in this study (highway, bridge, water and sewer, etc.) totaled $42.5 million, or 13% of total member initiative spending. Many more initiatives were listed for quasi-infrastructure needs, such as school and community building repairs and renovations, fire and police vehicles and equipment, local parks and libraries and technology.   Additional items were simply labeled infrastructure and operations, infrastructure and equipment, infrastructure and public safety, or infrastructure improvements, making them impossible to classify; however it is unlikely that any fit into any of the specific or quasi-infrastructure categories. Table 11 illustrates the total number of member initiatives, the breakdown of infrastructure initiatives by category and the impact of the Governor's budget cuts.

[22] See Richard P. Caro, A State Of Illinois Taxpayer On Behalf Of And For The Benefit Of The Taxpayers Of The State Of Illinois, vs. Hon. Rod R. Blagojevich, Governor Of The State Of Illinois The Illinois Board Of Comprehensive Health Insurance, Michael T. McRaith, Chairman Of The Illinois Board of Comprehensive Health Insurance, Case No. 07 Ch 24192, Circuit Court Of Cook County. http://www.rpcjd.com/files/Petition.pdf

Table 11. Member Initiatives Vetoed, Illinois FY 2007 Appropriations Legislation (in $millions)			
	Member Initiatives	**Vetoed**	**% Vetoed**
Airtrans	$0.13	$0.08	60%
Highway	$27.29	$5.32	19%
Mass Transit	$0.12	$0.12	100%
Rail Roads	$2.08	$0.72	35%
Bridges	$4.20	$0.44	10%
Dams	$0.05	$0.00	0%
Water	$6.03	$2.94	49%
Sewer	$2.63	$0.85	32%
Total Infratsructure Initiatives	$42.53	$10.46	25%
Total Member Initiatves	$323	$183	57%
Infrastructure as % of Total	13%	6%	
Sources: Figures compiled by author based on data from IL PA 95-0348 and Governor's veto message, www.ilga.gov; and CTBA veto data, www.ctbaonline.org.			

The Governor's $470 million veto reduced spending for program funding, constitutional offices, higher education, other current and prior year appropriations, and member initiatives.[23] Over half ($183 million) of all member initiatives were vetoed. Highways received the greatest amount of funding even after veto reductions. Local governments saw funding for half of their drinking water needs eliminated, as well as 32% of their wastewater needs. While only ten percent of bridge funding was cut, it was authorized in such a way that in two cases, spending was only authorized to repair half of each bridge (Interviewee #513).

Using Earmarks and Member Initiatives to Fund Illinois' Infrastructure

At the federal level, earmarks for state and local infrastructure projects reached a high point in FY 2005 and then fell dramatically though FY 2008. Conversely, in Illinois member initiatives saw their zenith in FY 2008. The figures in Table 12 illustrate earmarks and member initiatives issued for state and local infrastructure needs within Illinois. Member initiatives comprised slightly less than ten percent of earmarked funding in FY 2005. In FY 2007, member initiatives outpaced earmarks 32:1.

It would appear, looking at Table 12, that there could be a causal relationship between the contrasting levels of Illinois member initiatives and federal earmarks. This is not the case. Completely unrelated political factors account for the differentials. In FY 2005, federal earmarking was at its zenith, while state lump-sum member initiatives were often reappropriated to subsequent years, accounting for the disproportionate directed spending between the levels of government. Illinois FY 2008 appropriations contained record numbers of delineated member

[23] A copy of the spending legislation and the governor's veto message are available at http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=095-0348

initiates, whereas federal earmarking in FY 2008 Congressional appropriations was just beginning to rebound after two years of extensive legislative efforts to curb the practice.

In Illinois government, appropriations for infrastructure-related member initiative spending for FY 2005 were minimal. While none of the FY 2005 spending was vetoed, many of the funds were simply not released. Portions of the lump sum allocations were reappropriations from prior year(s) or renewed efforts to fund projects that were part of the $222 million vetoed in the FY 2004 spending legislation (IGNN, 2003). Funding for highways, railroad, air and mass transit, water, sewer, bridge and waterway projects all included reallocations of funds carried over from prior fiscal year(s). For example, just over $10 million in FY 2005 Highway Safety funding was reappropriated from FY 2004 spending which, in turn, was reappropriated from FY 2003 legislation. [24]

Table 12. Illinois Infrastructure Earmarks and Member Initiatives, FY 2005 and 2007 (in $millions)		
FY 2005	**Federal Earmarks**	**IL Member Initiatives**
Air transportation	$13.00	
Bridges	$1.00	
Dams/waterways	$4.58	
Roads	$25.35	
Mass transit	$39.40	$0.26
Railroads	$52.70	
Water	$6.94	$6.99
Wastewater	$5.39	$6.99
TOTALS	$148.36	$14.24
FY 2007	**Federal Earmarks**	**IL Member Initiatives**
Air transportation		$0.05
Bridges		$3.76
Dams/waterways		$0.05
Roads		$21.97
Mass transit		$0.00
Railroads		$1.36
Water	$1.00	$3.09
Wastewater		$1.78
TOTALS	$1.00	$32.07
Sources: Figures compiled by author based on data from CAGW, www.cagw.org; and IL Public Act 95-0348,www.ilga.gov and IL Public Act 93-0842, http://www.ilga.gov/previousga.asp?GA=93,		

Several legislators indicated they received fewer requests for project funding from local governments within their districts prior to FY 2007 since it was common knowledge that the state had no money to spend. Others attested to ever increasing requests, but noted the challenges of getting them included in legislation and then ensuring the release of funds (#416, 505, 513, and 519). One interviewee remarked that when word got out that funding for member initiatives would

[24] See Article 75, Section 85 of Public Act 93-0842 (FY2005), and Article 8A, Section 7a of Public Act 93-0091 (FY 2004).

be included the FY 2007 appropriations bill it was like a "feeding frenzy" (#314), with local leaders clamoring for money for needed projects.

State and local capital expenditures in Illinois. An examination of capital expenditures by state and local governments provides an introduction to the relationship between spending for infrastructure needs and spending for day-to-day government operations. It also helps to put the relationship between infrastructure earmarks and member initiatives monies and state and local capital expenditures into perspective.

In a comparison of total state and local capital outlays in all 50 states for fiscal year 2005, Illinois ranked 23rd in per capita spending for infrastructure needs. Illinois' state and local governments combined had annual expenditures of $859 per resident, just above the national average of $816. Alaska had the highest capital spending at $2,168 per person, whereas Rhode Island came in last at $536.

Table 13. Illinois State and Local General Revenues, Current Operations and Capital Outlays (in $millions)

	FY 2004		FY 2005		FY 2006	
	State	**Local**	**State**	**Local**	**State**	**Local**
General revenue	$44,738	$47,143	$47,707	$48,683	$49,271	$53,684
Intergovernmental revenue						
Federal Government	$12,650	$3,003	$12,345	$3,042	$12,849	$3,097
State government	$0	$14,092	$0	$14,092	$0	$14,948
% revenues from federal	28.3%	6.4%	25.9%	6.2%	26.1%	5.8%
% revenues from state		29.9%		28.9%		27.8%
Current operations	$26,072	$41,569	$27,947	$42,848	$28,107	$45,163
Capital outlays	$2,467	$8,511	$2,623	$8,344	$2,574	$8,290
% capital outlays to general revenues	5.5%	18.1%	5.5%	17.1%	5.2%	15.4%
% capital outlays to current operations	9.5%	20.5%	9.4%	19.5%	9.2%	18.4%

Source: US Census Bureau, State and Local Government Finances http://www.census.gov/govs/www/estimate.html

Increases in capital spending in Illinois did not keep pace with state and local revenues, as illustrated in Table 13. Between FY 2004 and 2005 state and local governments saw general revenues increase 10% and 14%, respectively Capital spending for state government rose only 4% over the period, but declined almost 3% for local governments. In relation to operating expenditures, state government capital spending remained constant at about 9% but declined slightly (2%) for local governments.

Do earmarks and member initiatives make a difference when it comes to state and local government spending on public works? Most interviewees believe they do. As one legislator (#415) pointed out, "member initiatives are 1-year appropriations, and that's the point – they are not continually funded programs. There is no way with the tax base that little communities can afford these things. They affect health and safety and quality of life." Congressional interviewees expressed similar sentiments in regard to federal earmarks.

Table 14. Earmarks, Member Initiatives and Annual Expenditures, Illinois-FY 2005 (in $millions)				
			Expenditures	
	Federal Earmarks	IL Member Initiatives	State	Local
Air transportation	$13.0		$18	$771
Bridges	$1.0			
Dams/waterways	$4.6			
Roads	$25.4		$2,831.5	$2,612.6
Mass transit	$39.4	$0.3		
Railroads	$52.7			
Water	$6.9	$7.0		$1,447.9
Wastewater	$5.4	$7.0	$33.6	$1,194.0
TOTALS	$148.4	$14.2	$2,883.4	$6,025.6
Sources: US Census Bureau, State and Local Government Finances, www.census.gov/govs/www/estimate.html, and figures compiled by author based on data from CAGW, www.cagw.org, and IL Public Act 93-0842, www.ilga.gov/previousga.asp?GA=93.				

Table 14 compares federal earmarks and state member initiatives to state and local capital spending in Illinois in FY 2005. The expenditures listed here are taken from the US Census Bureau's compilations of state and local government fiscal data.[25] They do not reflect prior year appropriations and reappropriations (reappropriations were a sizable portion of the FY 2005 lump sum transportation appropriations),[26] rather they reflect actual outlays for the fiscal year.

Neither earmarks nor member initiatives comprise a notable portion of state or local infrastructure spending. Earmarked appropriations are ten times the amount of member initiatives, yet they make up only 5% of state capital spending and only 2% of local capital expenditures. As shown in Table 14, FY 2005 member initiatives are primarily for water projects, with minimal support for local mass transit needs. Earmarks, on the other hand, supplement state and local spending on expensive, local, regional and state-wide needs, such as air and water transport, bridges, dams, and particularly roads, mass transit and railways. Earmarked and member initiative spending make marginal contributions to infrastructure financing requirements in comparison to annual infrastructure spending. Why, then, are they in such demand?

Municipal elected officials within the state of Illinois were asked to evaluate their current practices for funding public works, their anticipated needs, and the role of federal earmarks and Illinois member initiatives in the funding process. Their insights illustrate infrastructure needs and financing challenges faced by local governments.

Capital budgeting and infrastructure funding at the local level. Federal fiscal data indicate that Illinois local governments' capital spending priorities are roads and drinking and waste water projects. City mayors and managers and village presidents and administrators were surveyed to determine whether their stated priorities concurred with this finding. Participants were asked about their capital budgeting and infrastructure funding practices. In addition, they were asked to disclose the amounts and types of directed funding (earmarks and member initiatives) received

---

[25] The US Census Bureau, Federal State and Local Governments, http://www.census.gov/govs/www/index.html

[26] Some reappropriations are carryovers from the previous year. See IL Public Law 93-0842 for details of FY 2005 appropriations, reappropriations and lump sum member initiatives.

during fiscal years 2003 through 2007. Finally, they were encouraged to express their views about future needs and funding concerns.

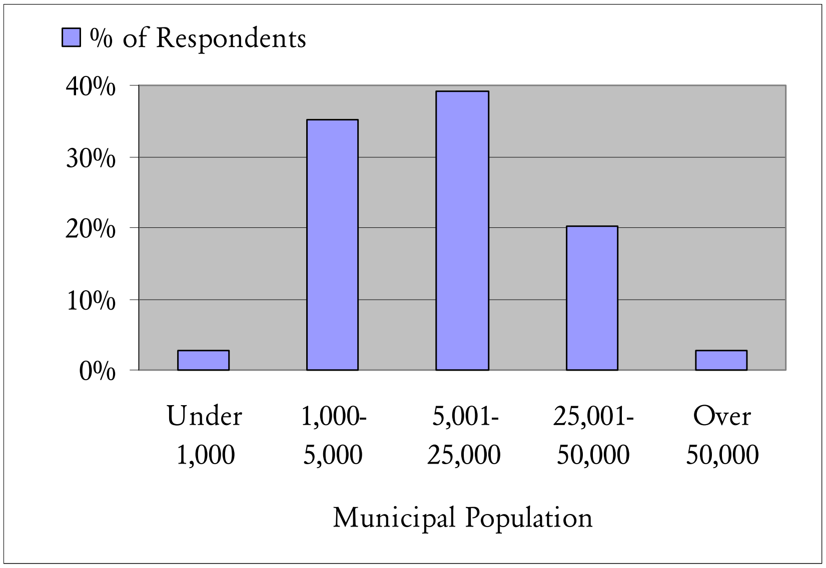

Figure 9. Survey of Illinois Municipal Governments: Distribution of Respondents by City Size

Respondents included 103 mayors, managers, village presidents and administrators representing communities that spanned the population range within the state, with the exception of the city of Chicago. The smallest (under 1,000 residents) and largest (over 50,000 residents) communities each represented three percent of the participants. The majority of respondents hailed from communities with mid-range populations of between 1,000 and 25,000 people.

Fully 84% of respondents confirmed that they currently have a capital budget in place, and of those, 95% indicated that their capital budget had been formally adopted within the last year. For the most part (61%) these plans were renewed annually; however almost 20% said their cities or villages had approved a 5-year capital spending plan. Interviewees noted the importance of capital budgets in long term fiscal planning for big-ticket expenditures as well as for periodic maintenance costs. One survey respondent summed it up:

> For many years we had no Capital plan, therefore, the roads are in such disrepair that it will take many years and hundreds of millions of dollars to get to a level that we can maintain without financing debt. The biggest challenge is finding alternative sources (State or Federal) of revenue so we are not constantly raising taxes on our residents.

Table 15. Top Infratructure Funding Choices: Percent of Respondents within Each Population Category					
	Community population				
Funding method	**0-1,000**	**1,001-5,000**	**5001-25,000**	**25,001-50,000**	**50,000+**
Bonds	50%	25%	32%	53%	100%
Bond banks			6%		
Corporate investment	50%				
Earmarks		4%	10%		
Federal matching funds			6%	7%	
Lease/sales					
Property tax		4%		7%	
Public/private partnerships		4%	3%		
Sales tax		13%	6%	13%	
TIFs		8%	16%		
User fees		25%	10%		
Other		17%	10%	20%	

When asked about current priorties, respondents' needs hierarchy consisted of highways, waste water, and drinking water, followed by "other," which included police and fire vehicles, community centers, parks, libraries and administration buildings. Primary funding sources varied based on the size of the community. Table 15 illustrates the infrastructure funding preferences of survey respondents as categorized by community population. For example, a quarter of the respondents from municipalities with populations of 1,001 to 5,000 residents selected bonds as their primary funding preference, whereas another 25% within this group preferred user fees, and 4% said federal earmarks and/or state member initiatives were their first choice. As shown, respondents from the largest cities were more reliant on debt to fund public works. In the smallest communities, where bond financing is hindered by limited revenue resources and high borrowing costs, respondents' indicated that their governments relied on corporate investment (e.g., individual or corporate purchase of partial ownership or a municipal utility) to supplement borrowing.

In cities with populations of 1,000 to 5,000 and 5,001 and 25,000, local governments employed a broad range of financing options. For them, bond financing remained the primary source of funds; however, cities with populations of 5,000 or less also relied on user fees, sales taxes and other revenues to support their infrastructure needs. Cities and villages with populations of 5,001 to 25,000 residents also used sales taxes, tax increment financing (TIFs), and other sources to finance their public works projects. Both groups, which together made up the majority of respondents, indicated some reliance on earmarks as a funding source.

Table 16. Respondents' Receipt of Infrastructure Earmarks & Member Initiatives				
Federal Earmarks			**Illinois Member Initiatives**	
Yes	**No**		**Yes**	**No**
42%	58%	**2007**	42%	58%
22%	78%	**2006**	23%	77%
19%	81%	**2005**	20%	80%
17%	83%	**2004**	17%	83%
14%	86%	**2003**	16%	84%

When asked whether they had received earmarks or member initiatives within the past five years, fully 66% of participants responded positively. Table 16 illustrates the percent of all survey respondents who received directed funding during the past five years. Only 14% of the participants received earmarks in FY 2003; however by FY 2007 over 40% had received earmarked funding – an increase of 300%. The same holds true for recipients of member initiatives. Almost three times as many municipalities indicated that they received member initiatives in FY 2007 as did those for FY 2003. Clearly, legislators are responding to the increased requests received from their constituents.

Table 17. Dollar Amounts of Federal Earmarks Received, FY 2003-2007 (in $thousands)

	$100-500	**$500-$1,000**	**$1,000-$2,000**	**$2,000-$5,000**	**$5,000-$10,000**	**Over $10 Million**
2007	56%	21%	16%	5%	0%	2%
2006	61%	22%	9%	9%	0%	0%
2005	55%	25%	10%	10%	0%	0%
2004	59%	29%	6%	6%	0%	0%
2003	64%	21%	7%	7%	0%	0%

Respondents who received earmarks and member initiatives were asked to identify the dollar amounts received and the category of the infrastructure project for which the monies had been provided. Table 17 illustrates the dollar amounts of earmarks received between FY 2003 and FY 2007. Funds were distributed more broadly across the dollar ranges in FY 2005; whereas the largest distribution, over $10 million, occurred in FY 2007. In all years, the majority of respondents indicated that their grants amounted to between $100,000 and $500,000.

Table 18. Categories of Infrastructure Funded by Federal Earmarks, FY 2003-2007

	water	**sewer**	**highway**	**mass transit**	**bridge/dam**	**railroad**	**air transit**	**school**	**other**
2007	15%	21%	42%	2%	8%	0%	0%	0%	12%
2006	13%	13%	53%	0%	3%	3%	3%	0%	13%
2005	10%	14%	52%	3%	3%	0%	0%	0%	17%
2004	14%	19%	48%	0%	5%	0%	0%	0%	14%
2003	11%	17%	50%	0%	6%	0%	0%	0%	17%

Table 18 shows the types of categories of infrastructure funded by the earmarked dollars received. In keeping with the earlier findings, earmarks for highway funding increased with demand between FY 2003 and 2006. In FY 2007 highway earmarks decreased and those for drinking and waste water increased. This corresponds to earlier findings of a shift in emphasis from highway to water needs.

The increase in earmarks for bridges and dams shown in this table may have been prompted by the Minnesota bridge collapse in the prior year. The Illinois Department of Transportation has identified 37 bridges that have weight restrictions and is assessing those that have low inspection ratings for possible structural impairments. According to the IDOT Secretary Sees (IDOT, 2007):

> ...the Minnesota bridge collapse underscores the need for approval of a capital investment program for Illinois to provide additional funding for bridge and road projects across the state.

Table 19. Percentage of respondents who received Illinois member initiative awards, FY 2003-2007

	Dollar amount of member initatiave award (in $ thousands)					
	Under $100	$101-$250	$251-$500	$501-$1,000	$1,001-$2,500	Over $2.500
2007	33%	16%	19%	19%	12%	2%
2006	38%	21%	17%	17%	8%	0%
2005	48%	24%	10%	14%	5%	0%
2004	47%	24%	12%	18%	0%	0%
2003	25%	25%	19%	25%	6%	0%

Table 19 illustrates the dollar amounts of member initiatives received by survey participants. Of those who received member initiatives, more respondents reported receiving amounts under $100,000 in FY 2007 than in FY 2003, as did those who received $1 million or more. It appears that more small- and large-dollar projects are being funded, with fewer distributions of awards between $100,000 and $1 million. This is supported in part by comments made by an Illinois Executive agency staffer (#331) who noted that "the typical grant is for ten to twenty-five thousand dollars," and that they are used to finance "thousands of small scale fixes."

Member initiatives to fund drinking and waste water projects were on the rise in FY 2007, as more respondents reported receiving funding for those projects. This corresponds to earlier discussions of funds withheld and continuously reallocated from one budget year to the next. FY 2004 and FY 2005 appropriations for drinking and waste water infrastructure were some of those appropriations found to be reappropriated in subsequent years (see footnote #10, page 117).

Fewer respondents reported receiving member initiatives in FY 2007 for highway projects. Awards were almost as low as those given in FY 2003. The decline is consistent with earmarked funding; however there may be extenuating reasons for the state's decrease in road funding. As noted, the decrease in grants may be the result of deferred spending. Another attribute of the decline may be the state's inability to claim federal matching highway funds. One interviewee commented, "Just because a project has Congressional interest doesn't mean the state can provide matching funds" (#331).

Table 20. Categories of Infrastructure Funded by Illinois Member Initatives, FY 2003-2007									
	water	sewer	highway	mass transit	bridge/dam	railroad	air transit	school	other
2007	11%	13%	41%	0%	6%	0%	0%	0%	29%
2006	8%	8%	42%	3%	3%	0%	0%	0%	37%
2005	6%	12%	45%	0%	3%	0%	0%	3%	30%
2004	4%	16%	52%	0%	4%	0%	0%	0%	24%
2003	13%	10%	40%	0%	3%	0%	0%	0%	33%

Similarly to earmark receipts, state funding for bridges and dams was higher than in previous years. Again, concerns stemming from the Minnesota bridge collapse have likely triggered more requests for funding and/or an increased appreciation on the part of lawmakers for the need for such maintenance.

The Future of Capital Spending Illinois

Survey participants were asked to evaluate their future capital funding needs. The majority of respondents indicated that drinking water was their funding priority. Table 21 illustrates the primary concerns of survey participants based on their community size. For example, 50% of the respondents from communities with less than 1,000 residents answered that highway funding was their primary future funding concern; the other 50% were more concerned about upcoming drinking water needs. In the largest communities, half of the respondents felt that drinking water was their most pressing need, whereas the other half indicated that their primary anticipated funding need was for sewage system renovation and replacement.

One participant from a community with fewer than 5,000 residents characterized his village's upcoming needs as "drinking water #1, waste water a very close 2nd." Another responded that the greatest challenge facing his city is "Funding any capital improvement project with a population that has dwindled from 2013 to 1713 over the past 20 years. It puts a tremendous burden on the existing population. We recently spent $4 million on the sewer system and another $1 million on our streets. We will be paying off these debts for the next 15 years."

Flat and declining federal program funds also affect the ways in which local governments consider funding options. One respondent noted that "Federal and State funds are shrinking and are very hard to obtain. We need more storm sewers and the funding is difficult for a small community."

None of the other infrastructure categories were of primary importance to participants. Respondents indicated that they feel future funding challenge are stymied by the sheer magnitude of infrastructure need, external spending mandates and internal fiscal challenges. They were concerned about "securing the funds to progress to these projects while still fulfilling our current obligations."

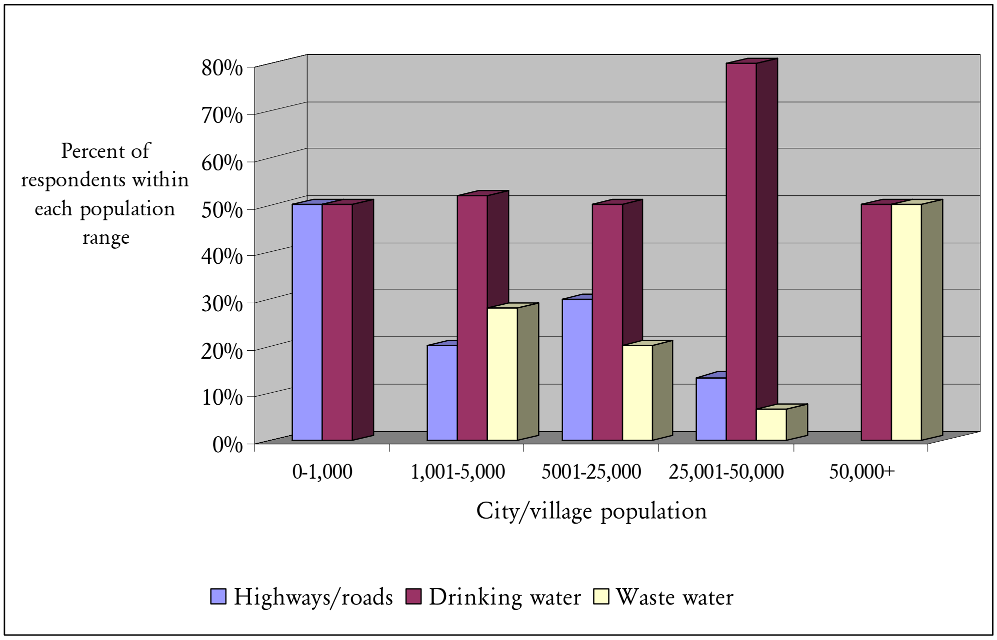

Figure 20. Respondents' Top Future Funding Concerns, by Community Population

There is wide spread agreement among interviewees that a capital spending plan is sorely needed. In a discussion of state highway needs, one individual (#314) likened rebuilding the Illinois highway system to "a sleeping giant." The State's interstate roads are over twenty years old. Continued resurfacing is not an option; "the state has to rebuild to modern safety standards." That said, costs are high and funding options are limited. For example, "in Peoria it cost $400 million for approximately 8 miles of roadway. To estimate what it will cost to modernize the nation's roadways, "replicate that across the country."

Most interviewees believe that a capital bill will be funded for FY 2008-09. Most see additional gaming as the most probable revenue sources, in spite of their preferences for other means such as increased taxes and user fees. One interviewee (#$506) provided a rationale for his suggestion that the best policy would be to increase the transportation road fund through increases in gas and vehicle taxes. "The cost for road projects keeps going up; road fund revenues are flat, and the last periodic adjustment was in 1989." Another (#325) agreed, preferring a user fee model "similar to Illinois FIRST."

In addition to alternative funding choices, most interviewees would prefer a limited plan with a shorter, renewable duration. One interviewee (#314) indicated that he "would be interested in a smaller plan to draw down federal funds." Another (#506) remarked that "the legislature could pass three-month or six-month budgets to dole money out, rather than not spending it."

According to Secter and Coen (2008), the lack of trust in the Governor that has disturbed legislators, and particularly House members, may become less of an issue. Governor Blagojevich faces possible indictment after the current conviction of longtime friend, Tony Rezko, on 16 counts of corruption. The Governor faces two separate federal investigations, one regarding his hiring practices, and the other into "pay-to-play politics" (Korecki & Pallasch, 2008). Challenges loom for the Governor on other legal fronts as well, such as the earlier referenced legal action taken against the Governor's funding of his extended health plan. An interviewee (#502) speculated that "all they [the investigations and lawsuits] can do is make him less relevant...The weaker the Governor gets, the better chance of getting a capital budget passed."

The opportunity to restructure public works legislation may come to fruition. The Governor's *Illinois Works* capital spending bill cleared the Senate in the spring session; however, legislation to lease a portion of the state lottery to a private vendor and a bill to expand gaming – the two key revenue components - were stalled in the House at the end of this session. House Speaker Madigan then called for a meeting of The Committee of the Whole to open a discussion on the merits of a public works bill and funding options (Finke, 2008).

In the state of Illinois, local governments appear to have little difficulty in developing capital budgets and spending plans for their communities; their chief concern is in obtaining the funding needed for future infrastructure. In state government, however, politics can impede the state's ability to craft a spending program. The current animosity between the Governor and the General Assembly has impacted the amount of agency program funding available and the timeliness of funding distributions to local communities for capital needs. That, coupled with the aging and ever more structurally deficient infrastructure throughout the state, adds to municipalities' concerns about future funding needs. As a result, Illinois communities are increasingly looking to lawmakers for earmarks and member initiatives as an alternative m method of financing local public works.

CHAPTER 8: FINDINGS AND CONCLUSIONS

This dissertation presents a preliminary assessment of the use of federal earmarks and Illinois state member initiatives to fund state and local public infrastructure needs. Examinations of federal government reports, state and local fiscal reports, federal and state appropriations legislation, and appropriations earmark and member initiative data provided the context for perspectives provided by interviewees and survey respondents. The study resulted in several empirical insights discussed in this chapter: (1) directed spending accounts for a minute amount of annual appropriations spending; however, it is an increasingly important means of infrastructure funding for state and local governments; (2) the increasing reliance on earmarks to fund public works points to fiscal crises within governments; and (3) the increasing use of earmarks as a funding vehicle points to weakness in the budget process.

Individuals and organizations from the public and private sectors have taken steps to address aspects of these broader issues. Several of those endeavors are also presented here. Finally, the chapter closes with ideas for future study based on insights gained from this research.

The Impact of Earmarks on Annual Spending

Earmarks make up a minor portion of Congressional spending and those specifically for state and local government infrastructure projects account for a fractional percentage of total earmarks. In FY 2005, the year in which earmarks dollars were at their peak, earmarks comprised slightly more than six percent of total federal appropriations and earmarks for public works totaled less than one percent. In relation to federal transportation program spending earmarks were minor. The total amount of transportation earmarks awarded in FY 2005, for example, made up less than ten percent of federal transportation funding dispensed that year. By far, the majority of federal infrastructure earmarks were directed to state transportation (primarily road and highway) projects, but so, too, were the majority of federal program funds provided to states for capital spending. With flat or declining allocations to federal water programs it was not surprising to find that earmarks made a larger impact in comparison to wastewater, and even more so to drinking water programs.

For state governments, the comparison between annual state capital spending and federal earmarks was generally similar within every category of infrastructure. This was illustrated by comparing the five East North Central States: Illinois', Indiana, Michigan, Ohio and Wisconsin. The comparison of FY 2005 individual state spending on transportation and water with federal earmark awards received by each state indicated that earmarks made less than 5% percent of total state transportation spending.

Within the case study, Illinois' member initiatives for public works as contained in the state's FY 2008 appropriations legislation followed a pattern similar to that of federal earmarks. Member initiatives amounted to a minor portion (0.5%) of state spending on public works, and half of that (.25%) in comparison to local capital spending. In contrast to federal earmarks, which were primarily for transportation projects, almost all member initiatives were awarded for water projects.

In separating state and local capital spending, the study shows that the bulk of state capital spending was for transportation, whereas local public works expenditures were primarily for waterworks. Interviewees' discussions of capital spending invariably focused on highways as the primary funding concern. That continues to be a major focus of federal program funding, and of interest to legislators, in part, because of the availability of federal matching funds for state and local needs. However, this study shows a shift in federal earmark requests and awards from highway projects to water and sewer needs. This corresponds with the survey data, in which Illinois local leaders rated water infrastructure as uppermost in their future funding concerns.

Reliance on Earmarks to Fund Public Works Points to Fiscal Crises within Governments

Earmarks and member initiatives come about through constituent requests for funding grants. Congressional and State legislators have indicated through interviews that the number of solicitations have increased each year, particularly for infrastructure maintenance projects. The rising demand is a result of stagnant or declining program funding levels and the subsequent challenges faced by state and local governments to provide for "health and safety" (as one interviewee labeled public works projects) without raising taxes, which in many cases are already at their maximums, issuing additional debt, which may be cost prohibitive, or selling public assets to pay for immediate needs.

Within the federal government, the deficit spending, the collapse of the housing market and related mortgage crisis, and skyrocketing oil and gas prices have resulted in national economic crises. As all discretionary spending programs compete for fewer available federal dollars, federal programs designed to fund state and local infrastructure suffer. For example, the Highway Trust Fund's expected FY 2009 $4.3 billion shortfall is attributed to the inability of gasoline tax revenues to keep pace with program commitments. This places the Department of Transportation state highway and transportation funding guarantees, as stipulated in SAFETEA-LU, in jeopardy. Continued annual deficits are anticipated for the Highway Trust Fund, potentially eroding federal funding levels for state and local governments. Earmarks are a way to supplement stagnant or declining program funding for infrastructure needs.

As noted in Chapter 7, Illinois is one of 29 states with a structural deficit, and additional states are expected to be unable to meet current services needs in the immediate future. States that do not have sufficient capital funding (i.e., from prior bond or taxing authority) to meet the requirements for federal highway matching grants then fail to obtain state and federal maintenance funding for transportation infrastructure such as bridges, dams, locks, and water, air and rail transportation (this assumes the continuance of SAFETEA-LU funding). The State of Illinois, for example, has not allocated the funds needed to collect federal transportation matching grants, leaving Congressional and state legislators frustrated and local governments without necessary highway maintenance. Member initiatives provide funding for projects that are not highly prioritized within agency spending plans or do not meet program requirements.

Unfunded mandates, such as pension contribution obligations and No Child Left Behind requirements, and conflicting priorities, such as health care and education costs, compete with infrastructure needs for limited revenues. State and local government spending ultimately comes down to choices between priorities, such as clean water, education or defense. Earmarks and member initiatives provide a means for legislators to help constituent governments meet those needs.

State and local fiscal crises make the use of traditional infrastructure financing methods more difficult. In Illinois, borrowing to finance public works became more expensive when the state's credit rating was lowered in 2005. The state's plans for future borrowing to fund outstanding liabilities and the proposed *Illinois Works* capital plan may further reduce its rating. Some state and local governments have also reached sales and property tax ceilings in their efforts to fund infrastructure needs. Some projects are simply not appropriate for public-private ventures, and not all government assets are suitable for sale or lease arrangements. Earmarks and member initiatives act as an affordable, alternative source of financing for state and local governments' infrastructure needs.

Earmarks and member initiatives do not always fund the entire project cost, however. For example, in Illinois, the Governor's veto of member initiatives in the FY 2008 spending bill resulted in appropriations for half of the project costs for two different bridges (see Chapter 7), leaving local governments scrambling to find the balance. And neither earmarks nor member initiatives provide funding for ongoing routine maintenance once the project is completed. In a discussion of highway maintenance practices within Illinois, local mayors (interviewees) suggested that the state incorporate ongoing maintenance costs for interstate highways into their annual operating budget. In his FY 2002 Comprehensive Annual Financial Report[27], the Illinois Comptroller pointed out that there is no place in the state's operating budget for infrastructure maintenance and clearly recommended that it be added. Because of Illinois' structural deficit, that is an unlikely occurrence.

Earmarks as a Funding Mechanism Points to Weakness in the Budget Process

The proliferation of earmarks and member initiatives attest to the ineffectiveness of the current budget process in federal and state governments. Earmarking replaces the merit-based project funding process developed through rational agency analysis with political expediency as earmarks and member initiatives are often the means for vote trading and logrolling. This political distribution process does not provide the transactional transparency and accountability that is contained in agencies' and programs' competitive, merit-driven, evaluations methods. The methods by which earmarks and member initiatives are awarded are not often disclosed; nor are the legislative sponsors or recipients always clearly identified, despite legislation intended to reform those aspects of the process.

Earmarks can be found in Congressional appropriations bills, authorizing legislation, conference reports and, increasingly, in supplemental appropriations and continuing resolutions. Earmarks are also contained in the President's budget and executive orders, and the annual budgets for the President's Executive Office and Cabinet and the Office of the First Lady. Telephone and electronic communications by the executive and legislative branches can also include directed spending instructions. The earmarks most easily identified and subject to media scrutiny are those contained only in annual Congressional appropriations spending. Earmarks contained in the

---

[27] The full report is available at http://www.apps.ioc.state.il.us/ioc-pdf/CAFR2002.pdf

remaining sources are almost difficult to identify and to obtain. The disclosure requirements contained in the Honest Leadership and Open Government Act of 2007 are applicable only to Congressional appropriations spending. Other pending legislation, such as that identified in Chapter 4, delineates specific individual sources for disclosure or reform, but none attempt to cast a wide enough net to ensure simultaneous disclosure by both the executive and legislative branch, or multiple sources within the same branch.

It has long been asserted that earmarks were a means of Congressional credit claiming, especially when lawmakers bring new construction projects to their districts. A noteworthy finding in this study is that line-item reviews of earmarked allocations and concurrence by almost all interviewees indicate that the majority of earmarks are for maintenance and repairs of existing infrastructure, rather than new projects as commonly assumed. While Congress continues to place its emphasis on "bringing home the bacon," ribbon cutting is not essential to that end.

Like their federal counterpart, Illinois' member initiatives are also increasingly awarded for renovation and repairs, rather than new construction. Lawmakers argue that without member initiatives, public works would not even get needed maintenance. However, one solution to that concern, offered by an interviewee, would be to simply "fund agencies better." Would the additional funds appropriated in FY 2008 to finance member initiatives for local waterworks have been more effectively spent by increasing the resources of the state water revolving loan funds?

Earmarks and member initiatives re-allocate program budgets to fund projects that may or may not have been included in agencies' planned spending priorities or commitments. Agencies claim that they are better positioned to choose and prioritize projects than are legislators. Lawmakers disagree, however; arguing that they know their districts' needs better because they have the time and experience with the individual district that is lacking in agencies to conduct thorough assessments. In Illinois, executive office staff and legislators agree that member initiatives are intended to provide support to essential community projects, such as aged water towers and storm sewers, which do not meet program qualifications.

Alternatives and Innovations in Infrastructure Finance

Individuals and organizations from the public and private sectors have addressed concerns about the nation's aging infrastructure in a variety of ways. The thoughts and endeavors of several representative groups are included here to illustrate these innovative perspectives.

A report issued by the National Surface Transportation Policy and Review Commission delineated the Commission's finding on the nature of the nation's transportation system and methods of funding. The members recognize the importance of sustained investment. There is dissent, however, about which level of government should be responsible for funding; some support federal funding levels at 40% of need while others believe funding for highways and roads outside of a nationwide system should be the responsibility of the states. They agree that the proliferation of special interest programs within DOT should be replaced with a consolidated, streamlined program. Further, the Commission emphasized the need for a more accountable and efficient investment system. The primary area of contention among the members is the dependence on federal fuel taxes as the primary revenue source. They find a "...funding and regulatory structure that stifles creativity and innovation at the state and local levels" (Peters & Schenendorf, 2008)

In April, 2008, the Economic Policy Institute and Pennsylvania Governor Edward Rendell hosted a forum entitled *Investing in US Infrastructure*. Speakers included Congressman Earl Blumenauer, "one of the top experts in Congress" on infrastructure funding issues. The agenda of this gathering was to discuss "critically needed federal investments in infrastructure, including transportation, school buildings, and information networks." [28]

The Infrastructure Bank Act, sponsored by Senators Chuck Hagel and Christopher Dodd, proposes to create a federal infrastructure bank to finance "infrastructure of national importance" though tax credit bonds. Senator Hagel's legislation is also supported by the ASCE's *Infrastructure Action Plan for the 110th Congress* (ASCE, 2008). Other legislation has been introduced as well. *The National Infrastructure Improvement Act of 2007* (HB 2298 and S 775), would establish the National Commission on the Infrastructure of the United States to prioritize and ensure that the nation's public works are maintained. The National Rebuilding America's Infrastructure Act (HR 3400)[29] proposes to provide $50 billion annually through zero-percent mortgage loans to state and local governments for infrastructure improvements.

To capitalize on the increasing individual and institutional interest in owning or leasing public works, investment banks have developed mutual funds that invest solely in public works projects around the world. Goldman Sachs, Credit Suisse and Morgan Stanley have raised billions of dollars for new these infrastructure funds. Privatization provides governments with needed revenues; in return, the mutual funds use tolls and user fees to operate the infrastructure. Investment in stable, safe, fixed assets are attractive to investors, particularly when compared to the volatility of other investment markets.

Areas for Future Study

As a preliminary assessment of how earmarks are used to fund infrastructure, this study generates more questions than it answers. It encourages more in-depth evaluations of more broadly defined infrastructure categories and comparisons of state and local government capital funding practices. It suggests further evaluations of the earmarking process within the federal government and the impacts of budgetary politics within federal and state governments.

The press and the President would have us believe that Congress is entirely responsible for the proliferation of earmarks. However, as noted earlier in this study, earmarks are contained in the President's budget and in "closely held supplements separate from public budget books" (Calmes, 2006). These supplementals include executive orders and signing statements and are initiated by the Executive Office of the President, which includes the President, Vice President, First Lady and administrative executives. The number and dollar amounts of executive earmarks

[28] Audio, video and written transcripts of this event are available at http://www.sharedprosperity.org/event20080429.html

[29] The full text and status of these bills can be obtained from http://thomas.loc.gov/

often meet or exceed those enacted by Congress. Because these earmarks tend to be elusive they have yet to be studied.

The concept of infrastructure, as defined by this study, is limited to that provided by ASCE. Building maintenance and construction – particularly schools, technology and other such non-engineering categories are not considered here. Expanded research on a broader definition of the term would produce a more informative view of the extent to which earmarks and member initiatives are used to fund public assets.

Comparisons of how other state and local governments establish and utilize capital budgets, the ways in which they fund infrastructure and ongoing maintenance needs, and their perspectives of future needs and funding options would produce an interesting comparative study and provide welcome depth to the discussions initiated herein.

A study of the expansion of mutual fund investments into world-wide infrastructure development could produce enlightening information about the variety of funding and development methods used in various states and countries. Further, a study of the ways in which privatization efforts impact not just new development, but ongoing maintenance issues, would be informative. And simply tracking state and local efforts and outcomes in privatization efforts would be an interesting comparative study.

Finally, increased access to more information – better data and the improved abilities to monitor and use the data - at the agency level, within Congress and state legislatures, and within local government, can lead to better prioritization, planning and implementation of long-term infrastructure projects (Joyce, 2007). Better use of increased information and the innovations that information can inspire could eliminate a considerable portion of the need for earmarks. A study of how such information is utilized and how it could be improved would be enlightening.

REFERENCES

Air Transport Association. (2008). *Economics & Energy. Airport and Airway Trust Fund*. Retrieved May, 2008, from http://www.airlines.org/economics/taxes/trust+fund.htm.

AllBusiness. (2004). *Fitch rates Maine Municipal Bond Bank 'AAA'*. Retrieved April 2008, from http://www.allbusiness.com/banking-finance/financial-markets-investing/5595933-1.html.

Allen, J. (2007). The earmarks game: Manifest destiny, *CQ Weekly Online* (pp. 2836-2850).

American Association of State Highway and Transportation Officials. (2007). *Vision for the future of transportation "new dynamics require new strategies"*. Retrieved July, 2007, from http://www.transportation.org/news/68.aspx.

American Society of Civil Engineers. (2008). *Raising the grades: small steps for big improvements in America's failing infrastructure. An action plan for the 110th Congress*. Retrieved May, 2008, from http://www.asce.org/reportcard/2005/actionplan07.cfm.

American Society of Civil Engineers. (2006). *2005 report card for America's infrastructure*. Retrieved October, 2007, from http://www.asce.org/reportcard/2005/index2005.cfm.

Balla, S. J., Lawrence, E. D., Maltzman, F., & Sigelman, L. (2002). Partisanship, blame avoidance, and the distribution of legislative pork. *American Journal of Political Science, 46*(3), 515-525.

Bell, M., Brunori, D., Hanson, R., Choi, C., & Metcalf, L. (2006). *State and local infrastructure financing: a review of spending patterns and financing mechanisms*. Washington DC: National Center for Real Estate Research.

Blagojevich, R. R. (2003). *Inauguration speech transcript*. Retrieved June, 2008, from http://www200.state.il.us/gov/inaugspeech.cfm.

Block, M., & Siegel, R. (Writer) (2006). Cities engage lobbyists and worries arise [radio], *All Things Considered*: National Public Radio.

Brunori, D., Bell, M. E., Wolmna, H., Atkins, P., Cordes, J. J., & Yuan, B. (2005). State and local fiscal trends and future threats, *State and Local Fiscal Policy Research Program, George Washington Institute of Public Policy*. Washington DC: George Washington University.

Caiden, N. (1990). Public budgeting in the United States: The state of the discipline. In N. B. Lynn & A. Wildavsky (Eds.), *Public administration: The state of the discipline*. Chatham NJ: Chatham House Publishers.

CBO's projections of revenues for the Highway Trust Fund, U.S. House of Representatives. 109th Congress, 2nd Sess. (2006).

Calmes, J. (2006, Feb 21). In search of presidential earmarks. *The Wall Street Journal*.

Census Bureau, U. (n.d.). *Census regions and divisions of the United States*. Retrieved Jun, 2008, from http://www.census.gov/geo/www/us_regdiv.pdf.

Census Bureau, U. (2007). *Local governments and public school systems by type: 2007. US Census of Governments 2007*. Retrieved May, 2008, from http://www.census.gov/govs/www/cog2007.html.

Center for Tax and Budget Accountability. (2008a). *Issue brief: The Illinois structural deficit*. Retrieved Jun, 2008, from http://www.ctbaonline.org.

Center for Tax and Budget Accountability. (2008b). *Pensions: The Illinois retirement security initiative (IRIS)*. Retrieved Jun, 2008, from http://www.ctbaonline.org/Pensions.htm.

Chicago Tribune. (2007, Aug 24). G-rod brings home bacon, but cuts some serious 'pork'. *Chicago Tribune* p. 12.

Choate, P., & Walters, S. (1987). *America in Ruins: the decaying infrastructure*. Durham, NC: Duke Press Paperbacks.

Citizens Against Government Waste. (2008a). *The pig book*. Retrieved May, 2008, from http://www.cagw.org/site/PageServer?pagename=reports_pigbook2008.

Citizens Against Government Waste. (2008b). *Pork barrel report*. Retrieved May, 2008, from http://www.cagw.org/site/PageServer?pagename=reports_porkbarrelreport.

Clemmitt, M. (2006). Pork barrel politics*. CQ Researcher,* pp. 529-552.

Coleman, N. (2008). *I-135W bridge reconstruction funds included in omnibus bill*. Retrieved May, 2008, from the Norm Coleman-United States Senator-Minnesota web site at http://coleman.senate.gov/public/index.cfm?FuseAction=Initiatives.Detail&Initiative_id=7b003174-fcf5-43d8-8c4e-e733c7c4ede4&IsTextOnly=1.

Congressional Budget Office. (2002). *Future investment in drinking water and wastewater infrastructure* Retrieved July, 2007, from http://www.cbo.gov/ftpdoc.cfm?index=3983&type=0&sequence=0.

Congressional Budget Office. (2008). *Capital budgeting*. Retrieved Jun, from http://www.cbo.gov/ftpdocs/91xx/doc9167/05-08-Capital.pdf.

Congressional Research Service. (2001). *Tax exempt bonds: a description of state and local government debt*. Washington DC: The Library of Congress.

Congressional Research Service. (2006). *Earmarks in appropriations acts: FY1994, FY1996, FY1998, FY2000, FY2002, FY2004, FY2005.* Washington DC: The Library of Congress.

Copeland, Claudia. 2006. Water Infrastructure Project Earmarks in EPA Appropriations: Trends and Policy implications. Congressional Research Service: CRS Reports for Congress-CRS Web. Retrieved Apr, 2008 from http://digital.library.unt.edu/govdocs/crs/permalink/meta-crs-9677:1

Council of State Governments. 1983. Stretching Dollars to Strengthen Infrastructure. In *Southern Legislative Conference*, ed. R. Watson. New York: Council of State Governments.

Debel, N. H. (1917). *The veto power of the Governor of Illinois*. Urbana, IL: University of Illinois.

Department of Transportation, U.S. (n.d.). *Reauthorization of TEA-21 (SAFETEA-LU, Public Law 109-59)*. Retrieved June, 2007, from http://www.fhwa.dot.gov/reauthorization/.

Doss, C. B. J. (1987). The use of capital budgeting procedures in US cities. *Public Budgeting and Finance, 7*(3), 57-69.

Ebdon, C. (2002). Capital management. *Government performance project: Grade reports*. New York: The Pew Center on the States.

Ellwood, J. W., & Patashnik, E. M. (1993). In praise of pork. *The Public Interest, winter*, 19-33.

Environmental Protection Agency, U.S. (2002). *The clean water and drinking water infrastructure gap analysis*. Retrieved July, 2007, from http://www.epa.gov/safewater/gapreport.pdf.

Environmental Protection Agency, U.S. (2005). *State allotment percentages for the Drinking Water State Revolving Fund program*. Retrieved July, 2007, from http://www.epa.gov/EPA-WATER/2005/June/Day-24/w12660.htm.

Environmental Protection Agency, U.S. (2007a). *Clean Water State Revolving Fund (CWSRF) 2006 annual report: Summary*. Retrieved July, 2007, from http://www.epa.gov/owm/cwfinance/cwsrf/annreport2006-summary.htm.

Environmental Protection Agency, U.S. (2007b). *Drinking Water State Revolving Fund (DWSRF) allotments: Annual allotments by fiscal year.* Retrieved July, 2007, from http://www.epa.gov/safewater/dwsrf/allotments/funding_dwsrf_allotments.html.

Federal Aviation Administration. (2008). *Airport and Airway Trust Fund (AATF)*, from http://www.faa.gov/about/office_org/headquarters_offices/aep/aatf/.

Federal Highway Administration. (2001). *The Transportation Equity Act for the 21st Century. Public Law 105-178*. Retrieved June, 2007, from http://www.fhwa.dot.gov/tea21/.

Federal Highway Administration. (2002). *US Transportation Secretary Minetta announces funds for Hoan Bridge repair*. Retrieved July, 2007, from www.fhwa.dot.gov/pressroom/fhwa0215.htm.

Federal Highway Administration. (2005). *Rate of return and 5 year funding compared to TEA-21 FY2005-2009 apportionments.* Retrieved Jul, 2007, from www.fhwa.dot.gov/reauthorization/rta-000-1664ar.xls.

Federal Highway Administration. (2006a). *Innovative finance: SIBs at a glance*. Retrieved June, 2008, from http://www.fhwa.dot.gov/innovativefinance/sibprimr.htm#I2.

Federal Highway Administration. (2006b). *SAFETEA-LU funding tables. FY 2006 apportionment and obligation limitations notices*. Retrieved Jun, 2008, from http://www.fhwa.dot.gov/safetealu/fundtables.htm.

Federal Highway Administration. (2007). *Revised apportionment of fiscal year (FY) 2007Bridge Road Program Fund*. Retrieved July, 2007, from www.fhwa.dot.gov/legsregs/directives/notices/n4510639.htm.

Federal Highway Administration. (2007a). *SAFETEA-LU funding tables. FY 2007 apportionment and obligation limitations notices*. Retrieved July, 2007, from www.fhwa.dot.gov/safetealu/fundtables.htm.

Federal Highway Administration. (n.d.). *SAFETEA-LU funding tables. FY 2005 apportionment and obligation limitations notices*. Retrieved Jun, 2008, from http://www.fhwa.dot.gov/safetealu/fundtables.htm.

Federal Highway Administration. (n.d.). *TEA-21-Transportation Equity Act for the 21st Century. Computation tables: apportionment authorized for fiscal year 2004 as amended by the Surface Transportation Extension Acts of 2004*. Retrieved Jun, 2008, from http://www.fhwa.dot.gov/tea21/fy2004/index.htm.

Federal Register. (2008). *The President: Executive Order 13457-Protecting American Taxpayers from Government Spending on Wasteful Earmarks*. Retrieved Apr, 2008, from http://edocket.access.gpo.gov/2008/pdf/08-483.pdf

Federal Reserve Bank of Minneapolis. (2008). *Economic research & data: What is a dollar worth?* Retrieved April, 2008, from http://www.minneapolisfed.org/Research/data/us/calc/.

Fenno, R. F. J. (1991). *Emergence of a senate leader: Pete Domenici and the Reagan budget*. Washington DC: Congressional Quarterly Inc.

Financing infrastructure investments, US House of Representatives, 110th Congress, 2nd Session. (2008).

Finke, D. (2007, July 27). Senate panel hikes the hike in cigarette tax. *State Journal-Register*.

Finke, D. (2008, July 4, 2008). Madigan schedules committee of whole. *State Journal-Register,* pp. 9-11.

Finnigan, T. (2007). *All about pork: the abuse of earmarks and the needed reforms*. Retrieved March 2007, from http://www.cagw.org/site/PageServer?pagename=homePage.

Fischer, J. W. (2005). *Safe, Accountable, Flexible, Efficient Transportation Equity Act-A Legacy for Users (SAFETEA or SAFETEA-LU): Selected major provisions*. Retrieved Jul, 2007, from

https://www.policyarchive.org/bitstream/handle/10207/2544/RL33057_20050901.pdf?sequence=1.
Fisher, L. (1975). *Presidential spending power*. Princeton NJ: Princeton University Press.
Forrester, J. P. (1993). Municipal capital budgeting, an examination. *Public Budgeting and Finance, 13*(2), 85-103.
General Accounting Office, U.S. (1989). *Budget issues: restructuring the federal budget- the capital component*. GAO/AMFD-89-52. Washington DC: GAO.
Gold, S. D. (1995). *The fiscal crisis of the states*. Washington DC: Georgetown University Press.
Gormley, W. T. J., & Balla, S. J. (2003). *Bureaucracy and democracy: Accountability and performance* Washington DC: CQ Press.
Government Accountability Office, U.S. (2003). *Alternative approaches to finance federal capital*. GAO-03-1011. Washington DC: GAO.
Government Accountability Office, U.S. (2006a). *Clean water: how states allocate revolving loan funds and measure their benefits*. GAO-06-579. Washington DC: GAO.
Government Accountability Office, U.S. (2006b). *Highway Trust Fund: Overview of Highway Trust Fund estimates*. GAO-06-572T. Washington DC: GAO.
Government Accountability Office, U.S. (2008a). *Congressional directives: selected agencies' processes for responding to funding instructions*. GAO-08-209. Washington DC: GAO.
Government Accountability Office, U.S. (2008b). *Surface transportation: restructured federal approach needed for more focused performance-based, and sustainable programs*. GAO-08-400. Washington DC: GAO.
Government Accountability Office, U.S. (2008c). *Welcome to GAO*. Retrieved May, 2008, from www.gao.gov.
Government Accountability Office, U.S. (2008d). *Supplemental appropriations: Opportunities exist to increase transparency and provide additional controls*. GAO-08-314. Washington DC: GAO.
Government Printing Office, U.S. (2003). *Federal investment spending and capital budgeting*. Retrieved March, 2007, from the GPO Access website, http://frwebgate6.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=576329207745+1+0+0&WAISaction=retrieve.
Government Printing Office, U.S. (2008a). *Budget of the United States, FY 2009*. Retrieved May, 2008, from the GPO Access web site, http://origin.www.gpoaccess.gov/usbudget/fy09/browse.html.
Government Printing Office, U.S. (2008b). *Budget of the United States, FY 2009. Historical tables. Table 8.7-Outlays for Discretionary Programs: 1962-2009*. Retrieved May, 2008, from http://frwebgate2.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=421122409577+4+0+0&WAISaction=retrieve.
Government Printing Office, U.S. (2008c). *Appropriations legislation: 1997-forward*. Retrieved May, 2008, from the GPO Access web site, http://www.access.gpo.gov/congress/legislation/appro.html.
Gramlich, E. M. (1998). *Capital budgeting*. Washington DC: President's Committee to Study Capital Budgeting.

Hanak, H., & Baldassare, M. (2005). Introduction and summary. In H. Hanak & M. Baldassare (Eds.), *California 2025: Taking on the future*. San Francisco, CA: Public Policy Institute of California.

Herron, M. C., & Theodos, B. A. (2004). Government redistribution in the shadow of legislative elections: a study of the Illinois member initiative grants Program. *Legislative Studies Quarterly, 24*(2), 287-312.

Herron, M. C., & Wiseman, A. E. (2005, April). *Testing theories of distributive politics and pork barrel spending in legislatures.* Paper presented at the 2005 Annual Meeting of the Midwest Political Science Association, Chicago, IL.

Holland, W. G. (2007). *Illinois Department of Transportation, compliance examination for the year ended June 30, 2007*. Retrieved Jun, 2008, from the Illinois Auditor General web site at http://www.auditor.illinois.gov/Audit-Reports/Compliance-Agency-List/IDOT/FY07-IDOT-Comp-full.pdf.

Hoover Commission, T. (1949). *The Hoover Commission report on organization of the Executive Branch of the government*. New York: McGraw-Hill Book Co.

House, T. W. (2008). *Fact sheet: President Bush takes unprecedented steps to advance earmark reform*. Retrieved May, 2008, from http://www/whitehouse.gov/news/releases/2008/01/20080129-.htm.

Hynes, D. W. (2002). *Comptroller's reports: Illinois appropriations, fiscal year 2002*. Retrieved May, 2008, from http://www.apps.ioc.state.il.us/ioc-pdf/ApropBookFY02.pdf.

Hynes, D. W. (2003). *Comptroller's reports: Illinois appropriations, fiscal year 2003*. Retrieved May, 2008, from http://www.apps.ioc.state.il.us/ioc-pdf/ApropBookFY03.pdf.

Hynes, D. W. (2004). *Comptroller's report's: Illinois appropriations fiscal year 2004*. Retrieved May, 2008, from http://www.apps.ioc.state.il.us/ioc-pdf/APPROP_BOOK_FY04.pdf.

Hynes, D. W. (2005). *Comptroller's report's: Illinois appropriations, fiscal year 2005*. Retrieved May, 2008, from http://www.apps.ioc.state.il.us/ioc-pdf/ApropBookFY05.pdf.

Hynes, D. W. (2005). *Hynes wants pork fund money to pay health care bills*. Retrieved May, 2008, from http://www.comptroller.state.il.us/news/ViewNewsRelease.cfm?ID=2070837178.

Hynes, D. W. (2006). *Comptroller's reports: Illinois appropriations, fiscal year 2006*. Retrieved May, 2008, from http://www.apps.ioc.state.il.us/ioc-pdf/APPROPBOOKFY06.pdf.

Hynes, D. W. (2007). *Comptroller's reports: Illinois appropriations, fiscal year 2007*. Retrieved May, 2008, from http://www.apps.ioc.state.il.us/ioc-pdf/APPROPBOOKFY07.pdf.

Hynes, D. W. (2008). *Illinois' long-term debt*. Retrieved June, 2008, from http://www.ioc.state.il.us/FiscalFocus/article.cfm?ID=285.

Illinois Commission on Government Forecasting and Accountability. (2004). *FY 2005 legislative capital plan analysis*. Retrieved May, 2008, from http://www.ilga.gov/commission/cgfa2006/Upload/fy05capital_plan.pdf.

Illinois Commission on Government Forecasting and Accountability. (2005). *FY 2006 legislative capital plan analysis*. Retrieved May, 2008, from http://www.ilga.gov/commission/cgfa2006/Upload/fy06capital_plan.pdf.

Illinois Commission on Government Forecasting and Accountability. (2006). *FY 2007 legislative capital plan analysis*. Retrieved May, 2008, from http://www.ilga.gov/commission/cgfa2006/Upload/fy07capital%20_plan.pdf.

Illinois Commission on Government Forecasting and Accountability. (2007). *FY 2008 legislative capital plan analysis*. Retrieved May, 2008, from http://www.ilga.gov/commission/cgfa2006/Upload/fy08capital%20_plan.pdf.

Illinois Commission on Government Forecasting and Accountability. (2008). *FY 2009 legislative capital plan analysis*. Retrieved Jun, 2008, from http://www.ilga.gov/commission/cgfa2006/Upload/FY2009CapitalPlanReport.pdf.

Illinois Department of Transportation. (2007). *IDOT Announces enhanced inspections for bridges under construction to ensure they are safe for traffic*. Retrieved June, 2008, from http://wwwa.illinois.gov/PressReleases/ShowPressRelease.cfm?RecNum=6129&SubjectID=1.

Illinois General Assembly. (1993a). *Illinois Complied Statutes. FINANCE (30 ILCS 425/) Build Illinois Bond Act*. Retrieved Jun, 2008, from http://www.ilga.gov/LEGISLATION/ILCS/ilcs3.asp?ActID=529&ChapAct=30%26nbsp%3BILCS%26nbsp%3B425%2F&ChapterID=7&ChapterName=FINANCE&ActName=Build+Illinois+Bond+Act.

Illinois General Assembly. (1993b). *Public Act. 88-453, Public Infrastructure Loan and Grant Programs Act*. Retrieved Jun, 2008, from http://www.ilga.gov/commission/lrb/lrbres.htm.

Illinois General Assembly. (1999). *Public Act 91-0708. An ACT making appropriations and reappropriations (Illinois FIRST)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/publicacts/pubact91/acts/91-0708.html.

Illinois General Assembly. (2003a). *Public Act 093-0091. An ACT making appropriations and reappropriations. HB2700. (FY 2004)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/publicacts/95/PDF/095-0348.pdf.

Illinois General Assembly. (2003b). *Governor's veto message. Public Act 093-0091. An ACT making appropriations and reappropriations. HB2700. (FY 2004)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/93/HB/PDF/09300HB2700gms.pdf.

Illinois General Assembly. (2004a). *Public Act 093-0681. An ACT making appropriations and reappropriations. SB3361 (FY 2005, repealed)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/publicacts/93/PDF/093-0681.pdf.

Illinois General Assembly. (2004b). *Public Act 093-0842. An ACT making appropriations and reappropriations. SB3340. (FY2005)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/publicacts/93/PDF/093-0842.pdf.

Illinois General Assembly. (2007a). *Public Act 095-0348. An ACT making appropriations and reappropriations. HB3866. (FY 2007)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/publicacts/95/PDF/095-0348.pdf.

Illinois General Assembly. (2007b). *Governor's veto message. Public Act 095-0348. An ACT making appropriations and reappropriations. HB3866. (FY2007)*. Retrieved Jun, 2008, from http://www.ilga.gov/legislation/95/HB/PDF/09500HB3866gms.pdf.

Illinois Government News Network. (2002). *Governor Ryan cuts $500 million to balance 2003 budget*. Retrieved June, 2008, from http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?RecNum=1803&SubjectID=25.

Illinois Government News Network. (2003). *Blagojevich uses veto power to trim $222 million from fiscal 2004 budget*. Retrieved June, 2008, from http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?RecNum=2180&SubjectID=28.

Illinois Government News Network. (2008). *Gov. Blagojevich, President Poshard, Sen. Pres. Jones, Minority Leaders Sen. Watson and Rep. Cross call for passage of $31 billion Illinois*

Works capital plan. Retrieved Jun, 2008, from http://www.illinois.gov/PressReleases/PressReleasesListShow.cfm?RecNum=6869.

Johnson, G. (2002). *Research methods for public administrators*. Westport CT: Quorum Books.

Joyce, P. G. (2007). Does more (or even better) information lead to better budgeting?: A new perspective, *Association for Budget and Financial Management 19th Annual Conference, October 2007*. Washington DC.

Kettl, D. F. (1992). *Deficit Politics*. New York: Macmillan Publishing Company.

Korecki, N., & Pallasch, A. M. (2008, June 5). Is Blagojevich next target? *Chicago Sun-Times*.

Law, M. T., & Tonan, J. M. (2006). The strange budgetary politics of agricultural research earmarks. *Public Budgeting & Finance, Fall.*

Leavy, J. (1999). *Chicagoans call on Gov. Ryan to put "taxpayers FIRST" in public works bill*. Retrieved June, 2008, from http://www.ncbg.org/documents/illfirstpress.html.

Lee, R. D., Jr, Johnson, R. W., & Joyce, P. G. (2008). *Public budgeting systems*. Sudbury MA: Jones and Bartlett Publishers.

Lewis, M. (2008). *Division of Water Municipal Loan Program*. Retrieved May, 2008, from http://www.dec.state.ak.us/water/muniloan/index.htm.

Lilly, S. (2006a). *Phony earmark reform*. Retrieved May, 2008, from www.americanprogress.org/issues/kfiles/b1618439.html.

Lilly, S. (2006b). *Reforming Congressional earmarks*. Retrieved May, 2008, from www.americanprogress.org/issues/2006/03/b1487355.html.

Lockler, B. (2008). *California debt limit allocation committee*. Retrieved April, 2008, from http://www.treasurer.ca.gov/cdlac/.

Long, R., & Pearson, R. (1999, Sept 26). Pork, power and politics all hiding in state budget. *Chicago Tribune,* p. 1.

Maine Municipal Bond Bank. (2007). *MMBB programs*. Retrieved October, 2007, from http://www.mainebondbank.com/Programs.htm.

Mancini, C. (2007). *Issue brief: Analysis of Governor Blagojevich's vetoes & what they mean across Illinois*. Retrieved June, 2008, from www.ctbaonline.org.

Mancini, C. (2008). *Highlights of the Illinois state budget proposed for fiscal year 2009*. Retrieved Jun, 2008, from http://www.ctbaonline.org/.

March, J. G., & Olsen, J. P. (1984). The new institutionalism: Organizational factors in political life. *The American Political Science Review, 78*(3), 734-749.

McNichol, E. C., & Lav, I. (2008, May 2008). *27 states faced total budget shortfall of at least $47 billion in 2009; 4 others expect budget problems*. Retrieved May, 2008, from http://www.cbpp.org/1-15-08sfp.htm.

Mikesell, J. (2002). *Fiscal administration: Analysis and applications for the public sector* (6 ed.). Belmont. CA: Wadsworth Publishing.

Minnesota Department of Transportation. (2001). *State-aid scene*. Retrieved May, 2008, from http://www.dot.state.mn.us/stateaid/scene/7-2001/7-2001.pdf

Musgrave, B., Whitson, J., Lewis, P., & Mychalejko, C. (2001). Illinois First: Swing districts favored over minority areas - political workings in distribution of Illinois FIRST funds. *The Chicago Reporter, Nov-Dec.*

NBC News 5 Reports. (2007). *Governor sues Speaker Madigan over special sessions*. Retrieved Jun, 2008, from http://illinoischannel.spaces.live.com/blog/cns!B0DB128F5CD96151!2570.entry.

NCGB. (1999). *Chicagoans Call on Gov. Ryan to Put "Taxpayers FIRST" in Public Works Bill*. Retrieved May, 2008, from http://www.ncbg.org/documents/illfirstpress.html

NCGB. (2005a). *Chicago's 5-year capital improvement program for 2003-07*. Retrieved June, 2008, from http://www.ncbg.org/public_works/current_spend.htm.

NCGB. (2005b). *Illinois FIRST*. Retrieved June, 2008, from http://www.ncbg.org/public_works/illfirst.htm.

O'Connor, J. (1973). *The fiscal crisis of the state*. New York: St. Martin's Press.

Office of Management and Budget, U.S. (2005). *OMB Watch. it's not the most wonderful time of the year (for appropriations work)* Retrieved July, 2007, from www.ombwatch.org/article/articleview/3193/1/248?TopicID=1.

Office of Management and Budget, U.S. (2007a). Table 1.1-Summary of receipts, outlays, and surpluses or deficits (-):1789-2012. In *Historical tables, budget of the United States FY 2008*. Washington DC: Executive Office of the President of the United States.

Office of Management and Budget, U.S. (2007b). Crosscutting programs. In *Analytical perspectives, budget of the US government, FY 2008*. Washington DC: Executive Office of the President of the United States.

Office of Management and Budget, U.S. (2008a). Analytical perspectives: The budget system and concepts. In *The President's budget* (pp. 397). Washington DC: Executive Office of the President of the United States.

Office of Management and Budget, U.S. (2008b). *Earmarks: FY 2005 appropriations earmarks*. Retrieved Jul, 2007, from http://earmarks.omb.gov/.

Office of Management and Budget, U.S. (2008c). *Earmarks: FY 2005 authorization earmarks*. Retrieved Jun, 2007, from http://earmarks.omb.gov/.

Office of Management and Budget, U.S. (2008d). *Earmarks: Totals for FY 2008 appropriations earmarks/benchmark for "cut in half" goal*. Retrieved Jun, 2008, from http://earmarks.omb.gov/.

Office of Management and Budget, U.S. (2008e). *OMB Watch. Background brief: earmarks and the earmarking process*. Washington DC: Office of Management and Budget, Executive Office of the President of the United States.

Pagano, M. (1980). *Fiscal stress and the financing of urban infrastructure*. Dissertation, University of Texas at Austin.

Panetta, L. (1986). *The need to improve the budget process: A Democrat's view*. New York: American Enterprise Institute for Public Policy Research.

Patashnik, E. M. (2000). Budgeting more, deciding less. *Public Interest, 138 (winter)*, 65-78.

Peters, M., & Schenendorf, J. (2008). *Transportation for tomorrow: Report of the National Surface Transportation Policy and Revenue Study Commission*. Retrieved July, 2008, from http://www.transportationfortomorrow.org/final_report/report_html.aspx.

Portman, R. (2007). *Tracking earmarks in the 2008 appropriations process.* Retrieved June, 2007, from http://www.whitehouse.gov/omb/memoranda/fy2007/m07-17.pdf.

Posner, P. L. (1993). *Budget policy: Federal capital budgeting*. GAO/T-AFMD-93-7. Washington DC: US Government Accounting Office.

Posner, P. L. (1998a). *Budget issues: Budgeting for capital*. GAO-T/AIMD-98-99. Washington DC: US Government Accounting Office.

Posner, P. L. (1998b). *The politics of unfunded mandates: Wither federalism?* Washington DC: Georgetown University Press.

Posner, P. L. (2007). Budget process reform: Waiting for Godot. *Association for Budget and Financial Management (ABFM) 2007 Annual Conference*. Washington DC.

Research and Innovation Technology Administration, U.S. (2003). *Discussion of trust funds*. Retrieved May, 2008, from the U. S. Department of Transportation, Bureau of Transportation Statistics web site at http://www.bts.gov/publications/government_transportation_financial_statistics/2003/html/discussion_of_trust_funds.html.

Richard P. Caro, a state of Illinois taxpayer on behalf of and for the benefit of the taxpayers of the state of Illinois, plaintiff, against Hon. Rod R. Blagojevich, Governor of the state of Illinois, the Illinois Board of Comprehensive Health Insurance, Michael T. McRaith, Chairman of the Illinois Board of Comprehensive Health. Petition to File Taxpayer Complaint and Motion for TRO and Preliminary Injunction. (Circuit Court of Cook County 2007).

Roads & Bridges. (2007). *Senate Appropriations Committee approves FY 2008 transportation funding*. Retrieved July, 2007, from http://www.roadsbridges.com/Senate-Appropriations-Committee-approves-FY-2008-transportation-funding-newsPiece13969.

Rubin, I. (2006). *The politics of public budgeting* (5th ed.). Washington DC: CQ Press.

Ryan, G. (1985). Build Illinois: abundant opportunities for local governments. *Illinois Municipal Review* (pp. 11-12).

Schatz, J. J. (2004). Difficulty in distinguishing the earmarks from the 'pork'. *CQ Weekly Online, February 7*, 328-329.

Schick, A. (1986). *The evolution of Congressional budgeting*. Washington DC: American Enterprise Institute for Public Policy Research.

Schick, A. (2000). *The Federal budget: Politics, policy, process*. Washington DC: The Brookings Institution.

Schoen, J. W. (2007). *U. S. highway system badly in need of repair*. Retrieved May, 2008, from http://www.msnbc.msn.com/id/20095291/.

Scovel, C. L. I. (2007). *Review of Congressional earmarks within Department of Transportation programs*. AV-2007-066. Washington DC: The Inspector General, US Department of Transportation.

Seckler-Hudson, C. (1978a). Basic concepts in the study of public management. In J. Shafritz & A. Hyde (Eds.), *Classics of public administration*. Oak Park IL: Moore Publishing Co.

Seckler-Hudson, C. (1978b). Performance budgeting in government In A. Hyde & J. Shafritz (Eds.), *Government budgeting: theory, process, politics*. Oak Park, IL: Moore Publishing Co.

Secter, B., & Coen, J. (2008, June 4). *Rezko convicted of corruption*. Retrieved Jun, 2008, from http://www.chicagotribune.com/news/local/chi-rezko-verdict-web,0,2256058.story.

Securities and Exchange Commission, U.S. (2008). *Nationally recognized statistical rating organizations*. Retrieved April, 2008, from http://www.sec.gov/divisions/marketreg/ratingagency.htm#studies/.

Skorburg, J. W. (2004). Chicago lands $1.8 billion in tollway lease deal, *Budget and Tax News*. Chicago IL: Heartland Institute.

Standard & Poor's. (2007). *Public finance: improved us state pension funding levels could be on the horizon*. Retrieved October, 2007, from http://finance.ky.gov/NR/rdonlyres/813B0414-B0B6-4C05-8A48-D6EBF4845BDD/0/SPImprovedUSStatePensionFundingLevels.pdf.

Stone, D. (1997). *Policy paradox: The art of political decision making.* New York: W W Norton & Co Inc.
Strategies, W. F. (2008). *Municipal bond ratings*. Retrieved April, 2008, from http://www.munibondadvisor.com/rating.htm.
Streeter, S. (2004). *Earmarks and limitations in appropriations bills*. Washington DC: CRS Report for Congress.
Streeter, S. (2007). *The Congressional appropriations process: An introduction*. Washington DC: Congressional Research Service.
Streeter, S. (2008). *Continuing resolutions: FY2008 action and brief overview of recent practices*. Washington DC: CRS Report for Congress.
The Associated Press/WAND, T. A. (2007). *Firing adds to acrimony in battle between top Democrats*. Retrieved Jun, 2008, from http://www.wandtv.com/Global/story.asp?S=7169196.
The Pew Charitable Trusts. (2005). Government performance project: grading the states '05-Illinois, *Governing.com*.
The Pew Charitable Trusts. (2007). *Pew study finds states face $2.73 trillion bill for retiree benefits. State fact sheet: Illinois*. Retrieved June, 2008, from http://www.pewtrusts.org/news_room_detail.aspx?id=32368.
The Pew Charitable Trusts. (2008). *Grading the states: Infrastructure*. Retrieved March, 2008, from http://www.pewcenteronthestates.org/gpp_report_card_details.aspx?id=35348.
The Saint Lawrence Seaway Development Corporation. (2007). *Annual report September 30, 2007: The Saint Lawrence Seaway Development Corporation*. Retrieved May, 2008, from http://www.seaway.dot.gov/.
THOMAS. (1998). *Transportation Equity Act for the 21st Century. Public Law 105-178, 105th Congress*. Retrieved June, 2008, from http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=105_cong_public_laws&docid=f:publ178.105.
THOMAS. (2005a). *Consolidated Appropriations Act 2005. H.R.4818. Public Law 108-447. 108th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app05.html.
THOMAS. (2005b). *Department of Defense Appropriations Act, 2005, H.R.4613. Public Law 109-289. 108th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app05.html.
THOMAS. (2005c). *Department of Homeland Security Appropriations Act, 2005. H.R 4567. Public Law 108-334. 108th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app05.html.
THOMAS. (2005d). *District of Columbia Appropriations Act, 2005. H.R.4850. Public Law 108-335. 108th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app05.html.
THOMAS. (2005e). *Military Construction Appropriations and Emergency Hurricane Supplemental Appropriations Act, 2005. H.R.4937. Public Law 108-324. 108th Congress, 2nd Session* Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app05.html.
THOMAS. (2005f). *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. Public Law 109-59, 109th Congress*. Retrieved June, 2008, from http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_public_laws&docid=f:publ059.109.

THOMAS. (2007a). *Appropriations Transparency Act of 2007, H.R.1733. 110th Congress, 1st Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/cgi-bin/thomas.
THOMAS. (2007b). *Department of Defense Appropriations Act, 2007, H.R.5631. Public Law 109-289. 109th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app07.html.
THOMAS. (2007c). *Department of Homeland Security Appropriations Act, 2007, H.R.5441. Public Law 109-295. 109th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/home/approp/app07.html.
THOMAS. (2007d). *The Honest Leadership and Open Government Act of 2007 (S.1). Public Act 118-81, 110th Congress*, from http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ081.110.
THOMAS. (2007e). *Reforming the congressional earmark process. S.Res.123. 110th Congress, 1st Session.* Retrieved Jun, 2008, from http://thomas.loc.gov/cgi-bin/thomas.
THOMAS. (2007f). *To amend the Congressional Budget Act of 1974 to set a cap on allocated funds for earmarks. 110th Congress, 1st Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/cgi-bin/thomas.
THOMAS. (2007g). *Transparency in Federal Funding Act of 2007. S.1134. 110th Congress, 1st Session*. Retrieved Jun, 2008, from http://thomas.loc.gov.
THOMAS. (2008a). *Establishing a Joint Select Committee on Earmark Reform. H.Con.Res.314. 110th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/cgi-bin/thomas
THOMAS. (2008b). *Fiscal Integrity through Transparency (FIT) Act of 2008. H.R.6105. 110th Congress, 2nd Session*, from http://thomas.loc.gov/cgi-bin/thomas.
THOMAS. (2008c). *Status of appropriations legislation for fiscal year 2008.* Retrieved April, 2008, from http://thomas.loc.gov/home/approp/app08.html#Om.
THOMAS. (2008d). *To amend the Internal Revenue Code of 1986 to suspend the highway fuels taxes, to provide for a Joint Committee on Earmark Reform, and to prohibit earmarking for the remainder of the 110th Congress. 110th Congress, 2nd Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/cgi-bin/query.
THOMAS. (2008d). *To establish requirements for the consideration of supplemental appropriations bills. H.R.3857. 110th Congress, 1st Session*. Retrieved Jun, 2008, from http://thomas.loc.gov/cgi-bin/thomas.
THOMAS. (2008f). *To establish the Bipartisan Earmark Reform Commission. H.R.5755. 110th Congress, 2nd Session*. Retrieved Jun, 2008.
Varon, E. (1996). *Spending cuts spur feds to mull capital budgeting*. Retrieved June, 2008, from http://www.fcw.com/print/2_7/news/63349-1.html.
Vogt, J. (2004). *Capital budgeting and finance: a guide for local governments*. Chapel Hill NC: International City/County Management Association (ICMA).
WM Financial Strategies. (2008). *Municipal Bond Ratings*. Retrieved April, 2008, from http://www.munibondadvisor.com/rating.htm
Wang, W., Hou, Y., & Duncome, W. (2007). Determinants of pay-as-you-go financing of capital projects: evidence from the states. *Public Budgeting and Finance, 27*(4), 18-42.
Weisman, J. (2008, January 29). Bush aims to cut earmarks, but not yet. *The Washington Post,* pp. A-12.
Wheeler III, C. N. (1990). Gov. James R. Thompson, 1977-1991: the complete campaigner, the pragmatic centrist. *Illinois Issues* (December), 12-16.

Wheeler III, C. N. (2008). Personal communication. Springfield IL.
Wildavsky, A., & Caiden, N. (2001). *The new politics of the budgetary process*. New York: Addison, Wesley, Longman.
Yin, R. K. (1994). *Case study research: design and methods* (2nd ed. Vol. 5). Thousand Oaks CA: Sage Publications.
Yin, R. K. (2003). *Case study research* (3rd ed. Vol. 5). Thousand Oaks CA: Sage Publications.

APPENDICES

APPENDIX A: SURVEY OF ILLINOIS MUNICIPAL EXECUTIVES

Dear [Mayor/Village President] [LastName]:

I am a doctoral candidate in the Public Administration Department at the University of Illinois at Springfield. I am conducting research for my dissertation and need your help to understand how cities and villages plan for capital expenditures: particularly, how federal earmarks and state member initiative funds are used to fund local infrastructure needs.

Please complete this short survey, located at http://www.surveymonkey.com/s.aspx. It should take approximately 10-15 minutes. Using this online survey tool ensures that all responses remain anonymous. There are no negative consequences if you decide not to participate. If you do complete the survey, however, your responses will enlighten the field of public administration as well inform federal, state and local officials on the use of earmarks to fund local infrastructure projects.

This study has been reviewed by the UIS Human Subjects Review Officer. Dr. Lynn Pardie can answer questions about your rights as a volunteer participant in this project. She can be reached at 217-206-7230.

The results of my research will be available after July 31, 2008. If you would like a copy of the results or have any questions, please contact me at kkunz01s@uis.edu my dissertation chair, Dr. Patrick Mullen, at 217-206-8326. Thank you so much for helping to further this research.

Please note: If you do not wish to receive further emails please click the link below and you will be automatically removed from the mailing list. http://www.surveymonkey.com/optout.aspx

INTRODUCTION

Your expertise as an elected municipal official will add an important dimension to this research on the use of federal and state earmarked financing of municipal infrastructure needs. The survey should take approximately 10-15 minute to complete. Thank you so much for your participation.

CURRENT CAPITAL BUDGET

1. Does your city/village currently have a capital budget in place?
Yes
No

2. When was the current capital budget formally approved?
This FY
Last FY
3-5 years ago
More than 5 years ago

3. What is the duration of the capital budget?
1 year
2-3 years
4-5 years
6-10 years

4. What is the total dollar amount of the capital budget?
$100,000-$1,000,000
$1,000,001 - $2,500,000
$2,500,001 - $5,000,000
$5,000,001 - $10,000,000
Over $10 million

Over $20 million

5. What projects are funded in this budget? Please check all that apply.
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

PREVIOUS CAPITAL BUDGET
6. Has there been a capital budget for your city/village prior to the one currently in place?
Yes
No

7. When was the previous capital budget approved?
3-5 years ago
6-10 years ago
11-15 years ago
16-20 years ago
More than 20 years ago
We've never had a capital budget

8. What was the duration of that budget?
1 year
2-3 years
4-5 years
6-10 years
More than 10 years

9. What was the total dollar amount of that capital budget?
$100,000-$1,000,000
$1,000,001 - $2,500,000
$2,500,001 - $5,000,000
$5,000,001 - $10,000,000
Over $10 million
Over $20 million

10. What projects were funded in that capital budget? Please check all that apply.
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School

Other

METHODS USED TO FUND INFRASTRUCTURE NEEDS

11. What are the top 3 methods most often used by your city/village to fund infrastructure projects? Please rank by importance, with 1 being the most often used.
Bonds
Bond banks
Federal matching funds
Tax increment financing (TIFs)
Public/private partnerships
Leases/sales
Corporate investment
User fees
Sales tax increases
Property tax increases
Federal/state earmarks
Other

EARMARKS & MEMBER INITAITVES RECEIVED

12. Has your city/village received federal earmarked or state member initiative funds for infrastructure projects within the last 5 years?
Yes
No

13. IN FY 2007: What was the total dollar amount of federal earmarked funds received for infrastructure projects?
$100,000 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,000,000
$2,000,001 - $5,000,000
$5,000,001 - $10,000,000
Over $0 million
No federal earmarks were received in FY 2007.

14. What types of infrastructure projects were funded by those earmark(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other
Not applicable

15. What was the total amount of state member initiative funding received for infrastructure projects?
Under $100,000
$100,001 - $250,000
$250,001 - $500,000

$500,001 - $1,000,000
$1,000,001 - $2,500,000
Over $2,500,000
No member initiatives were received in FY 2007

16. What types of infrastructure projects were funded by those member initiative(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

17. IN FY 2006: What was the total dollar amount of federal earmarked funds received for infrastructure projects?
$100,000 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,000,000
$2,000,001 - $5,000,000
$5,000,001 - $10,000,000
Over $0 million
No federal earmarks were received in FY 2006.

18. What types of infrastructure projects were funded by those earmark(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other
Not applicable

19. What was the total amount of state member initiative funding received for infrastructure projects?
Under $100,000
$100,001 - $250,000
$250,001 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,500,000
Over $2,500,000
No member initiatives were received in FY 2006
20. What types of infrastructure projects were funded by those member initiative(s)?
Drinking water
Waste water/ sewer
Road/highway

Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

21. IN FY 2005: What was the total dollar amount of federal earmarked funds received for infrastructure projects?
$100,000 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,000,000
$2,000,001 - $5,000,000
$5,000,001 - $10,000,000
Over $0 million
No federal earmarks were received in FY 2005.

22. What types of infrastructure projects were funded by those earmark(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other
Not applicable

23. What was the total amount of state member initiative funding received for infrastructure projects?
Under $100,000
$100,001 - $250,000
$250,001 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,500,000
Over $2,500,000
No member initiatives were received in FY 2005

24. What types of infrastructure projects were funded by those member initiative(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

25. IN FY 2004: What was the total dollar amount of federal earmarked funds received for infrastructure projects?
$100,000 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,000,000
$2,000,001 - $5,000,000
$5,000,001 - $10,000,000
Over $0 million
No federal earmarks were received in FY 2004.

26. What types of infrastructure projects were funded by those earmark(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other
Not applicable

27. What was the total amount of state member initiative funding received for infrastructure projects?
Under $100,000
$100,001 - $250,000
$250,001 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,500,000
Over $2,500,000
No member initiatives were received in FY 2004

28. What types of infrastructure projects were funded by those member initiative(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

29. IN FY 2003: What was the total dollar amount of federal earmarked funds received for infrastructure projects?
$100,000 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,000,000
$2,000,001 - $5,000,000
$5,000,001 - $10,000,000
Over $0 million

No federal earmarks were received in FY 2003.

30. What types of infrastructure projects were funded by those earmark(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other
Not applicable

31. What was the total amount of state member initiative funding received for infrastructure projects?
Under $100,000
$100,001 - $250,000
$250,001 - $500,000
$500,001 - $1,000,000
$1,000,001 - $2,500,000
Over $2,500,000
No member initiatives were received in FY 2003

32. What types of infrastructure projects were funded by those member initiative(s)?
Drinking water
Waste water/ sewer
Road/highway
Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

USING LOBBYISTS TO OBTAIN EARMARKS & MEMBER INITATIVES FOR INFRASTRUCTURE

33. Has your city/village previously used a lobbyist to obtain earmarked funds for infrastructure projects in your city/village?
Yes
No

34. Do you currently employ a lobbyist to obtain federal earmarks for infrastructure projects?
Yes
No

FUNDING FUTURE INFRASTRUCTURE NEEDS

35. What are the most pressing infrastructure needs that your city/village will face in the next 5 years? Please rank by order of importance, with 1 requiring the most immediate attention.
Drinking water
Waste water/ sewer
Road/highway

Mass transit
Bridge/dam/ferry
Railroad
Air transit
School
Other

36. What are the greatest challenges to funding these future needs?
(Open-ended response)

37. Do you plan to use a lobbyist in future to obtain federal earmarks for infrastructure projects?
Yes
No

DEMOGRAPHICS
38. What is the size (population) of our city/village?
Under 1,000
1,000 – 5,000
5,001 – 25,000
25,001 – 50,000
Over 50,000

39. How is your city/state government structured?
Mayor/president/council
Mayor/president/manager
Council/manager
Other

40. What is your position?
Mayor
Village president
Council member/trustee
Manager/administrator
Other

41. How many years have you held this office or position?
Under 5 years
5-10 years
11-15 years
16-20 years
Over 20 years

WOULD YOU LIKE TO SHARE YOUR INSIGHTS?
42. Would you be willing to share your thoughts about the challenges of funding infrastructure needs and the use of earmarks and member initiatives to do so in a confidential, informal 30-minute interview?
Yes
No
If so, please provide contact information.

THANK YOU FOR YOUR PARITICPATION!

APPENDIX B: INTERVIEW QUESTIONS

Interview questions for IL Senators/Representatives [US Senators/Congressmen]:

1. Have you received requests from constituents or community officials [or state lawmakers or federal/state agency heads] for assistance in obtaining federal earmarks to fund maintenance of existing or construction of new public works/infrastructure projects? If so, please briefly describe the requests. How have the number and dollar amounts of these requests changed while you have been in office?

2. Have you received requests from constituents or community officials [or state lawmakers or federal/state agency heads] for infrastructure funding through member initiatives? If so, please briefly describe the requests. How have the number and dollar amounts of these requests changed while you have been in office?

3. Have you received requests from lobbyists on behalf of community leaders for assistance with obtaining federal earmarked or member initiative funding for infrastructure projects? If so, please briefly describe the requests. How have the number and dollar amounts of these requests changed while you have been in office?

4. Have constituent community officials expressed their concern to you about their ability to locally fund future infrastructure needs? If so, please briefly describe their concerns and possible solutions, if any, that you offered.

5. Illinois doesn't currently have a capital spending plan (defined as legislation passed and funded). What should a new capital plan focus on and what would be the best way(s) to go about getting that plan funded, particularly given the Comptroller's recent predictions of revenue shortfalls?

APPENDIX C: LEGISLATION CITED

F E D E R A L L E G I S L A T I O N

Legislation	Date Enacted	Title
Public Law 105-178	Jun 1998	The Transportation Equity Act for the 21st Century (TEA-21)
Public Law 109-59	Aug 2005	Safe, Accountable, flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)
Public Law 110-81	Sept 2007	The Honest Leadership and Open Government Act of 2007

Appropriations Legislation FY 2007

PL109-289	Sept 2006	Defense, HR5631
PL109-295	Oct 2006	Homeland Security, HR5441

Appropriations Legislation FY 2005

PL108-447	Dec 2004	Consolidated Appropriations, HR4818
PL108-287	Aug 2005	Defense, HR4613, S2559
PL108-335	Oct 2004	District of Columbia, HR4850, S2826
PL108-334	Oct 2004	Homeland Security, HR4567, S2537
PL108-324	Oct 2004	Military Construction, HR4837, S2674

Pending Legislation	Date Introduced	Title
S.Res. 123 IS	Mar 2007	Reforming the congressional earmark process. 110th Congress, 1st Session. Status: referred to the Senate Committee on Rules and Administration.
H.R. 3857 IH	Oct 2007	To establish requirements for the consideration of supplemental appropriations bills. Status: referred to the House Committee on Rules.
S. 1134 IS	Apr 2007	Transparency in Federal Funding Act of 2007. Status: Committee on Homeland Security and Governmental Affairs referred to Subcommittee on Federal Financial Management, Government Information.
H.R. 1733 IH	Mar 2007	Appropriations Transparency Act of 2007. Status: referred to the House Committee on Rules: Referred to the Subcommittee on Commerce, Trade and Consumer Protection Commerce, Trade and Consumer Protection
H.R. 6105 IH	May 2008	Fiscal Integrity through Transparency (FIT) Act of 2008. Status: Referred to the Committee on Oversight and Government Reform, the Committees on Rules, the Budget, and the Ways and Means Committee.
H.Conn.Res. 314 IH	Mar 2008	Establishing a Joint Select Committee on Earmark reform. Status: Referred to the House Committee on Rules.
H.R. 5755 IH	Apr 2008	To establish the Bipartisan Earmark Reform Commission. Status: Referred to the Committee on Oversight and Government. Reform, and the Committee on Rules.

H.R. 3738 IH	Oct 2007	To amend the Congressional Budget Act of 1074 to set a cap on allocated funds for earmarks. Status: Referred to the Committee on Rules, and to the Committee on the Budget.
H.R. 5995 IN	May 2008	To amend the Internal Revenue Code of 1986 to suspend the highway fuels taxes, to provide for a Joint Committee on Earmark Reform, and to prohibit earmarking for the remainder of the110th Congress. Status: Referred to the Committees on Ways and Means, the Committee on Rules and the Budget Committee and to the Senate Committee on Rules and Administration.

STATE LEGISLATION AND REPORTS

Legislation	Date Enacted	Title
30 ILCS 425	1993	IL Complied Statutes. FINANCE (30 ILCS 425/) Build Illinois Bond Act
30 ILCS 750	1993	IL Compiled Statutes: Build Illinois Act
Public Act 088-0453	1993	Public Infrastructure Loan and Grant Programs Act
Public Act 091-0708	1999	An ACT making appropriations and reappropriations (Illinois FIRST)
Public Act 093-0091 H.B.2700	2003	FY 2004 Appropriations
Public Act 093-0091 H.B. 2700	2003	Governor's Veto Message, FY 2004 Appropriations
Public Act 093-0681 S.B. 3361	2004	FY 2005 Appropriations
Public Act 093-0842 S.B. 3340	2004	FY 2005 Appropriations (repeals and replaces P.A. 093-0691)
Public Act 095-0348 H.B. 3866	2007	FY 2007 Appropriations
Public Act 095-0348 H.B. 3866	2007	Governor's Veto Message, FY 2007 Appropriations

This study uses federal appropriations legislation and earmark reports, supplemented by survey data and personal interviews with federal, state and local elected officials and agency executives, to explore Illinoisâ€™ municipal governmentsâ€™ use of federal earmarks to finance local infrastructure needs. Ad. Do you want to read the rest of this article? Request full-text. Citations (2). References (0). Political objectives related to representation and responsiveness are manifested in concerns such as socioeconomic preferences (Marran, 2010; Morand, 2003), transparency of procurement processes However, the earmark ban prevents Congress from funding projects the executive branch doesnâ€™t include in itâ€™s annual budget request, leaving the fate of economically-important dam safety, water quality, flood control, harbor maintenance and ecosystem restoration projects across the country squarely in the hands of federal bureaucrats.Â Once again, my detractors employ the use of a red herring to avoid acknowledging the differences between my proposal and traditional earmarks.Â Unlike highways and municipal water infrastructure, federal funds for Corps and Reclamation water infrastructure projects are not distributed directly to state and local governmentsÂ Under-funding critical infrastructure is not just a threat to public safety Lawmakers use earmarks to divert federal funds to specific pet projects in their states or districts. Former Sen. Tom Coburn called earmarks â€œthe gateway drug to runaway spending bills.â€ At the time they were banned, they had become a mainstay of cronyism and political logrolling. The â€œBridge to Nowhereâ€ is the most well-known example.Â This is why states and localities should bear the primary responsibility for funding infrastructure projects through local means. There are many negatives associated with increased federal spending for local infrastructure. It always comes with strings attached: federal regulations that needlessly drive up project costs. â€œFreeâ€ federal money also creates perverse spending incentives for states and localities too.