★ Chapter Nine ★

Building a New Consensus for Reform

Given how costly and wasteful this great American jobs scam has become, you'd think that our public officials would be proposing drastic solutions. For the most part, you'd be wrong. Corporate domination of the public dialog on jobs is so complete, the typical debate these days is about cooking up new giveaways—not about fixing the system.

We are, after all, talking about $50 billion a year's worth of entrenched self-interests tied to business as usual: footloose corporations, site location consultants, accounting firms and tax consultants, corporate real estate brokers, mayors and governors.

Given all those self-interests, there is no silver bullet. Only an *organizing approach* to the problem will do. By that I mean reforms that bring lots more people into the process. The real heroes moving this issue are the taxpayers: members of unions and community groups, budget watchdog groups and investigative journalists, environmentalists and land-use activists. We need reforms that make it possible for many more taxpayers to get involved. The politicians will surely follow.

In fairness to those in elected office, as I've recounted here in many ways, this whole job scam system depends upon our government being demeaned and degraded, upon public officials being docile and passive. So at every level the system makes sure it cows and bullies public officials, keeps them in the dark.

Despite all this negativity, some officials have been able to establish a few winning precedents that we can build on. Indeed, there is a rich bipartisan history of elected officials reforming job subsidies. But in almost every case they acted because taxpayers were outraged and demanded action.

I say this having observed public officials on the issue for many years. Because running economic development programs is a function of the executive branch of government, the governors have the first responsibility. Yet the last time the National Governors Association debated the "war among the states" was 1993. The two opposing committees were both led by Republicans: Jim Edgar of Illinois for the pro-accountability caucus; Brereton Jones of Kentucky for the devil-take-the-hindmost caucus. The governors passed a resolution that said a lot of great things, but it was non-binding and expired after two years. There have been other task forces, composed of economic developers and of government finance officers. One could not agree and gave up; the other issued a brief statement that had no binding effect.

In the absence of executive-branch leadership, some terrific reforms have been initiated by legislators. The National Conference of State Legislatures maintains an economic development committee, and it revisits the issue of accountability about every other year in workshops at its annual conference. Attendance at these sessions runs high and participation is spirited. Likewise, the National League of Cities has me teach at its leadership institute about every other year, and the sessions sell out. We do small-group role-plays with characters such as site location consultant, company, mayor, chamber of commerce, city council member, PTA president, and labor council leader. All of the tensions I've described here come to life—in Technicolor. Invariably, the best dramatic performance is given by a city council member playing mayor: you should hear the shameless sales pitches!

Reforms, of course, involve legislation. We need some new laws, but generally I favor fewer subsidies and simpler rules to replace the mess we have today—and then tough, fair enforcement. Don't for-get, today's candy-store mess is a dream for lawyers and accountants, since it consists of so many hundreds of convoluted laws and tax gimmicks. We need a smaller, simpler body of laws that are based on common sense. Rules that everyone can understand and work with. Laws with clear intentions that courts cannot pervert.

Here are some common-sense reforms, most of which are already on the books in some states and cities.

Reform #1: Disclosure, Disclosure, Disclosure

History tells us: sunshine is the best antiseptic. When community groups alleged that banks were discriminating against neighborhoods with people of color or older housing stock—that the banks were "redlining" their communities—they demanded and won the Home Mortgage Disclosure Act. That law requires banks to disclose data about all of their housing loans every year, by census tract. The discriminatory patterns revealed by the data soon led Congress to pass the Community Reinvestment Act, which has enabled hundreds of community groups to win billions of dollars for neighborhood revitalization.

Similarly, when community groups and factory workers alleged that chemical plants and other big polluters were endangering their health with toxic emissions, they demanded and won the "Toxic Right to Know" law,[1] which requires companies to disclose what they emit and how much. Using that data, coalitions across the country have won agreements with companies to reduce emissions and otherwise improve local safety.

Here are a few disclosure requirements that could spread a little sunshine over the murky subsidy landscape.

Annual Deal-Specific Disclosure

Already on the books in some form in 11 states, the idea is simple: annual, company-specific, public reporting of the costs and benefits of every deal. How much did each company get? Which subsidy program did the money come from? What did the company do with the money? How many jobs did it create? How well do the jobs pay? Are they full-time? Do they provide healthcare coverage? Are they accessible by public transportation? The company fills out a simple form with the data; it is certified by the local agency that did the deal and then mailed to the state. The state dumps the data into a spreadsheet, and posts it on the Web, in spreadsheet form. The form also includes the company's street address and, if the deal involved a relocation, the address of the old site and whether that site was accessible by public transit, plus how many jobs were moved.[2]

This rule should apply to every kind of subsidy above, say, $25,000—and not just grants and loans, but also corporate income tax credits and sales tax exemptions that are usually hidden from public view.

Before someone misrepresents what I am saying: I am *not* proposing that corporate income tax returns be disclosed. I am saying that *the amount of money a company gets to deduct from its income tax bill by taking a tax credit in the name of jobs* should be disclosed. From a taxpayer's point of view, there is no difference between the company claiming that credit and the government handing the company a check. It is all government spending. Property tax abatements are visible down at the assessor's office; why aren't income-tax breaks just as open?

Maine enacted disclosure requirements after experiencing a "job blackmail" episode. General Dynamics demanded $60 million in tax cuts from the Pine Tree State in 1997 for its Bath Iron Works—on top of $53 million in state tax credits it qualified for and $80 million in local property tax breaks it had secured.[3] The following year, amid taxpayer furor, Maine enacted an excellent disclosure law that requires annual, company-specific reporting on seven subsidy programs: how much the company got, how many jobs it created, plus wages and benefits.

Hidden Taxpayer Costs Disclosure

Following the legislative lead of Massachusetts and the disclosures by several other states, all states should require that every company with more than 50 enrolled beneficiaries of Medicaid or the State Children's Health Insurance Program be disclosed each year. Taxpayers need to know who they are subsidizing through the back door, whether it is Wal-Mart or any other company.

Big-Company Tax Disclosure to Shareholders

Publicly traded companies (those listed on stock exchanges) already have to disclose how much they pay in federal income tax each year, in their annual reports and Forms 10-K. They also disclose how much they pay in all state income taxes, but only in one aggregate 50-state number. The solution is simple: amend Securities and Exchange Commission rules to require publicly traded companies to include a 50-state matrix in their Form 10-K showing how much tax they paid in each state, grouped in three categories: income tax, property tax, and sales, utility, and excise taxes. This would not be unduly burdensome; these big companies obviously have people who justify their jobs by obsessing about such numbers, and we are only talking about 0.1 percent of all U.S. corporate tax-filers.

Having such data made public would enable taxpayers and elected officials to really see who the tax dodgers are. Given that we already know large numbers of big companies are paying little or no income tax in some states, this would spell out the details. In the early 1980s, there was a Citizens for Tax Justice bumper sticker: "I paid more income tax than General Motors, General Electric, and General Dynamics combined." The ensuing outrage prompted a major progressive reform, closing some corporate loopholes.

Reform #2: Clawbacks, or Money-Back Guarantees

A clawback, or recapture provision in a subsidy contract, simply says that a company must hold up its end of the bargain or else taxpayers have some money-back protection. Nineteen states and dozens of cities already use clawbacks for at least one program.[4] A basic clawback says something like this: starting from when a company receives the subsidy, it has a certain period of time to achieve its goals; that is, to create X number of jobs at X wage and benefit levels, and/or to invest X dollars. If the company does not meet its target(s), the clawback provides a formula for taxpayers getting paid back. It can be prorated so that, for example, if the company falls 10 percent short, it has to pay back 10 percent of the subsidy; a steeper penalty may apply if the company falls far short.

Site location consultants and corporate lobbyists sometimes claim clawbacks are bad for the "business climate." But I think just the opposite is true. When parties on both sides of the table have clear, written expectations, it is much less likely there will be anger or lawsuits down the road. If the rule is simple and fair—and evenly enforced—businesses will accept it.

Reform #3: Job Quality Standards

This is the most widely enacted subsidy reform, thanks in part to the living-wage movement. Increasingly, states and localities are requiring that, as a condition of getting a subsidy, a company must pay a decent wage with full-time hours and health care. The best wage formulas are those that are tied to markets: that is, the average wage for the industry or the labor market, with a poverty-wage floor. Public officials are starting to get it: at least 43 states, 41 cities, and 5 counties now attach such requirements to at least one of their job subsidies (though the vast majority of subsidy programs still lack this safeguard).[5]

The rationale is simple: why give a company the advantage of a subsidy and then allow it to pay less than comparable companies—or even to pay a poverty wage? Lord knows the economy has been producing lots of lousy jobs all by itself. And as we have seen in the case of retail, subsidizing poverty-wage jobs only means taxpayers get stuck with massive hidden costs.

Reform #4: Unified Development Budgets

A Unified Development Budget is an annual document that provides a state's legislators with a comprehensive inventory of all spending line items for economic development—all the tax breaks and all the appropriations. The point here is to make sure that tax breaks get as much scrutiny as appropriations get. It's a big issue because tax breaks for jobs often dwarf appropriations; it's no exaggeration to call appropriations the tip of the iceberg and "tax expenditures" the bulk that lies beneath. But because tax spending is often poorly accounted for, many state legislatures are flying in the dark; they don't see the corporate tax breaks below the radar screen, and that makes the breaks immune from budget cuts, even when states struggle with deficits.[6]

So the idea of a Unified Development Budget is to get the whole iceberg up on the table every year for a checkup. That way, legislators are more likely to treat both kinds of spending fairly and evenly. Today, only about 30 states publish what is called a Tax Expenditure Budget, compiling line items of forgone tax revenues (not just those for economic development), and only about a dozen of those are considered reasonably complete by state tax experts. Watchdog groups have created their own Unified Development Budgets in a few states, and Illinois is slated to start publishing one in mid-2005.[7]

Reform #5: Give School Boards Full Say on Abatements and TIF

As I explained in chapter 5, very few states effectively protect school funding from revenue losses caused by property tax abatements and TIF. This intergovernmental free lunch is just plain wrong. School boards should control their share of property tax revenue, in the same way they are held accountable for how the money is spent. School boards should have a full voting seat on any board that abates or diverts property tax revenue away from schools. And separately, school boards should have the right to vote up or down on each deal for the school portion that would be abated or diverted.

Protecting education funding matters doubly for job creation. Good schools are a key amenity that helps cities attract and retain good employers, especially those that require highly skilled (read: well-paid) workers. And with the Baby Boom generation approaching retirement, skilled labor matters more than ever.

Reform #6: Close Corporate Loopholes

To reduce corporate tax sheltering, the states where this is out of control should adopt combined reporting and throwback rules. Combined reporting gets at the Delaware Passive Investment Company gimmick, by requiring a company to report its income as if all of its subsidiaries are one entity. And throwback rules reduce "nowhere income" by saying that if a company makes profits in a state but does not get taxed on them there, the income is "thrown back" to its headquarters state.

Reform #7: Repeal Single Sales Factor

To eliminate windfalls for the favored few corporations and restore tax fairness among different kinds of employers, the states with Single Sales Factor should repeal it and restore the three-factor formula.

Reform #8: Register and Regulate Site Location Consultants

Merriam Webster's Collegiate Dictionary defines "lobbying" as "to attempt or influence or sway (as a public official) towards a desired action." That sure sounds like the work of a site location consultant to me—the deals they orchestrate routinely involve the passage of local ordinances for property tax abatements, industrial revenue bonds, or zoning, and bigger deals sometimes involve state legislation as well. Yet somehow site location consultants have created an unusual position of special privilege for themselves, working both sides of the street.

The solution: register and regulate site location consultants as lobbyists. This means they must register with state ethics boards and disclose their clients and fees, they can only take a fee from one party per transaction, and they cannot work for success fees, a.k.a. commissions—removing one of the most outrageous incentives fueling the candy-store arms race. Ideally, with regulation the profession will split into fish and fowl: consultants who work for companies and others who work for cities, counties, and states. There should be a robust, adversarial process with no ambiguity about each party's loyalty and self-interest.

Reform #9: Put Every Deal to an Official Vote

All too often, massive deals are granted by boards made up of people who are appointed. For example, Fantus coached New York City to give more power to appointed boards—the company understood that this would mean less taxpayer accountability and more corporate control. The solution: require that every deal be approved by officials who are elected by taxpayers, so that at election time, people can hold politicians directly accountable. Minnesota has required this since 1995, along with disclosure and other reforms, and this has served the state well.

Reform #10: A Federal "Carrot" Against Job Piracy

The federal government often uses the power of its purse as a "carrot" to encourage state reforms. For example, a small share of federal highway funding was held back from states until they raised their legal drinking age to 21 years.[8] There is no reason the same idea could not apply to job subsidies. Let's withhold, say, 10 percent of a state's appropriation from the U.S. departments of commerce and labor until the state adopts certain reforms. Just a few strategic requirements would suffice: a certification by the governor that the state will not use taxpayer dollars to pirate jobs from another state, and adoption of deal-specific disclosure and a unified development budget.

Reform #11: Smart Growth to End the "Economic War Among the Suburbs"

There are several priorities here, but the big point is efficiency: if we adopt land use policies that bring jobs and tax base back to older areas, there will be less need for subsidies to revitalize them. We need to let the older cities compete fairly in the market instead of exaggerating the advantages newer suburbs already have.

Smart growth means better living *and* good jobs. When we say no to Wal-Mart Supercenters, we protect our Main Street merchants and the community life they foster. We also protect the jobs, wages, and healthcare of grocery store workers. When we say yes to better public transit, we create cleaner air and more economic opportunity for carless workers. We also create family-wage bus and rail jobs. When we preserve the tax base of older areas, we stabilize home equity and create fairer tax systems. We also create better quality of life by keeping public school class sizes reasonable, teachers' wages competitive, and schools well maintained. When we save hospitals and hospital departments in older areas, we save vital services for the neighborhoods and we help our nurses and doctors and aides. Cleaning up brownfields and rehabilitating older buildings helps us make more efficient use of our infrastructure; these projects also create good construction jobs.[9]

Here are some of the specific approaches we can take to achieve smart growth:

Location-Efficient Incentives

These would be state rules stipulating that, for deals occurring in metro areas that have public transit, the company will not qualify for the subsidy unless the work site is transit accessible (within a quarter-mile of a regular stop). These would help ensure that subsidies create new job opportunities for people who cannot afford a car. It would also give more people a choice about how to get to work, improve air quality, and reduce traffic congestion.

Regional Sharing of Local Sales Tax Revenue

This puts an end to point-of-sale revenue going to an individual suburb and thereby creating a perverse incentive to pirate sales and overbuild retail.

Regional Sharing of Some Property Tax Revenue

The Twin Cities region has been sharing 40 percent of the increase in commercial-industrial property taxes since 1971; this has gone a long way toward reducing tax-base disparities, helping older areas remain vital.

No "TIFing" of Sales Tax

TIF is problematic enough as it is with property tax getting diverted; sales tax TIF is just trouble waiting to happen—on steroids.

No Subsidies for Paving Cornfields

Maryland's Smart Growth Act is a model here.[10] It says if you want to build a project in a place that already has infrastructure or is already slated to get it, fine, you are eligible for incentives. If you want to build outside such areas, have a nice day: no job subsidies and you are going to pay for every mile of road and water and sewer and utility hookup; the taxpayers will not subsidize your sprawl. Making developers bear the full infrastructure costs of development on the fringe helps tip the scales in favor of infill construction and urban reinvestment.

No Subsidies to Sprawling Retail

For all the reasons we covered in chapter 6, states should deny subsidies altogether to retail deals, except in truly depressed inner-city markets that are demonstrably underserved for basics such as groceries, prescription drugs and other care needs, and clothing.

Reform #12: Community Benefits Agreements

Pioneered by the Los Angeles Alliance for a New Economy, these are legal contracts negotiated between community coalitions and developers to make sure that city residents benefit from redevelopment of their neighborhoods. Each contract is tailored, but they often include provisions for first-source hiring (to give local workers the first chance to qualify for the jobs), living wage job quality standards, affordable housing assistance, and environmental and/or open space allowances. They may also create space in the development for community priorities such as a child care center or a healthcare clinic. Once the coalition and the developer agree on the Community Benefits Agreement, the coalition supports the developer's application to the city for subsidies and the agreement is attached to the redevelopment agreement between the city and the developer, making it again legally enforceable.

Will Some Subsidies Be Ruled Unconstitutional?

There are legal developments in the "war among the states." Shortly before this book was completed, a potentially significant court decision on subsidies was issued. The U.S. Sixth Circuit of Appeals (which covers Ohio, Michigan, Kentucky, and Tennessee) ruled that a corporate income tax credit Ohio gave DaimlerChrysler for a Jeep plant in Toledo violated the Commerce Clause of the U.S. Constitution. The tax credit was part of a $280 million package used to prevent the plant from locating in Michigan.[11]

The case was conceived by Peter Enrich, professor of law at Northeastern University, who argues that many subsidies are legally vulnerable because they involve one state interfering with another's commerce.[12] In response to the decision, at least two corporate coalitions (one by the Council on State Taxation) have been formed to overturn it; their efforts include proposed federal legislation. Both sides are appealing the decision to the U.S. Supreme Court.

Public Goods: A Positive Alternative for Creating Good Jobs

I conclude with a two-pronged warning about why we can't keep giving money away in wasteful corporate subsidies. We have far more urgent needs to spend our money on to really create good jobs. Instead of steering so much money into private deals that are unaccountable and ineffective, we need to get back to basics and invest in public goods, especially our skilled labor base and our infrastructure. The 12 reforms I just detailed are *how* to do it, and here—in addition to all the jobs scams—are two more big reasons *why* we must do it.

Skills and Infrastructure: Our Neglected Jewels

How'd you like to have surgery in a hospital missing a third of its nurses? Send your child to a school with unqualified teachers? Buy your phone service from a company that lacks enough line installers? Pay your taxes to a government that has trouble remembering how to dismantle a nuclear weapon?

Welcome to America, circa 2020, when most of the Baby Boom generation has retired.

How'd you like to spend more time in traffic jams because roads and bridges are bottlenecked? Send your child to a decrepit school? Pay much higher water and sewer bills because the systems need rebuilding?

Welcome to America, various years and places, thanks to our ballooning infrastructure deficit.

We have two really obvious, predictable train wrecks on the horizon: a skilled-labor shortage that is already evident and will become more acute when Baby Boomers retire en masse, and a crumbling infrastructure system that will harm the private-sector productivity and public services that benefit all employers.

In other words, the two taxpayer investments that are proven winners for creating good jobs—skills and infrastructure—are in deep trouble.

In this era of heightened capital mobility, investments in skills and infrastructure are especially wise because, unlike a call center or a widget plant, they don't up and run away. If a business fails or moves, at least the taxpayers in the area retain the value of their past investments: the dislocated workers will take their skills to new jobs, and the infrastructure will still be there, helping other businesses.

Aging Boomers, Slowing Growth

We who were born between 1946 and 1964 are the 76 million Baby Boomers. By 1980, when we had all come of age, we made up almost half of the U.S. workforce. A few of us have already retired; by 2008, we will be leaving the labor market in droves.[13] You think Florida is crawling with geezers? How about 39 Floridas? By 2025, that's how many states will have as large a share of seniors as Florida has today.[14]

The Baby Boom generation's retirement means we are about to lose an enormous pool of skilled labor. It also means that a dollar spent in the name of jobs that does not produce more skilled labor is a dollar wasted (see chapters 1 through 8).

The combination of Boomers leaving and lower birth rates during the Gen X period (births between 1965 and 1975) and the Echo Boom (1976 to 2001) means the growth rate of the labor force is steadily declining. In the 1970s, the U.S. labor force grew 2.6 percent a year on average. In the 1980s, that rate cooled to 1.6 percent. In the 1990s, it was 1.2 percent. In this decade, the growth rate is projected at only 0.8 to 1.0 percent. In the 2010s, the forecast is only 0.4—and then more declines and a flat line.[15]

Put another way, in the last two decades of the twentieth century, the number of people in their prime-age work years—age 25 to 54—grew by 35 million. In the first two decades of the twenty-first century, the net growth in prime-age workers will be only three million. And the workforce will become far more diverse; only 15 percent of all new workers will be native-born whites.[16]

The Most Vulnerable Industries and Occupations

Government economists, trade associations, and even a couple of book authors have already started sketching this skilled-labor train wreck. We need more skilled workers, but we are about to lose a whole lot of school teachers. Boomers are going to demand much more medical care, but the healthcare professions are already screaming about worker shortages.

Elementary and secondary school teachers will be in short supply because fewer were hired in the 1980s and they tend to retire younger because, like most government workers, about two-thirds are eligible for pensions by age 55 if they have 30 years of service.

Other large occupations that are especially "grey" are farmers, government and school administrators, clergy, librarians, bus drivers, school and vocational counselors, property managers, psychologists, management analysts, phone installers, private household cleaners and servants, tool and die makers, and taxi drivers. Still more occupations that will be significantly affected include airline pilots and navigators, special education teachers and teachers' aides, industrial engineers, postal clerks, plumbers, pipefitters and steamfitters, financial managers, social workers, lawyers, registered nurses, and chemists.

The risk is that we in the United States will have fewer folks who know how to do many complicated things, and we'll be forced to pay those elsewhere to do them for us. That's a surefire recipe for a lower standard of living. We already buy more than half of our manufactured goods from other nations; should it be three-fourths? Pentagon procurement scandals raise the question: do we want even less management expertise watching the store?

Healthcare: Skills Shortages Endanger Patients

Our healthcare system faces a double whammy: rising demand for services (more Baby Boom geezers, living longer) and growing shortages in key skilled positions (not to mention the asthma and the diabetes, heart disease, and other obesity-related problems stemming from car-dependent sprawl). The nursing crisis has received the most attention, but many medical professions—including doctors and numerous technical support occupations—also face shortages.

Health facilities in many places are already struggling with shortages of registered nurses. The U.S. Department of Health and Human Services reports that there was already a shortage of 110,000 registered nurses by 2000, and it projects that the gap between supply and demand will reach 808,000 by 2020—leaving almost a third of nursing positions unfilled. HHS forecasts that the problem will be worst in some rural states, where more than half of all nursing positions will be vacant. The American Health Care Association reports that 15 percent of registered nurse positions at nursing homes were vacant in 2002.[17]

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) says 90 percent of long-term care organizations already don't have enough nurses to provide just basic care. JCAHO summarizes the issue bluntly: "When there are too few nurses, patient safety is threatened and healthcare quality is diminished."[18]

Corporate Warning Bells

In addition to healthcare associations, other corporate groups have begun to acknowledge this huge issue. The Aspen Institute, a bipartisan think tank, calls for many reforms to improve skills, enhance benefits, and make workplaces more family friendly.[19] Similarly, the

Committee for Economic Development, an elite corporate group, says that slower growth of the labor force means savings and investment will decline, and therefore "growth of productivity and our standard of living will suffer."[20]

The National Association of Manufacturers (NAM) reported in 2003 that, despite millions of factory jobs having recently been lost, 60 percent of its members were experiencing a "moderate shortage" of qualified job applicants and 20 percent were experiencing a "serious shortage." Some companies, especially smaller firms, said they could not accept new orders or add new shifts because they cannot find qualified workers. Engineering and skilled crafts are in especially short supply.[21]

The National Science Foundation forecasts that the growth rate in the number of scientists and engineers will slow and the workforce will grow older. It also estimates that the U.S. growth rate of scientific researchers is already a third less than that of other industrialized nations in the Organization for Economic Co-operation and Development (which does not include China, India, or Russia, each of which has a booming scientist population). The National Aeronautics and Space Administration could lose a fourth of its scientists and engineers to retirement by 2008 and is having trouble finding replacements for them.[22]

The Solution: Put Workforce Development First

The solutions proposed by these trade associations and think tanks are way too tepid. Cajoling some seniors to work longer, making workplaces more family friendly—these are fine, but they miss the big picture. We need much more drastic action to avert our skilled-labor train wreck. At every level of government, we need to put workforce development at the forefront of jobs policy. If we don't make real strides helping workers (and future workers) of all ages gain new skills, then everything else we do in the name of jobs is likely to be wasted.

By workforce development, I mean early childhood and preschool programs; kindergarten through twelfth grade; traditional workforce development programs like vocational education, apprenticeships, and dislocated worker retraining, including those that are jointly managed by labor unions and companies; community colleges and state universities (both institutional budgets and scholarship funds, undergraduate and graduate); every manner of incumbent worker retraining; English as a second language; graduate equivalency degrees; retraining for welfare recipients and people who are chronically unemployed; and training for entrepreneurs and small businesspeople.

We need to take a fine-tooth comb to the $50 billion a year states and cities spend for jobs. Any expenditure that does not create more skilled labor, that undermines funding for skills, or that cannot be retooled to become a strong "carrot" for companies to invest more in skills development, should be seriously considered for elimination.

Despite this urgent need, federal policy has been moving in the other direction: federal support for skills development has been declining. The cuts have been deepest in programs that mostly benefit low-income people, for those workers who might have made real strides in their standards of living. Massive federal budget deficits now threaten to cause additional cuts.

In a comprehensive analysis of four U.S. cabinet agencies between 1985 and 2003, the Workforce Alliance found that federal investment in skills is down substantially. It concluded that we are "skilling" our workforce "on the cheap." The second-biggest federal workforce development program is the Workforce Investment Act. WIA funding is down by a third—with adult and youth services each cut by more than half. Overall, support for workforce development from *all* Department of Labor programs is down by almost a third.[23]

Welfare reform—known as Temporary Assistance for Needy Families (TANF)—pushes many recipients into low-wage jobs under the mantra "work first" instead of helping people gain new skills and better jobs. Spending for education and training of welfare recipients is down by almost half and represents a measly 2 percent of TANF funding.[24]

Pell grants for low-income students to go to college are the biggest federal program for adult education and training. Although spending is up in absolute dollars—by about two-thirds since 1990—it has not kept pace with demand or with the high rate of college tuition inflation. The average Pell grant is now only about one-third of the cost of attending a two-year public institution. The eligibility formula favors students without income, so that working adults often don't qualify. And the rules discourage support for vocational education classes.[25]

America's Crumbling, Disinvested Infrastructure

Good infrastructure is critical to every form of productivity. Children need safe schools with enough rooms to accommodate smaller classes; truck drivers need good roads to deliver their cargo on time; commuters need reliable roads and public transit to get to work; families need safe drinking water free of lead and parasites.

But our nation's physical plant has suffered serious disinvestment and deterioration, especially in the past twenty years, the same period in which states and cities have enacted hundreds of new corporate subsidies in the name of jobs.

The most damning evidence of this problem comes from the American Society of Civil Engineers (ASCE), which issues an infrastructure "report card" grading the key aspects of the nation's physical condition. The ASCE report is highly credible; the grades are issued by prestigious committees composed of civil engineering experts in each respective field. And the results are endorsed by dozens of professional and trade associations whose members build, maintain and use our public systems.[26]

Table 9.1 presents a report card for the past 15 years. Our nation's grades are not pretty.

Table 9.1. American Society of Civil Engineers Infrastructure Report Card

Type of Infrastructure	1988*	1998	2001	2005 Trend
Highways	C+	—	—	—
Roads	—	D–	D+	D
Bridges	—	C–	C	C
Mass Transit	C–	C	C–	D+
Aviation	B–	C–	D	D+
Schools		F	D–	D
Water Supply/ Drinking Water	B–	D	D	D–
Wastewater	C	D+	D	D–
Water Resources	B	—	—	—
Dams	—	D	D	D
Navigable Waterways	—	—	D+	D–
Solid Waste	C–	C–	C+	C+
Hazardous Waste	D	D–	D+	D
Energy	—	—	D+	D
Overall Grade	**C**	**D**	**D+**	**D**

*The 1988 grades were issued by the National Council of Public Works Improvements, and ASCE added new categories for Energy and Navigable Waterways in later years; hence the category shifts in Highways and Water Resources.

As ASCE summarizes, traffic congestion reduces productivity and wastes fuel—to the tune of $67.5 billion a year. More than a fourth of the nation's bridges are "structurally deficient or functionally obsolete," so they cannot handle all vehicles. Transit spending is half what it needs to be just to maintain the systems. Airport officials are focused more on increasing security than expanding capacity. Three out of four school buildings are inadequate; the cumulative rebuilding deficit is $127 billion. Drinking-water systems are mostly reliable, but aging; they need $11 billion a year more than they are getting to replace or rehabilitate facilities and comply with federal rules. Wastewater systems are in such bad shape that we risk losing all of the gains made in surface water purity since the 1972 Clean Water Act.[27]

Almost 2,600 dams are now deemed unsafe, and more than 10,000 dams are upstream from development, so if they collapsed, people would die (21 dams collapsed in a recent two-year period). Progress remains slow in cleaning up brownfields, or sites contaminated by past industrial activity with hazardous wastes. Half the locks on our inland waterways are older than the 50 years they were designed to last. Investment in power transmission systems has declined since 1975, which contributed to the big power outage in the Northeast in August 2003. The U.S. Department of Energy estimates that the nation's power grid needs $50 billion worth of modernization—a cost consumers will inevitably bear.[28]

Overall, the ASCE estimates that to renew our infrastructure will cost us *$1.6 trillion!* I take the advice of the guys with the pocket protectors very seriously. Having poor infrastructure is a huge disadvantage for job creation.

The Bottom Line: We Need Reinvestment, Not Disinvestment

In addition to the 12 reforms, this is my positive agenda for creating good jobs: reinvestment in skills and infrastructure, not more corporate disinvestment by tax dodging. The "solutions" spawned by narrow corporate interests—like TIF for sprawling big-box retail or Single Sales Factor for manufacturing—were always dumb ideas. Now it is glaringly obvious: they are wasteful handouts we can no longer afford.