

# Hicks-Ray Associates



March 7, 2011

TO: WESTCAS Membership  
FROM: Hicks-Ray Associates  
SUBJECT: Federal Infrastructure Investment

Have you been following the back and forth among the Administration and Hill Democrats and Republicans with regard to who is cutting the most money from the FY11 Continuing Resolution that will fund the government for the remainder of the current fiscal year? The Federal government is open thanks to legislation passed by Congress last week and signed into law by President Obama. This will keep things running through March 18<sup>th</sup> when yet another CR will be needed into April. At this point, many believe that we will have a final agreement that will last for the rest of the fiscal year.

That part is easy. What is harder is to figure out exactly who is cutting what. For example, does the CR cut \$61.5 billion as the House claims? Or are we dealing with a further \$6.5 billion beyond an initial \$4 billion in the Senate? It's enough to make your eyes glaze over. It's a bit like the comment of Clive James who wrote in his review of the Memoirs of the former Russian Premier Leonid Brezhnev: "Here is a book so dull that a whirling dervish could read himself to sleep with it. If you were to recite even a single page in the open air, birds would fall out of the sky and dogs drop dead."

The same might be said about the current budget debate. But embedded in all of the details are draconian reductions in a number of programs that are important to WESTCAS members. We have attached two documents. The first is a state by state chart provided by the Association of General Contractors which details the impact of reductions in EPA's Clean Water Revolving Fund. This is the FY10 enacted figure compared to the House proposed levels in the Continuing Resolution. State by State, it appears that about two-thirds of the program would be eliminated.

We have also attached a recent letter signed by leading water resource agencies to the Democratic and Republican Leaders of the Senate arguing that these cuts are penny-wide and pound foolish. The letter makes some interesting assertions:

- The American Society of Civil Engineers gives water infrastructure a D- grade.
- USEPA estimates a \$633 billion short-fall in clean water infrastructure needs over the next 20 years.
- The US Conference of Mayors estimates that every \$1 of investment in water infrastructure produces \$6.35 in private long term growth in the GDP.

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Fred Hicks - 703.866.4290  
P.O. Box 2115  
Springfield, VA 22152-0115  
[fred@hicks-ray.com](mailto:fred@hicks-ray.com)

Tom Ray - 254.855.0880  
P.O. Box 955  
Waco, TX 76703-0955  
[tom@hicks-ray.com](mailto:tom@hicks-ray.com)

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- Each \$1 dollar invested in water resources infrastructure produces more jobs than any other type of infrastructure investment.

One can either believe these figures or not. But what is very real are the cuts in the FY11 spending levels for these programs.

Tyler Cowan, the George Mason University Economist, wrote in an op/ed in yesterday's New York Times:

“Most likely we will end up making other spending cuts that won't solve our fiscal problems—and in areas that could instead benefit from Keynesian employment stimulus. These kinds of knee-jerk, poorly reasoned decisions are what happens when fiscal illusion reigns.”

What do you think?