

Tug Of War Begins Over New Stimulus Package

Will Rural Interests Get A Piece Of The Pie?



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It's almost Christmas and the wish lists continue to come into transition headquarters where "Santa" Obama is holding court to a growing list of friends. But it's not unwelcome.

In reality, President-elect Obama wants Congress to develop a new, massive infrastructure investment plan that would provide a short-term economic stimulus and ensure long-term growth for the U.S. economy. Ideally, it will be a package he can sign within the first days of office.

His economic team is still evaluating the size and scope of the plan, but some sources predict the cost of this vast reconstruction effort could range between \$700 billion and \$1 trillion. Obama warned Congress not to inject politics into spending decisions, adding there were "shovel-ready" projects that could almost immediately create jobs and deliver more bang for the buck.

So how to determine what is exactly "shovel-ready?" And which of those programs get funded? Highways, locks and dams, inner city mass transit or all of the above?

The U.S. Conference of Mayors already jumped into the fray, providing Congress with a list of over 11,000 ready-to-go infrastructure projects, costing more than \$73.2 billion.

"Our plan calls for investments that will stimulate our economy by quickly creating jobs, fixing our aging and crumbling infrastructure, increasing our global competitiveness, and further reducing our carbon footprint," said U.S. Conference of Mayors President and Miami Mayor Manny Diaz.

States want their share

However, state transportation officials also have their own "wish lists" which may do more to benefit Rural America. After surveying all 50 state Departments of Transportation and the District of Columbia, the American Association of State Highway and Transportation Officials (AASHTO) identified more than five thousand "ready-to-go" projects worth \$64 billion. These transportation infrastructure projects are considered "ready to go" because they could be under contract within 180 days, supporting an estimated 1.8 million American jobs – if the funding was available.

House Transportation and Infrastructure Chairman James Oberstar (D-MN) said his committee sent recommendations to House Speaker Nancy Pelosi for around \$45 billion in "stimulus" projects – funds which would go directly to the states using a formula in the 2005 highway law. Committee spokesman Jim Berard says \$5 billion of that package would go to the U.S. Army Corps of Engineers for construction and maintenance of waterways projects, including locks and dams.

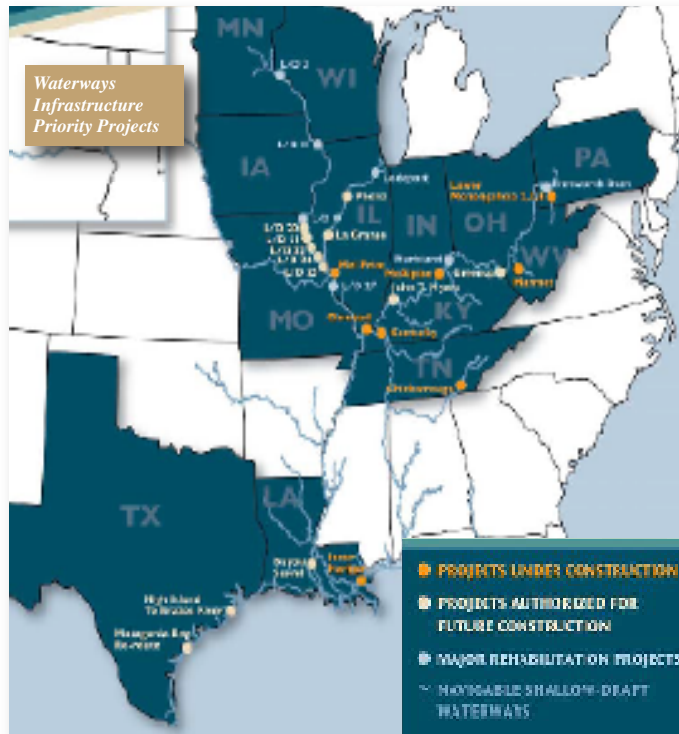
"There's no guarantee what the final package will look like, but we are fairly confident that this will at least be considered as a minimum," he explained.

That's welcome news for anyone interested in moving bulk commodities. With over a quarter

of most U.S. crops slated for export, improving highways, rail lines and waterways can make a big difference in how farmers in this country compete with others around the globe.

"The stimulus package represents a unique and very positive opportunity for those of us who have been working on infrastructure for some time," says Barry Palmer, President emeritus of the Waterways Council, Inc. Palmer has been watching for years, as locks and dams waited for much needed repairs and upgrades, only to be told there wasn't enough money.

Some projects, like the Olmsted lock and dam on the Ohio River, were first authorized in 1988 at a cost of \$775 million. Now it is expected to cost \$2.3 billion and still not scheduled for completion for another 8-10 years, notes Palmer.



Payback time?

This type of massive infrastructure project provides a good opportunity for the President-elect to pay back labor unions and many of his key presidential-bid supporters, but it won't come without a cost to the U.S. Treasury. So while the final package may provide a much needed fiscal shot in the arm to many sectors of the economy, those funds will eventually need to be repaid. The bigger question is, how and when.

Over the last year, fiscally conservative Blue Dogs in the U.S. Congress argued for "pay as you go" rules, requiring that any new spending should be offset by cuts in other programs or "revenue raisers" in other areas. While "pay-go" may be temporarily waived to get this comprehensive stimulus package out the door, at some point, those investments will come home to "roost" in other areas.

Some veteran farm policy observers believe that the net result will be budget reconciliation – a fancy name for what will likely be across the board cuts – later in 2009 or early 2010. Whenever that happens, you'll see a push to cut farm program payments, direct payments, and several other farm program funds. Δ

Editor Sara Wyant publishes a weekly e-newsletter covering farm and rural policy called Agri-Pulse. For a four-week free trial, go to www.Agri-Pulse.com.



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