Public transportation and Economic Growth
Policy of the Year Nominee

10 IDEAS for Economic Development
10 IDEAS FOR Economic Development
Congratulations to Michael Lemm
author of
Stimulating Economic Growth in Low-Income Communities Through Federal Grants for Public Transportation

Nominee for Policy of the Year
You will see pieces scattered throughout this document that connect directly to the Government By and For Millennial America project, the recent initiative from the Campus Network that projects the values of this generation onto the systems of American government, and seeks to imagine and then build an ideal version of what our government can - and must - be. Marked by this logo,

these pieces represent the sort of ideas that fit within the structure our Millennial vision for government. They are focused and specific plans for change that can make government more innovative, more engaging, and more democratic.

To learn more about the Government By and For project, please visit our website www.rooseveltcampusnetwork.org.
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The Roosevelt Institute | Campus Network was established in 2004 in response to the deep and pervasive sense that young people were overlooked in the policymaking process – that we could put boots on the ground and donate what little money we had to support leaders that promoted our progressive values, but our ideas, opinions, and priorities were not represented in our public discourse or electoral system. It was this realization and subsequent rejection of the status quo that led to the founding of what is now the nation’s largest student policy organization.

That original purpose has endured as the Campus Network has grown to over 100 chapters. Yet at a recent gathering, one of our top leaders noted that the challenges we face in the wake of the 2012 election are similar to the ones that first brought us together. We are increasingly powerful actors in our public debates, but despite the bold ideas and ambitious agendas we’ve envisioned, designed, supported, and fought for, we are still beholden to a political process more focused on scoring partisan points than moving our country forward.

What emerged from that moment of collective reflection was the recognition of our unrealized potential as a movement. While our members’ student-generated ideas and solutions-oriented action have redefined youth participation in the political process, it will take constant renewal and commitment to fresh ideas, rigorous engagement, and long-term action to achieve what we know is possible.

The 2013 10 Ideas series represents that ongoing effort to build the infrastructure, communities, and platforms that will allow us to realize the vision that was first laid out in dorm rooms across the country eight years ago. This year, our premier journals represent unique ideas from 83 authors at 30 different schools. As they go to press, our members are already translating those ideas into action by initiating petitions, collaborating with local partners and stakeholders, and lobbying on Capitol Hill.

Last year, we proudly presented the 10 Ideas series as a powerful reminder that this generation is not only willing to build a better future, but has already begun. This year, we put these solutions forward to demonstrate that members of this generation are in it for the long haul as part of an initiative that is always growing, always evolving, and always looking toward the future in the pursuit of progress.

Taylor Jo Isenberg
National Director
Roosevelt Institute | Campus Network
Welcome

We are pleased to share the fifth edition of the Roosevelt Institute | Campus Network’s flagship 10 Ideas series. These journals, encompassing the best student ideas from our six policy centers, are filled with game-changing public policy suggestions that we can and must implement now.

We are in desperate need of these ideas. Rising healthcare costs, increasing inequality, global climate change, and a government that often seems unable or unwilling to address the things that matter most are challenges that require the very best and the very brightest.

At the same time, we are told that Millennials are checked out, have lost interest, and are waiting for someone else to solve our problems. These journals are an answer to that narrative, making the clear case that we are engaged and active citizens, putting forward ideas to change the problems we see in the world around us. We believe in the power of people working together to solve problems.

Each year, the 10 Ideas journals provide a vision for change that addresses the needs of our neighborhoods, our cities, and our country. Working with community members, local nonprofits, professors, and lawmakers, these student authors have identified the policies that can make the most difference. Yet this journal represents just the tip of the iceberg, with many hours of organizing, researching, fundraising, and developing public campaigns hidden below the surface.

This year’s Economic Development journal reveals a common desire to protect the most vulnerable in our society and imagine government as a steward of the common good. Students explore how public goods and institutions, such as transit, Internet access, or affordable housing, have hindered access and opportunity for low-income Americans. Other authors examine how to put regulatory systems in place for problems ranging from predatory lending to the proliferation of carbon in our atmosphere.

Taken on its own, each idea is a simple solution. These journals and the 10 Ideas series taken together are a library of ideas that can help us build toward a more equal, accessible, and community-minded world.

Join us in seeing these ideas realized.

Alan Smith
Program and Policy Director
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Revenue-Neutral Carbon Tax: A Model for Decoupling Growth and Carbon Emissions

Mike Hathaway and Amanda Purcell, College of William and Mary

A revenue-neutral carbon tax could play a role in decoupling economic growth from carbon emissions. By instituting such a tax, the United States could make significant steps toward reducing its own emissions while providing a model for other countries to follow.

Over the past few decades, the United States and the world as a whole have lagged in confronting climate change. According to the scientific consensus, emissions must stabilize at 450 ppm (parts per million) by 2050 to avert catastrophic warming.\(^1\) Unfortunately, emissions are currently at 391 ppm and accelerating globally at an increasing rate.\(^2\) This demands greater action from all countries to confront this global problem.

A carbon tax provides a possible solution to this problem. By correcting the negative externality imposed by CO2 emissions (in that the price of goods and services emitting carbon will have to take into account their “external” social cost), the United States will be able to increase economic growth and reduce carbon emissions.\(^3\) This would play an important role in decoupling growth from emissions, which means that even while economic growth continues, carbon emissions are simultaneously reduced. Decoupling comes in two forms: relative decoupling, with relatively fewer emissions per amount of growth, and absolute decoupling, with absolute declines in emissions even as the economy grows. Relative decoupling has been the predominant form for the last two decades; however, absolute decoupling is the key to any sustainable future.\(^4\)

Carbon taxes have been implemented in countries such as South Korea and Australia and in Canadian provinces such as British Columbia. The experience of British Columbia is especially noteworthy due to its revenue neutrality. The British Columbians enacted a carbon tax on the transportation and power generation sectors. The revenue was then used in a “tax-shift” whereby corporate and personal income tax rates were reduced. In the first four years, British Columbia achieved a 15.1 percent reduction in per capita consumption of petroleum products, while consumption in the rest of Canada increased by 1.3 percent.\(^5\) Simultaneously, British Columbia has economically outperformed the rest of Canada, limiting criticisms of carbon taxation’s economic costs.

Analysis

Applying such a revenue-neutral carbon tax would enable the U.S. to further decouple its economy and emissions. Massachusetts Institute of Technology (MIT) recently published an analysis based on a tax of $20 per ton of carbon that rises gradually over time.

### Key Facts

- A $20-a-ton carbon tax rising 4 percent a year will result in over $600 billion in revenue a year by 2050.\(^3\)
- Carbon emissions must stabilize at 450 ppm by 2050. They are currently at 391 ppm and rising rapidly.\(^1\)
- Petroleum usage fell 15.1 percent in British Columbia while rising in the rest of Canada in the first four years of the tax.\(^6\)
Revenue neutrality would be achieved by swapping any increases in revenue with a cut to the payroll tax (a .48 percent reduction in 2015 and a 1.62 percent reduction by 2050) and with the provision of investment tax credits. MIT found that such a policy limited growth in carbon emissions and made the tax code more progressive. The reduction of payroll taxes would offset the regressive impact of carbon taxes on low-income households. Such a policy would also have significant overall economic welfare benefits by 2050. By raising the price of carbon emissions, a carbon tax would encourage companies and individuals to switch their investments toward clean enterprises. Revenue raised from a carbon tax is also less distortionary than payroll taxes, thus enabling gains in long-run economic efficiency and growth. Furthermore, the provision of tax credits would lead to a boom in investment spending.5

Critics of a carbon tax often point to the concept of carbon leakage. Carbon leakage is the process whereby higher carbon taxation or cap-and-trade schemes raise energy prices. These higher prices cause industry to be less competitive and consequently to move abroad. The net result of all this is deindustrialization without meaningful reductions in CO2 at the global level.6 This problem can be avoided, however, by limiting the encroachment of the carbon tax on extremely energy intensive industries, as is currently done in Australia and the EU.7

**Next Steps**

As developing countries seek to obtain the same high quality of life enjoyed by the West, emissions will rise to untenable levels. Decoupling is the only solution to this problem. By passing a revenue-neutral carbon tax, the United States can simultaneously provide a model of decoupling growth for other countries to follow. Such a tax would also improve U.S. credibility in future global climate negotiations by showing that it is willing to take action against climate change. Luckily, carbon taxation is one of the few issues that has broad levels of support on both sides of the aisle. Groups as diverse as the Sierra Club and the American Enterprise Institute have come out in support of a carbon tax or at least discussed it.8 Even Exxon Mobil has expressed support for a carbon tax compared to regulation or cap and trade.9

**Endnotes**

Affordable Housing in a Poverty-Stricken Community

Kirstie Hostetter, University of Georgia

Clarke County, Georgia should offer incentives that encourage rental property owners to offer a portion of existing rental units as affordable housing for low-income families.

Property owners look to maximize returns on off-campus housing for students attending the University of Georgia, driving up property values and affecting the availability of affordable housing options. UGA provides housing for 7,381 students, leaving 19,190 undergraduates to compete with local residents for housing. In Clarke County, 34.6 percent of residents live below the federal poverty line. A rental vacancy rate of 19.1 percent exists, leaving 23,277 individual rooms vacant. Still, the 42,780 people living below the poverty line do not have the financial resources to rent available rooms. Poor citizens cannot fill the remaining capacity of the housing market on their own. The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing. In Clarke County, 66.2 percent of households pay 30 percent or more of their income on gross rent. Only 410 units are available at a rent of less than $200 and only 643 at a rent of $200-$299, leaving few affordable housing options for people with limited means. Clarke County recently received $1,272,476 in federal funding for programs addressing issues of human development.

Analysis

Permits for expanding services like plumbing or electricity, which cost $65 dollars per structure plus $2 per unit, would not be needed for existing structures. Instead, money needed to build affordable housing communities in the future could be used now for incentives covering the difference between what a poor family can pay and the market rate. Property owners experiencing high rental vacancy rates could maintain a source of rent by participating in this policy even if market demand remains low. These payments contribute to total profits, supporting the property owner and the upkeep of rental properties and discouraging the neglect of housing. Lower-income families would provide the owners with income from units that would otherwise provide no revenue in exchange for a safe, stable living environment. The resulting mixed-income housing would also provide positive educational benefits.

Existing affordable housing cannot support the number of low-income families, result-
ing in people living in substandard conditions. This affects overall home values because when people visit the county they frequently see dilapidated structures throughout the area. University students rely on the housing market to provide affordable apartments. Affordable, quality housing for low-income people would not affect university students. An incentives program would contribute to property owners’ revenue.

**Next Steps**
The Clarke County government should develop an incentive program similar to the Affordable Housing Density Bonus provided by the American Planning Association. This plan outlines steps to developing an incentives-based affordable housing program guaranteeing rental properties as affordable for 30 years. This program could be implemented within the next two years. Following recent federal grants, the department has the money to establish an “Affordable Housing Trust Fund,” a set amount of money conservatively invested, which would finance the incentives program. Incentive amounts would be equal to the price of one market-rate unit for each affordable housing unit. Student volunteers interested in urban planning, finance, or related fields of study could volunteer to help with much of the information processing regarding affordable housing applications and property owner compensation. Many departments at the local university offer course credit for this type of service work, benefitting both the program and the student. The government should hold an informational meeting for local property owners explaining the incentives programs in terms of both economic and social benefits to encourage participation. A timeline should be developed for implementation in order to hold all parties accountable for a finished policy by a certain date.

**Endnotes**
6. “U.S. Census Bureau Fact Finder- Clarke County, GA.
7. “U.S. Census Bureau Fact Finder- Clarke County, GA.
9. “Part III, Chapter -1, Article 10” Athens-Clarke County, Georgia, Code of Ordinances
11. “U.S. Census Bureau Fact Finder- Clarke County, GA.
Stimulating Economic Growth in Low-Income Communities Through Federal Grants for Public Transportation

Michael Lemm, Cornell University

As low-income communities continue to fall behind in accessing basic public transportation resources, Congress must provide federal grants for public transit development in these areas to stimulate economic growth.

In 2011, it was estimated that an average of 36,000 jobs were created for every $1 billion invested in public transit infrastructure. In turn, every 36,000 jobs created by public transit investments generated nearly $3.6 billion in private sector sales as well as $500 million in federal, state, and local tax revenues. The gains from public transportation infrastructure have provided copious benefits for all communities; however, the vast transit disparities between high-income and low-income areas have left low-income families with significant social and economic disadvantages.

To demonstrate how insufficient public transit negatively affects a community, take the example of a household in a low-income urban area located outside the prime job sector of a city. Indeed, this is where analysts argue most public transit resources are underfunded. Among the disadvantages of the household are: 1) decreased travel access to the majority of job opportunities in the city, especially considering that low-income families make up the majority of public transportation users; 2) inferior access to education, as the expansion of charter schools has exacerbated the average daily commute to school; and 3) increased environmental health hazards, as more people are forced to drive carbon-emitting automobiles to work.

Analysis

The federal government should incentivize state transportation departments to create public transit infrastructure in low-income areas through the use of federal grants. Considering that Congress pledged $105 billion to investing in public transit infrastructure for fiscal years 2013 and 2014 through the MAP-21 Act, it is imperative to implement federal grants that specifically target low-income public transit development.

In order to understand how the use of federal grants can increase public transportation development in low-income areas, consider the present decisions state transportation departments must make when allocating transit resources. Currently, state governments spend an estimated $1 of federal funds on public transportation for each dollar collected by local property tax revenues. In deciding where to allocate new public transportation infrastructure, it is more economically efficient for states to pursue projects in higher-

**Key Facts**

- 36,000 jobs are created for every $1 billion invested in public transit infrastructure.
- Low-income commuters account for the majority of public transportation ridership.
- Public transportation has been proven to stimulate economic growth, increase educational opportunities, and decrease environmental pollution.
income areas due to the larger tax revenues generated. However, if the federal government assisted state governments by providing block grants for public transportation projects in low-income areas, states would have new incentives to supply such areas with adequate public transit resources. In fact, recent federal grants distributed to states to develop more public housing units in low-income areas through the U.S. Community Development Block Grant Program (CDBG) have led to the creation of nearly 5.1 million housing units for low-income families.\(^8\)

**Next Steps**

With $105 billion of federal spending pledged to public transportation over the next two fiscal years, low-income communities and state governments can make large gains from the implementation of federal block grants. In order to dissipate the current income wealth gap and help all communities recover from the recent financial crisis, federal grants for public transit development can provide a feasible short-term and long-run solution.

**Endnotes**

5. Ibid 1
7. Ibid 4
9. Ibid 2
10. Ibid 4
11. Ibid 1
12. Ibid 8
**Eliminating Online Payday Loans**

**Christina Luo, Tufts University**

Online payday lending must be abolished, as predatory lenders increasingly rely on the Internet to solicit and exploit vulnerable borrowers seeking short-term loans.

Online payday lending has become an increasingly dangerous form of predatory lending and one that, because of its pervasive and persistent nature, must be eliminated altogether. Deriving its name from the typical two-week loan term, a payday loan refers to a low-amount, short-term loan transacted in stores or online. Because of the short-term nature of these loans, borrowers often cannot meet their terms and take out more loans to make ends meet.

Lenders have increasingly relied on the Internet to solicit payday loans from consumers. Websites and targeted e-mails often omit details like the high interest rates, exploiting consumers’ vulnerability and ignorance. Since a few states have begun to regulate storefront payday loans, lenders are resorting to online tactics as a form of interstate commerce, allowing them to circumvent state regulations. Though online lenders often present themselves as compliant with state laws, they strategically locate themselves in states with no regulation. Online lenders are furthermore harmful because they demand personal bank account information for electronic transfers, opening consumers up to the possibility of scams or identity theft.

**Analysis**

Though there has not yet been a comprehensive law regarding payday lending, regulation has occurred on both the state and federal levels. There are 15 states that prohibit payday loans, eight that allow payday loans but have stringent regulations, and 28 that openly allow payday loans. The 15 states that ban payday lending do so by capping APRs, typically at 36 percent, and banning storefronts that offer payday loans. These bans have successfully reduced the number of payday loans taken by consumers in those states, who turn to less exploitative sources of short-term loans.

In 2007, Congress prohibited payday loans with interest rates higher than 36 percent to active military personnel through the bipartisan Military Lending Act. Though the act was generally successful in limiting predatory lending to military personnel, lenders have still managed to exploit the loopholes it contained. More recently, the 2008 Dodd-Frank law allowed the newly created Consumer Financial Protection Bureau (CFPB) to prohibit loans with terms of less than one month or other loans that consumers are unable to pay, provisions so vague that lenders have easily avoided them.

**Key Facts**

- On average, a borrower will take out eight payday loans of $375 per year but spend more than $520 on interest.\(^1\)
- Online payday loans are typically tacked with Annual Percentage Rates (APRs) between 378 percent and 780 percent; some have reportedly risen as high as 1,095 percent.\(^2\)
- There are currently 28 states that allow payday lending in any form; those 28 states are home to 55 percent of the American population.\(^3\)
Next Steps
As it has become an increasingly lucrative industry, affecting 12 million borrowers who spend $7.4 billion annually trying to pay back payday loans, it is imperative that payday lending be prohibited. It is not enough for states to simply ban storefronts, as online lending permeates state borders. But because of payday lenders’ strong lobbying efforts, it may be more politically viable to enact robust federal regulations instead of a formal ban. Strengthening the CFPB’s capacity to regulate the industry would also help to decrease online payday lending.

Endnotes

Talking Points
• Payday loans prey on consumers looking for a short-term loan, which are affixed with exorbitantly high interest rates but must be paid in a short time period.
• Online payday loans must be eliminated, as e-lenders evade state regulations and continue to squeeze profits from desperate consumers.
• Because lenders demand personal information, online lending also leaves consumers vulnerable to scams and identity theft.
Providing Broadband Internet Access via Arkansas Municipalities

Jacob Porter, Hendrix College

Municipal utilities in Arkansas should offer broadband services to foster economic development in critical fields requiring innovative technology.

Internet connectivity has become essential for economic competitiveness. Unfortunately, Arkansas’s connectivity lags behind that of other states. Over one third of Arkansans live in households without Internet access.1 Furthermore, Arkansas has the lowest average Internet connection speed of all U.S. states: 3.7 Mbps, compared to the national average of 7.2 Mbps. Nevertheless, prices remain high due to an uncompetitive, oligopolistic Internet service provider (ISP) market.² Some of the fastest Internet connections in the United States are in Bristol, VA, Chattanooga, TN, and Lafayette, LA, where municipal governments made the investment to provide Internet service.³ Chattanooga went from being “a dilapidated city” to a technology hub with an “Amazon.com fulfillment center, major health care and insurance companies and a beehive of tech start-ups that all thrive on big data and super-high-speed Internet.”⁴ Conversely, the 88th Arkansas General Assembly impeded Arkansas municipalities from distributing broadband. Act 1050 prohibits a government entity from providing, directly or indirectly, “local exchange, voice, data, broadband, video, or wireless telecommunication service.”⁵ However, a government entity that already owns an electric utility system or television signal distribution system may still provide broadband. There are 15 municipalities in Arkansas, such as Jonesboro and Hope, that satisfy this requirement.⁶ Those municipalities should provide broadband, reap the benefits of being a technological hub, and set an example for Arkansas.

Analysis

If Arkansas municipalities provided broadband, they would make a crucial investment in their economies. One benefit of municipal-provided Internet is increased revenue. Martin County, Florida, with a population of 150,000 living in about 750 square miles (compare to Jonesboro’s Craighead County with 100,000 people in 710 square miles), recently began providing broadband and paid $1.3 million of the capital costs up front.⁷ The initiative will be paid for just five years after it was implemented, ultimately saving $30 million over 20 years compared to leasing connections from AT&T.⁸ Chanute, KS, “the hub of Southwest Kansas,” with a population of 9,000 and a median household income of just $32,850 (compare to Hope’s population of 10,000 and median income of $29,000), has a municipal broadband system that generates $600,000 per year.⁹

Municipal broadband also brings benefits for local economies. Burgeoning industries such as 3-D printing and cloud computing would be tremendously helped by faster broadband.¹⁰ Quadrupling broadband speed yields a 0.6 percent boost to GDP while

Key Facts

- 40-50 percent of primary health care services could be provided through broadband.¹⁴
- 36 percent of Arkansans live without Internet access.¹⁵
- Arkansas may increase employment by 0.3 for every 1 percent increase in broadband penetration.¹⁶
also making possible innovative business models.11 For each “percentage point increase in broadband penetration in a state,” employment increases by 0.2 to 0.3 percent per year.”12 These industries will provide jobs; it is just a matter of which communities provide them a niche in which to grow. As a rural state, Arkansas would also gain from broadband’s telehealth opportunities. Approximately 40-50 percent of primary health care delivery could be carried out through telecommunications if the speed was reasonably increased.13 These advantages and more are enjoyed by citizens and businesses in a small but growing number of American cities. Their examples should be followed in Arkansas.

**NEXT STEPS**

Arkansas municipalities, both big and small, stand to gain from offering broadband. Those that currently provide electricity or television ought to take the first step in municipal broadband because they are the only ones able to do so under Act 1050. They could provide it themselves, like they do with other utilities, or form a progressive partnership with a private company, like Kansas City did with Google to create a 1 gigabit connection. Municipal broadband will set an example for other Arkansas municipalities; these municipalities and the Arkansas Municipal League can then lobby the state government to repeal its undue restriction on municipalities.

**Endnotes**

3. Ibid.
13. Ibid.
14. Ibid.
Incentivizing Investments in Our Community

Kevin Tian, Georgetown University

Socially driven businesses have become popular with financial investors in recent years. The field of impact investing presents an exciting opportunity for economic development because impact investments are made to socially conscious businesses, usually small or medium-sized enterprises (SMEs), “to generate measurable social and environmental impact alongside a financial return.” The Monitor Group estimates that “the total size of the [impact investing] market could be as big as $500 billion within the next decade.” Ultimately, these investments have the potential to significantly improve both the economic and social condition of American communities in the next few years.

However, the impact investing industry faces several challenges. Although private firms have attempted to address these problems, the Global Impact Investing Network (GIIN) notes that transaction costs, an absence of infrastructure, and a lack of intermediary services have limited the growth of impact investing and even “threaten [impact investing’s] future trajectory.” To address these issues and enable the industry to reach its full potential, the government should act as a facilitator for impact investments.

Analysis

The United States government should look to other countries’ models to incentivize impact investing. In Mauritius, the Impact Exchange (or iX), “a ground-breaking publicly regulated social stock exchange,” is monitored by the country’s Financial Services Commission. This impact investing stock exchange “has been making steady progress” as it has begun to list new companies. The U.S. government should adopt this model and create an independent agency to regulate an American exchange.

According to the founder of Asian Impact Investment Exchange (IIX), a stock exchange would assist these socially conscious businesses by reducing market barriers to impact investing. Thus, by creating an independent agency to regulate an impact investing stock exchange, the government would provide missing infrastructure that would reduce transaction costs and stimulate business growth. The agency can work with already established nonprofit organizations to provide intermediary services and expand the list of financial products. For example, the agency should implement the Global Impact Investing Ratings System (GIIRS), which assesses “the social and environmental impact of companies and funds” to help investors do their due diligence.

The Mauritius iX reveals one weakness in a social stock exchange: it is difficult to convince owners to list their businesses. In order to correct that weakness in iX, the government should implement tax credits for listed companies and lower capital gains taxes for impact investors. These actions would stimulate both demand and supply for the stock exchange.
exchange. Overall, this should translate into positive tangible impacts on the environment and community. At the same time, the economy would benefit as businesses grow, create jobs, and produce goods and services.

**Next Steps**

Impact investors and socially driven businesses are already poised to shape the world in a positive manner. The federal government should work to break down the barriers between these two parties by creating an independent agency. By regulating an American impact investing stock exchange as well as providing intermediary services based on established systems, this agency would accomplish a worthy goal.

**Endnotes**

Preventing Foreclosures: Stabilizing the Regional Tax Base and Local Real Estate Markets Through Public Finance

Nicholas C. Toth, Cornell University

Through the establishment of a Bridge Loan Trust Fund (BLTF), which would provide credit to homeowners at risk of mortgage default, municipalities can strengthen their tax base while enhancing investment opportunities for the region.

Homeownership, facilitated through the critical lender-borrower relationship, has defined the way Americans have lived since the 1930s. Depression-era New Deal legislation helped give rise to the 30-year mortgage and provided much needed insurance to investors. As seen in previous credit crunches, homeowners have difficulty gaining access to credit because banks are reluctant to lend. In total, an estimated $19.2 trillion dollars was lost in household wealth during the recent financial crisis. A Congressional Research Service study found that between 2007 and 2009, 63 percent of households experienced a loss in net worth with a median percentage decline of 45 percent. This reduction was largely attributed to a broad collapse in housing prices. Throughout the same period, the Federal Reserve reported that total U.S. wealth fell by 38.8 percent from housing declines. Falling home values have historically led to contractions in consumer spending, which makes up roughly 70 percent of GDP.

Analysis

Home values have dropped substantially since 2006. This decline has been multifaceted but has largely been attributed to increased foreclosure rates and lack of access to credit. These homes end up falling into disrepair and adversely affect the neighborhood’s appeal.

The model below proposes a public finance apparatus that could be used to offset foreclosures while improving regional real estate price stability:

Bridge Loans, which are commonly used to fund short-term financial obligations, could be used to help homeowners at risk of mortgage default. Establishing a Bridge-Loan Trust Fund (BLTF) would make temporary lines of credit available to homeowners facing economic hardship. The BLTF would be funded by a temporary property tax increase until reaching a $4 million cap, after which the tax levy would be rolled back. The $4 million cap used here was meant to serve a town the size of Ithaca and would therefore require rescaling based on the localities’ size and discretion.
Ithaca has approximately 5,274 taxable parcels and total tax revenues of $17,075,825 in 2011. The town’s current tax rate is 13.05 percent per $1,000 of assessed value. Based on median property value, this corresponds to a tax bill of $2,838 per household. By increasing the tax rate to 13.58 percent, or about $115 per homeowner, the BLTF would grow at a projected $701,321 annually and reach $3,613,217, including $92,512 raised from compounded interest payments over five years. The program would initially be funded by first-year tax revenues and remain solvent by annually reallocating interest from the bank. Once fully funded, a total of 301 or 8.4 percent of total owner-occupied housing units, would be eligible to receive loans. The maximum borrowing amount would be capped at $12,000 or 6 percent of total assessed value of the home, whichever is smaller. The borrower would have five years to pay back the entire loan amount plus 2 percent interest annually. Loan eligibility standards would be determined by the administrative agent. Policymakers should support the development and implementation of a Bridge Loan Trust Fund. Adopting such a model would provide homeowners with a crucial line of credit that would otherwise be unavailable to them in private markets during periods of economic uncertainty. County, state, and federal governments should also inquire about the applicability of such a program at their respective levels of government.

Endnotes
1. This number is based on the Case-Shiller index which tracks home values in all 20 metropolitan areas in the nation.
2. This estimate is based on data from CoreLogic, Inc. which provides consumer, financial and property information, analytics and services to business and government.
15. Calculation was based on a 0.8(4.1%) increase in the tax rate to 20.4 per $1000 of assessed value. Then I increased annual tax receipts by 4% and multiplied by all taxable parcels to get $700,108 for the first year.
16. This report assumes a 1% annual interest rate provided by the bank.
17. This calculation does not take into account the additional revenue realized from 2% interest charged on loans.
Strengthening and Branding the Maine Lobster Industry

John Tranfaglia, American University

By structuring state policy to create a better branding initiative, strengthening state-wide lobster processing infrastructure and effective marketing of the product, Maine lobstermen can feed off the success of Idaho potatoes and expand their distribution by entering new markets.

The economy of the state of Maine is dependent on the success of the lobster industry. In 2012, the industry was valued at over $4 billion, or approximately 8 percent of the state’s GDP. Furthermore, these numbers do not include the effects that lobster has on tourism, the state’s largest industry. Following the approval of the North Atlantic Free Trade Agreement, the amount of Canadian lobster entering the U.S. market has greatly expanded. Due to the supply of Canadian lobster in U.S. markets, Maine lobster was certified as a Trade Assistance Product under the Trade Adjustment Assistance for Farmers Act (TAAF) in 2010. Without the money from TAAF, it likely that the Maine lobster industry would be forced to scale down its operations because the industry would no longer be profitable for the fishermen.

Despite the introduction of Canadian lobsters, Maine still dominates the market. Even today, almost 80 percent of all lobster caught off the North Atlantic coast comes from Maine. However, because the cost of the Canadian product is cheaper than that from Maine, restaurants frequently buy the Canadian product to save money. Furthermore, U.S. states like New Hampshire and Massachusetts have laws forbidding the sale of whole lobsters, restricting locations where dealers can sell. As more retailers purchase Canadian lobster, the demand for Maine lobster decreases and the price falls as well.

Analysis

The Maine lobster industry is the most vital asset of the state economy. Currently there are a few advocacy groups, but they have no official recognition within the state government. Ultimately, the burden of success of the Maine lobster industry falls on the shoulders of the fishermen. The state has worked very hard to develop a variety of measures to ensure the sustainability of the product for years to come. Lobstermen know what size the product must be, and their buoys are registered in a state database so regulators know how much product is being harvested.

Branding efforts have been somewhat successful in the past at informing businesses and tourists about the industry. For example, Linda Bean’s Perfect Maine has found success in branding its lobster rolls, which are sold across the state and in Florida. The state has focused on promoting the quality of the product; the word “Maine” implies that the lob-

Key Facts

- The Maine lobster industry makes up 8 percent of the state’s GDP.
- 80 percent of the lobster caught in the U.S. comes from Maine.
- Canada currently has 14 more lobster processing plants than Maine.
The lobster infrastructure in Maine desperately needs improvement, which demands action from the state legislature. It is clear that the Canadian lobster industry is growing and lobstermen in Maine need to find a solution. It is in the state's best interest to be proactive on this issue in order to avoid future problems.

Maine should begin by increasing the number of processing plants in the state. Currently, Maine only has three plants, while Canada has 17. Processing plants prepare lobster for distribution through freezing, which extends shelf life by six months to a year for live lobsters. Restaurants would then purchase more Maine products because their customers know about the quality of the product. Concurrently, the state should establish a more aggressive branding strategy modeled after the Idaho Potato Commission (IPC). The IPC's branding efforts have led to Idaho producing one-third of the nation's potato crop.

While this issue is possible to address on a state level, federal advocacy has also had success. In the summer of 2012, U.S. Rep. Chellie Pingree (D-ME) successfully persuaded both Carnival Cruise Lines and Norwegian Cruise Lines to purchase Maine lobster while their vessels were in Portland harbor. Few cruise line CEOs had realized that the wholesale price of lobster had fallen below that of ground beef, rendering it an economically attractive alternative for their customers and driving demand from both new and returning customers with a higher quality meal offering. Representative Pingree's branding and advocacy demonstrates the potential for the Maine lobster industry to succeed in a global economy.

**ENDNOTES**

Deterring the Influence of Money in Politics Through Taxation

Adam Watkins, University of Michigan

To limit the excessive amounts of campaign advertisement spending, the government should implement a progressive tax based on the amount of ad time a campaign purchases.

In the first presidential election since Citizens United, politicians spent a total of $6 billion on getting reelected – an amount equivalent to the state budget of Iowa. This election demonstrated an unprecedented ability for candidates and parties to raise and spend money at the expense of the public interest. Nearly 1 million advertisements inundated the airwaves, with the majority of the trauma falling on the swing states of Ohio, Nevada, Florida, and Virginia. Even more shocking, the two presidential campaigns combined spent $30 per second to court voters. Excessive advertising made it easier for many voters to tune them out, reducing effectiveness of the ads. The threat of being outspent forced campaigns to waste a substantial amount of money on these overplayed ads – a trend that is likely to continue as long as mega-donors are willing to open their wallets. The high spending on ads also represents an unfair barrier for smaller campaigns and new candidates who do not yet have the fundraising infrastructure to compete against well-funded opponents. Since the ruling on Citizens United v. FEC complicated Congress’s ability to regulate the amount people can donate, new methods need to be implemented to decrease the amount of campaign spending.

Analysis

In order to incentivize less campaign spending on advertisements, the U.S. should implement a tax on political advertising. Since the government does not have the power to place quotas on the amount a candidate or Super PAC can spend, a tax incentive to prevent excessive spending on advertising is an effective way to solve this issue. Taking into consideration the needs of smaller campaigns and new candidates as opposed to campaigns funded by mega-donors and Super PACs, the tax would be progressive based on the amount of ad time purchased per cycle. The tax would include any campaign for a political purpose, such as candidates, ballot initiatives, and other voter influence campaigns. For example, the Las Vegas Media Market had over 73,000 political advertisements during the 2012 election cycle, at an average rate of $1,000 per ad spot. The state of Nevada could place a 20 percent tax on any ads candidates and PACs purchase after 500 ad spots per month, a 40 percent tax on ads purchased after 750 spots, and so forth. This tax will make it less worthwhile to spend excessive amounts on TV advertising and will halt the escalating ad war that has become a feature of political campaigns since the Citizens United v. FEC ruling. In addition, a progressive tax on advertisements would hamper the efforts of mega-donors and Super PACs, thereby protecting new candidates.
Revenue from the tax would be dedicated to a public finance fund for congressional, state, and local campaigns. This system would be similar to the current presidential public finance system and would benefit the fundraising efforts of smaller campaigns.

**Next Steps**

This program would be best implemented at the state level. Since certain swing states are flooded with more campaign money than others, those states would be best able to determine the optimal levels and rates to charge for political advertisements. There are several pathways the measure could take to get passed in a state, but they are all politically difficult. State legislatures would be hampered by partisanship that would motivate each side to produce a biased piece of legislation. A referendum would be fought heavily by Super PACs and other groups that benefit from the current system, demonstrating the clear side effects of money in politics. Regardless, bringing this policy to the attention of voters and lawmakers is the most important step at the moment, because it will spark a conversation about the failure of the current campaign finance system and motivate policymakers to explore creative and viable alternatives.

**Endnotes**

7. Ibid, 2.
8. Ibid, 3.
Replacing the Employer Health Care Exclusion for a Fairer Healthcare Market

Victor Zhao, Cornell University

Replace the employer health care tax deduction with a premium support plan to reduce health care costs and make the market fairer and more progressive.

The largest tax expenditure in the current tax code is the tax exclusion for employer-sponsored health insurance, costing about $260 billion per year. Under the exclusion, employees and employers do not pay income or payroll taxes on health benefits provided by the employer.

Under the Patient Protection and Affordable Care Act (PPACA) of 2010, new health insurance exchanges will be created and operational by 2014. Plans purchased through these exchanges will be eligible for tax credits that cover a portion of the cost. Furthermore, a new tax will be levied on health insurance plans that exceed $10,200 for individuals and $27,500 for families. Plans below these thresholds remain eligible for the tax exclusion.

The health care reforms that Massachusetts initiated in 2006 provide premium support to help low- and middle-income people afford private health insurance policies. These reforms serve as an important case study for the effects of a premium support plan.

Analysis

Employer spending on health insurance is exempt from taxation as income, which is unfairly regressive and promotes unnecessary health care coverage. Higher-income earners receive a larger tax benefit because they would otherwise have had to pay a larger marginal tax rate on the additional income. Furthermore, higher income workers are more likely to receive insurance and generous health care benefits through their jobs. Uninsured workers are disproportionately young, non-white, less educated, and low wage earners.

A premium support plan that provides a set amount of money to pay for health insurance, equal to the cost of the second-lowest insurance plan in each region, would make the system more progressive. The revenue gained from eliminating the tax exclusion, about $260 billion a year, could be used to fund the new premium support system. Future increases to the benefit should be calculated based on market and health care inflation.

This would remove the incentive to buy higher-coverage and more expensive insurance plans, because any amount spent above the government subsidy would be taxed as personal income. It would also eliminate the incentive to purchase more care than is really needed.
needed, driving down overall health insurance costs. Finally, it would expand consumer choice. Workers would no longer have to choose the health insurance plan and defined benefits offered by their employer.

A premium support plan represents a substantial change from current policy and must be approved by Congress. Input and support from the health care and insurance industries is critical. In contrast to current policy, which is unfairly regressive, the plan would redistribute income to lower- and middle-income Americans. Measures already enacted under the PPACA, such as health insurance exchanges that aim to provide universal access to quality, affordable care regardless of preexisting conditions, will mitigate the impact on workers who currently receive generous health insurance plans from their employers. More expensive health insurance plans are also generally tied to higher-paying jobs, so those most affected by this plan are likely to be those who can afford better health insurance.

**Next Steps**

The first step in a transition to premium support is already under way, with the PPACA set to be fully implemented by 2014. Under the PPACA, health insurance exchanges will be set up in each state, offering plans to low- and middle-income earners that are eligible for tax credits.

A two-year transition period should follow in order to prepare for a full transition to a premium support system and give policyholders time to make necessary adjustments to their insurance plans. During this period, the health insurance exchanges should make preparations for the expected increase in customers when a premium support plan is fully implemented.

By 2016, the tax exclusion for employer-provided health insurance should be completely eliminated and a full transition to a premium support plan should be underway.

**Endnotes**

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