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Why New York shouldn't mourn earmarks

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The ban on spending earmarks adopted this past week by Republicans in the House and Senate represents a Round One victory for the Tea Party over a GOP establishment that took pork-barrel spending to a new high (or perhaps low) during the Bush years. Congressional Democrats — still reeling from their electoral pummeling — are about to find themselves largely alone in maintaining a practice that represents corruptive policymaking at its worst.

Ed Schultz hysterically declared on his MSNBC show that banning earmarks "would gut Middle America." Partisans like Schultz are worried, but should New Yorkers be concerned?

Hardly. New York would actually be a winner under an earmark ban, because research by my Cato Institute colleague Brandon Arnold shows that when it comes to the distribution of pork, no state fares worse than New York.

In 2009, New York taxpayers contributed just over 8.2% of the overall federal tax burden. It would be reasonable to expect a similar percentage of earmarked dollars to flow back to the state. In reality, New York received only about 2.1% of total earmarked funds. As a result, the Empire State has the dubious distinction of being the nation's biggest "earmark donor" state.

New York is not alone. Unbelievably, 90% of the US population resides in an earmark donor state. In addition to New York, taxpayers in 34 other states and the District of Columbia are essentially picking up the tab for 16 "earmark beneficiary" states.

Mississippi and West Virginia are the biggest takers, with Alaska and Hawaii not far behind. Mississippi's and West Virginia's shares of earmarked dollars have been a respective 11 and six times larger than their share of federal taxes paid.

What do these states have in common? They've had powerful friends in Congress. Arnold found a correlation between a state's earmarks and its representation on the appropriations committees — "where earmarks are born and bred." Longtime Senate appropriators like Robert Byrd (D-W.Va.), Thad Cochran (R-Miss.), Ted Stevens (R-Alaska) and Daniel Inouye (D-Hawaii) had been in prime position to bring home the bacon.

This explains why politicians like the recently re-elected Sen. Lisa Murkowski of Alaska — an appropriator — strongly oppose any efforts to change the status quo. Murkowski's Alaska has received a share of earmarked dollars that is 5 1/2 times larger than its share of federal taxes paid.

Banning earmarks wouldn't "gut Middle America" — it would just mean a powerful club of policymakers would find it more difficult to ladle federal gravy on their constituents at the expense of the rest of the country.

But don't uncork the champagne just yet.

Critics of the Republicans' earmark ban have a point when they argue that it won't save a lot of money. While the tawdry and often questionable uses of earmarked money draw a lot of attention, it represents less than half of 1% of total federal spending.

Yes, earmarking greases the skids for bigger spending and more intrusive government. Policymakers are more willing to support a particular piece of legislation if it contains goodies for their district or state. But earmarked money almost always comes from federal programs that are themselves constitutionally and practically dubious.

Take, for example, the Department of Housing and Urban Development's Community Development Block Grant program. The $8 billion CDBG program provides formula-based grants to localities for a range of development projects such as parking lots, museums and street repairs. These are precisely the type of local projects that members of Congress are fond of bypassing distribution formulas to directly fund via an earmark.

Just as earmarks have achieved notoriety for wasteful and ineffective spending, community development programs funded through traditional means have had the same problem.

Examples from New York abound. The city of Utica spent CDBG funds on a variety of improper uses, such as $902,799 on a marina and $255,158 on ski chalet renovations. The city of Troy used $1.6 million to lure a hockey team to the city. And Niagara Falls and Lockport used $12 million to build an amusement center, which shut down after just six months of operation.

Even if CBDG funds went entirely to "worthy" projects, federal funding is still an inefficient way to foster local economic development because of the excessive bureaucracy that results from funneling money through multiple levels of government.

Federal administration costs are about 5% of the value of CDBG grants, with local and state governments taking a 17% and 8% cut, respectively. A large share of the CDBG budget disappears before any actual work is done.

Therefore, the goal shouldn't be to get the state of New York an equal share of federal subsidies that go to state and local governments, be it earmarks or grants. Rather, the goal should be for New York and the rest of the states to reassume responsibility for their own affairs. When that happens, the Tea Party can start pouring the champagne.

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Give, little take

New York has the lowest "earmark ratio" of any state, meaning we get the least amount of earmark money from Congress, proportionally, to the federal tax money we put in. Here are some examples from 2009, according to an analysis by the Cato Institute (anything over 100% means the state takes out more proportionally than in gives; Mississippi ranks the highest):

New York

Share of total federal taxes 8.2%

Total earmarks 2.1%

Earmarks ratio 25.5%

New Jersey

Share of total federal taxes 4.4%

Total earmarks 1.6%

Earmarks ratio 36.3%

Alaska

Share of total federal taxes 0.2%

Total earmarks 1.1%

Earmarks ratio 574.4%

Mississippi

Share of total federal taxes 0.4%

Total earmarks 4.5%

Earmarks ratio 1,104.3%