For Whom the Road Tolls
An In-Class Role Play About Federalism

THE PLAYERS
- the states of California, Florida, Texas, North Dakota, Delaware, Massachusetts, Mississippi, Utah, Pennsylvania, and South Carolina (info on separate sheets)
- the federal government (played with glee by your instructor)

THE SITUATION
The federal government plans to give the states categorical grants (grants that must be used for a stated purpose) for highway construction and bridge repair. However, as is the case with many categorical grants, some strings are attached. Your team (the governor and important members of the state legislature) must decide how to respond to the federal government. Your main challenge is to respond as your assigned state would to this scenario.

MANDATES
You must follow these guidelines—Congress and the President have enacted these laws, so you don’t have a choice. Also, the federal government has not provided any money to enact these laws, so you’ll have to find money in upcoming state budgets.

1) States must alter their maximum speed limit to 55 m.p.h. to reduce gasoline use (to promote U.S. energy independence and to enhance air quality)

2) States must mark their highways according to the standards of the federal Department of Transportation; this means the use of white paint for side and center lines, for example.

You have no choice . . . but what would happen if a number of states protested together?

CONDITIONS OF AID
Some items require your direct approval. Without it, you won’t have to do what the new laws say, but you also won’t get all or part of the money that Washington, DC, has designated for your state for highway construction and bridge repair. Will you take the money? (Other key questions: has your state already taken care of this? Can you raise money [taxes] yourself to take care of this and still get re-elected?)

1) States receiving funds must phase in new environmental protection laws over the next five years; the most important of these would raise auto emission standards to those of California, the toughest in the land; states failing to do so will receive only half of their share of the highway funds

2) States receiving funds must report on specific plans to beautify their highways by the end of the present fiscal year; states failing to do so forfeit ten percent of their funding

ONE CRITICAL PIECE OF INFORMATION
Grants will be distributed based on state population.

PROCEDURE
States may now discuss and decide. Later, you will report your decision to the country.
Fiscal Federalism
The Monetary Influence of the Federal Government

Historical Trends in Federal Grant-in-Aid Outlays

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Outlays (in $ billions)</th>
<th>Grants as % of State &amp; Local Expenditures</th>
<th>Grants as % of Federal Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$24.1</td>
<td>19.0 %</td>
<td>12.3 %</td>
</tr>
<tr>
<td>1998</td>
<td>246.1</td>
<td>N/A (@24 %)</td>
<td>14.9</td>
</tr>
</tbody>
</table>

Note: dollar figures are not adjusted for inflation.
Source: U.S. Office of Management and Budget.

Distribution of Total State Tax Revenue by Source

- General Sales Taxes: 33%
- Individual Income Taxes: 31%
- Other*: 10%
- Corporate Income Taxes: 7%
- Licenses: 7%
- Motor Fuels Taxes: 6%
- Property Taxes: 3%
- Alcohol and Tobacco Taxes: 3%

* Other includes motor vehicle, hunting/fishing, public utility, and occupation and business license fees.
Source: the Tax Foundation; 1997 figures.

Largest Source of Tax Revenues by Government Jurisdiction

- Federal: individual and corporate income taxes
- State: sales taxes (individual and corporate income taxes are a strong second)
- Local: property taxes (approximately three-quarters of all local tax revenues)

Resistance of the Public to Increasing Taxes (in order of resistance, highest to lowest)
1. local property taxes
2. federal income taxes
3. state sales taxes
4. Social Security taxes
5. “don’t know” response
6. state income taxes