



A Pothole Strategy to Raise Your Taxes?

By George Runner

Call me a conspiracy theorist, but something is rotten with road funding in the State of California.

Sacramento is currently flush with billions in unanticipated revenue. Yet a new record \$115 billion budget spending plan recently signed by Governor Jerry Brown shortchanges the state's transportation and infrastructure needs. The only real funding boost goes to high speed rail.

Budgets reflect priorities, and the current one clearly shows that fixing roads is not a priority to Democratic legislators. Instead of fixing deteriorating freeways, some liberal lawmakers still hope Californians will give up their cars and ride mass transit instead.

But tax-and-spend politicians sense an opportunity. By starving road maintenance budgets, they hope to create public pressure for tax increases. Rather than curb wasteful spending, they want to have their cake and eat it too.

Call it the "pothole strategy." It's similar to when the federal government closes the Washington Monument or school districts force teachers to buy their own supplies. These highly visible actions appeal to people's emotions and can generate public support for higher taxes.

I hope Californians will not fall for this trick.

The Governor's recent call for a special session of the Legislature on road funding provides an opportunity for tax-and-spend lawmakers to push for higher road taxes. And the Governor has now indicated that his promise to require a public vote on new taxes was for his first term only.

What this means is it will only take a two-thirds vote of the Legislature and the Governor's signature to raise your taxes.

Already this year, Democratic lawmakers have proposed new road user charges and higher gas taxes aimed at generating billions in new revenue.

What's particularly frustrating about these efforts is that Californians are already paying more gas taxes at the pump this year. California's new and mysterious cap-and-trade auction on carbon emissions is bringing in billions in new revenue for the state.

Since January 1, much of this funding comes courtesy of California motorists who pay a new "hidden gas tax" on tailpipe emissions. It's called a "hidden tax" because no one seems to know how much it actually is, though most experts seem to agree it's at least ten cents a gallon.

So far, not a dime of the money collected has been used to improve our roads. Rather policymakers are directing billions to pet projects, like high speed rail, and favored constituencies.

Due to high taxes, unique regulations and limited refining capacity, California gas prices are now higher than nearly all other states. California's gas prices this year have at times exceeded the national average by more than a dollar per gallon!

Even before the hidden gas tax, Californians were paying too much tax at the pump. Over a ten year period leading up to 2014, sales and excise tax revenues from fuel sales grew by nearly 35 percent—from \$6.5 billion to a record \$8.7 billion.

Due to a complicated formula the Legislature enacted five years ago, Californians have been overpaying tax. That's why my colleagues and I on the Board of Equalization lowered the gas tax by six cents per gallon as of July 1.

If you hear complaints about transportation funding cuts resulting from this rate cut, keep in mind that local governments essentially received their funding sooner than they would have otherwise. It's like a payday advance. When you get paid early, you shouldn't complain about not getting a second paycheck on the regular payday. Neither should government.

Instead of raising taxes, lawmakers ought to use the upcoming special session on roads to take the following actions:

- Identify and eliminate bureaucratic waste and mismanagement that needlessly drives up the cost of transportation projects.
- Close loopholes that allow diversion of transportation dollars. Prioritize spending to ensure funding for highways, roads and other vital infrastructure needs.
- Direct cap-and-trade revenues to fighting emission-causing traffic congestion and gridlock by expanding roads and building new ones.
- Repeal the confusing "gas tax swap" and restore a fuel tax system that is clear and easy for the public to understand at the pump.
- Direct the California Transportation Commission's Road Charge Pilot Program to consider only revenue-neutral alternatives to the current gas tax system.

If, after taking these actions, the Governor and Legislature remain convinced of the need for higher tax to fund roads, they should put forward their best plan and let voters decide. Giving the public a chance to weigh in on the issue, however, doesn't let lawmakers off the hook who got us into this situation in the first place by grossly mismanaging taxpayer dollars.

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