

Dan Walters: Users-pay system worked well for highways, should return

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By Dan Walters



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California built its world-class highway system in the three decades following World War II on a simple principle – users pay.

Automotive fuel was taxed at the pump and the proceeds were used exclusively for highway construction and maintenance, along with some “spillover” from vehicle registration fees and “weight fees” on heavy trucks.

In the ensuing four decades, however, the highway system deteriorated, and so did the users-pay system that financed it.

Liberals disliked highway construction, conservatives disliked taxes and they formed an unholy alliance in the Capitol to undermine what had been one of the state’s proudest and most important achievements.

During the 1980s, frustrated with the Capitol’s transportation stalemate, local governments began seeking – and getting – authority to ask their voters for sales tax increases to finance projects, a big shift from the users-pay principle.

A quarter-century ago, then-Gov. George Deukmejian championed a doubling of the state gas tax, then 9 cents a gallon, which was subsequently approved by voters.

However, it did not solve the system’s financial travails and the state continued to move away from users-pay financing.

A decade later, a few billion dollars in windfall income tax revenue were spent on highway projects, and in 2006, voters approved a \$19.9 billion general obligation bond issue largely devoted to highways.

However, as the state faced budget deficits, some fuel tax funds were borrowed to balance its books, and in 2010, then-Gov. Arnold Schwarzenegger and the Legislature eliminated the sales tax on fuel, raised gallonage taxes by an equal amount and used about \$1 billion to repay those 2006 highway bonds, thereby relieving pressure on the general fund.



It was an indirect revival of the users-pay system, but just months later, voters passed Proposition 22, which barred the use of gas tax funds to pay for transportation bonds. And just a few months after that, Gov. Jerry Brown and legislators did an end run by shifting truck weight fees into servicing the bonds.

Highway construction groups, citing the state's much-improved finances, now want Brown and legislators to shift gears again and move truck weight fees from bond service back into transportation projects.

More than 30 contractors and construction unions sent a letter with that demand to Brown and legislative leaders recently, calling it "imperative," and they are also pushing legislation to that effect.

Certainly California's deteriorating highway system needs more money, but it's also important that we return to the users-pay principle as a matter of equity and to protect highways from being a pawn in the annual budget wrangle.

Doing what the highway interests seek would undermine that principle again.

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