

Friday, April 21, 2006

Infrastructure talks still miss the point

Instead of bonds we'll all have to repay, lawmakers should look for privately funded solutions

California infrastructure reform in the Legislature still is driving the wrong way down the interstate. But at least it's going at a much slower, less alarming pace.

Democratic and Republican leaders in the Capitol are working toward a \$30 billion compromise package. That's much less than the \$72 billion that Gov. Arnold Schwarzenegger earlier this year was pushing them to put on the June primary ballot, but which fizzled in early March after Democrats larded it with massive pork for "resource protection," parks and mass transit.

The new goal is to put a \$30 billion bond on the November ballot for transportation, levees and school construction. Yearly bond debt payments would be about \$2 billion, depending on interest rates. Democrats have excised most of the pork and Republicans removed dams from the package, the April 19 Sacramento Bee reported.

"The saga continues," Senate Republican Leader Dick Ackerman, R-Irvine, told us. "We're still meeting. Hopefully we'll get something in the next couple of weeks. The Democrats want to spend more. We want to spend less."

He said Republicans also want more projects that use public-private partnerships to be "in the mix" of the bond measure. That would mean private investing would fund such things as toll roads that would pay for themselves through user fees.

Sen. Ackerman said Republicans also are insisting that any package fix the loophole in Proposition 42, which is supposed to dedicate all gasoline taxes to roads construction. The loophole allows the Legislature to raid the funds for other purposes.

On the levees, today the governor is meeting with President Bush in San Jose. At a Wednesday news conference, the governor said he would "let the president know" that the state needs help from the federal government "for our levees, because our levees are very vulnerable." He added that the federal government has "a tremendous responsibility to help our state and not to have the same situation happen as in New Orleans" last year after Hurricane Katrina.

Mr. Ackerman said that the need for \$2.5 billion in levee repairs is so immediate that legislators are not counting on the federal money. He said the money could break down to \$1.5 billion in "pay as you go" funding and \$1 billion from the infrastructure bonds. Federal money, if it comes, "just could draw down the bonds."

Despite all the state infrastructure needs, we continue to believe that private solutions can be found to all of them. "Levee repairs could be financed out of levee fees and water surcharges," Steven Frates, senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College, told us. School bonds make such funding a statewide "political issue," he said, when it should be a local issue. That's especially true after voters passed Proposition 39 in 2000, dropping to 55 percent the portion of votes needed to pass local school bonds, making almost all of them pass.

Mr. Frates added that transportation could be paid for by making sure Prop. 42 money is spent only on roads – something Mr. Ackerman also wants – and that public-private partnerships are advanced in a comprehensive manner.

Especially with state's structural deficit at \$6 billion a year, with the bills really coming due next year, another \$2 billion in general-fund spending on bond debt payments is not needed. Instead of more debt, what California needs is creative, private infrastructure solutions.