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The one tax that should be raised

by Columnist John McClaughry

Vermonters, like everyone else, want good roads and safe bridges. At the same time Vermonters, like everyone else, do not want to face higher tax rates, especially in the face of what could be a prolonged recession. Now we have come to the point where these two wants are in serious conflict. First, examine the condition of Vermont's state highway system. Here are just a few eye openers from data produced by using the objective federal highway condition standards:

- Twelve hundred long (over 20 foot) bridges on the state and interstate systems are past the age at which preventive rehabilitation will reliably extend their useful life.
- Five hundred of these are classified "structurally deficient."
- Three hundred-sixty-nine of these bridges are over 50 years old.
- The present fraction of bridges rated "very poor" (21 percent) will increase to 49 percent in just four years.
- One third of highway pavement surfaces are rated "poor," and the fraction will continue to grow if the present level of maintenance spending is not increased.

Reducing this darkening problem requires money. For a while bridge replacement and repaving can be stretched out over more years. But the amount needed to fix the problems increases the longer needed maintenance is stretched out.

The federal highway fund has just run dry. President-elect Obama has promised to replenish it, but given the rate of federal spending in the last three months, it's not realistic to count on a rescue from Washington. Vermont will have to dig its own way out of its growing highway deterioration problem.

The mainstays of state highway finance — motor fuel taxes — have remained at the present rates since 1997. In 2003 the Legislature diverted one third of the 6 percent motor vehicle purchase and use tax, now running around $20 million a year, from the Transportation Fund into the Education Fund to pay for property tax relief.

Since 2004 the sum of motor fuel taxes and purchase and use receipts have declined every year. Auto sales are dropping precipitously. The high gas prices of last summer spurred reduced driving patterns and switching to more fuel-efficient vehicles. Both reduce motor fuel revenues. Meanwhile, since 2004 the inflation cost index for highway construction has run — at an annual rate of 10.5 percent, three times the consumer price index.

In 2005 Gov. Douglas proposed to restore the diverted third of the purchase and use tax revenues to the Transportation Fund. That sound proposal succumbed to a wave of opposition. It seems highly unlikely that the incoming Legislature, its majority deeply in debt to the education spending lobby, and its minority sensitive to education property taxpayers, will undo the unfortunate tax diversion of 2003.

What about borrowing to fill the highway revenue shortfall, estimated at $4 billion-plus over the next 20 years, assuming low inflation — or as much as twice that if inflation takes off with new federal money printing?

Long-term borrowing for infrastructure improvements is fiscally responsible — if secured by a dependable revenue stream. Dedicated motor fuel taxes — highway user fees — are our most dependable transportation revenue stream.

Last month, Treasurer Jeb Spaulding, a Democrat, courageously proposed a 5 cents per gallon increase in gasoline and diesel taxes, pledged to retire $150 million in new bonds for bridge replacement. A quick start on such bonding would, Spaulding noted, generate badly needed construction jobs in a time of recession.

The Snelling Center for Government's recent survey of Vermont business leaders showed 89 percent in favor of increased highway funding even if it meant a motor fuel tax increase. Even 63 percent of the general public surveyed agreed.

So far, Gov. Douglas has been opposed to a motor fuel tax increase. Both he and Spaulding favor restoring the diverted purchase and use tax funds to the Transportation Fund, but both realize that it's not likely to happen. The governor seems to believe that increasing license, registration and other non-fuel fees can be made to solve this problem. It won't.

In early July, gasoline prices in Vermont were $4.09 a gallon. Today, they have dropped by half. If there was ever a time to ask motorists to pay another nickel a gallon to improve their likelihood of enjoying a safe and well-maintained highway and bridge system, now is that time.
Gov. Douglas has exhibited a commendable resistance to tax rate increases. This time, however, he ought to join hands with Treasurer Spaulding and jump off the political bridge together — before our real bridges start collapsing.

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