

Californians using special funds to pay for basics

By Kevin Yamamura, Sacramento Bee

California drivers pay fees for smog checks, vehicle registrations and new tires, all supposedly for programs that benefit roadway use.

Consumers pay fees to recycle beverage containers, televisions and computers. Doctors and accountants pay license fees to regulate their industries.

But for more than a decade, the special funds collecting these dollars have served a second purpose: helping California pay for schools, social services and prisons that are supposed to be funded by general taxes.

California has 560 funds deemed "special" because in theory they're walled off from general state expenditures. In the face of two recessions, however, California reached deeper into those funds for purposes that fee payers never intended. The state now owes \$4.3 billion to special funds, more than five times the amount owed in 2008.

State leaders argue that special funds have enough extra money to pay for more critical state needs. Some special fund reserves grew after the state imposed furloughs on all state workers starting in 2009.

But program advocates say the borrowed money should have gone toward intended uses like reducing pollution or better enforcement of health care fields. Or, they suggest, it should have gone back to consumers and professionals through lower fees.

"Any of these funds set up by ratepayer money needs to be

spent on its intended purpose,” said Mark Toney, executive director of The Utility Reform Network, a consumer advocacy group that has watched the state borrow \$296 million in telephone-related surcharges. “The purpose is not to serve as a (state) piggy bank.”

Gov. Jerry Brown says the state will eventually repay \$4.3 billion in outstanding special fund loans with interest, a promise that assumes voters will pass tax hikes in November. But state officials never retired \$448 million in special fund loans from 2002 and 2003 even during good times. And \$1.3 billion in loans have no repayment date in state law.

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