

Taxes and Government Spending

December 2001

Findings in Brief

- A majority of Californians (52%) feels the financial condition of state government has worsened over the past year. The public's current appraisal closely resembles those proffered in 1982 and 1990, prior to the state's two most recent economic downturns.
- Californians are also slightly more negative than positive in their assessment of their own local government's financial situation, with 25% feeling it is in a worse position this year and 15% feeling that things have improved. Most (48%) believe there has been no change in their local government's financial situation over the past year.
- Californians hold mixed views about levels of state and local taxation. Three in ten (30%) describe the amount they pay in such taxes as being much too high, 32% say it is somewhat high and another 32% feel it is about right. Republicans are more likely than others to believe state and local taxes are much too high. The public's current views are at about the mid-point of eight prior measures taken on this topic since 1977.
- Relatively few Californians express great confidence in the Governor or state legislature to do what is right to resolve the state's projected budget deficit. Just 10% have great confidence in Governor Davis in this area, 44% have some confidence and 41% report not having much confidence in him. The state legislature fares only slightly better, with 8% having great confidence, 53% some confidence and 32% not having much confidence that it will resolve the situation properly. However, eight years ago when the state also faced another large projected deficit, the public had even less confidence in then Governor Pete Wilson and the legislature to resolve the state's budget problems properly.
- If the state should face a budget deficit, nearly twice as many Californians (49%) would rather the state reduce spending even if it means cutting services than supports a tax increase (29%). However, there is no consensus among the public as to which categories of state spending to cut, with only about one in three favoring cutbacks to any of the ten specific categories of state spending. The two areas which receive the broadest support for reduced spending are cutting state energy contracts used for supplying California with electricity (35%) and reducing the amount spent on state prisons and corrections (34%). However, even in these areas, a majority prefers that spending be held at current levels.

Majority feels financial condition of state government is worsening

A majority of Californians (52%) believes that the financial condition of state government deteriorated over the past year. This compares to 31% who think the state's finances are about the same as last year and 6% who feel the state is financially better off now.

Residents whose annual household income is \$60,000 or more are somewhat more likely than those with lower levels of income to believe that the state's financial situation has deteriorated from last year. In addition, public recognition of the state's worsening financial situation is related to a person's own financial situation. Those who report being worse off now compared to last year are more likely to believe the state's financial situation has also worsened over the past year.

The Field Institute has measured the views of Californians about the state's financial situation on seven prior occasions since the early 1980s. The public's current negative appraisal closely resembles those offered in 1982 and 1990, both of which preceded an economic downturn and were followed by even gloomier assessments of the state's financial situation in the following year.

Table 1
Financial condition of the state government compared to last year

	Worse off	About the same	Better off	No opinion
<u>Statewide</u>				
2001	52%	31	6	11
1995	40%	40	15	5
1993	63%	30	5	2
1991	72%	18	4	6
1990	53%	31	6	10
1986	8%	37	47	8
1983	72%	20	5	3
1982	52%	31	7	10
<u>Household income</u> (Dec. 2001)				
Under \$20,000	51%	24	8	17
\$20,000-\$39,999	43%	41	7	9
\$40,000-\$59,999	43%	40	8	9
\$60,000-\$79,999	66%	25	3	6
\$80,000 or more	65%	24	2	9
<u>Current financial situation</u> (Dec. 2001)				
Better off than last year	44%	38	8	10
About the same	54%	30	4	12
Worse off than last year	61%	25	5	9

Views on local government finances slightly more negative than positive

Californians also offer a slightly more negative than positive assessment of their own local government's financial situation. About one in four (25%) feel their local government's finances have deteriorated over the past year, while 15% believe they have improved. This compares to a plurality (48%) who feel there has been no change in their local government's financial condition since last year.

Residents of the nine-county San Francisco Bay Area are somewhat more likely than other Californians to feel their local government's financial situation worsened and are less likely to feel improved.

The public's current assessment of the financial condition of their own local government is less negative than its perspective in 1995, the last time this topic was measured.

Table 2
Financial condition of your own local government compared to last year

	Worse off	About the same	Better off	No opinion
Statewide				
2001	25%	48	15	12
1995	36%	50	10	4
1993	43%	46	7	4
1991	46%	42	6	6
1990	31%	39	19	11
1986	18%	49	25	8
1983	41%	42	9	5
1982	35%	46	9	10
Region (Dec. 2001)				
Los Angeles County	22%	50	16	12
Other Southern CA	25%	49	16	10
Central Valley	21%	40	25	14
San Francisco Bay Area	33%	48	7	12
Other Northern CA*	25%	52	8	15
Party (Dec. 2001)				
Democrat	27%	51	14	8
Republican	24%	46	17	13
Other	23%	44	15	18

* Small sample base

Mixed views on level of state and local taxation

Californians hold mixed views about their current levels of state and local taxation. Three in ten (30%) describe the amount they pay in state and local taxes as being much too high, 32% think it is somewhat high and another 32% feel it is about right. Republicans are more likely than Democrats to describe the level of state and local taxation as much too high.

The Field Institute has been measuring Californians' perceptions of their state and local taxes for 25 years. These measures pre-date the passage of the state's momentous Proposition 13 property tax reduction initiative in 1978.

A review of the public's sentiments over this period shows that its current mixed assessment is about at the mid-point of all poll measures since 1977.

Table 3
Perceived level of state and local taxes

	Much too high	Somewhat high	About right	Other/no opinion
Statewide				
2001	30%	32	32	6
1995	20%	36	42	2
1993	31%	33	34	2
1991	38%	38	22	2
1990	31%	30	36	3
1986	20%	35	42	3
1983	28%	31	38	3
1982	42%	36	20	2
1977	39%	31	27	3
Party (Dec. 2001)				
Democrats	24%	32	38	6
Republicans	37%	33	25	5
Others	33%	31	31	5
Household income (Dec. 2001)				
Under \$20,000	31%	28	34	7
\$20,000-\$39,999	24%	37	34	5
\$40,000-\$59,999	26%	41	30	3
\$60,000-\$79,999	32%	25	39	4
\$80,000 or more	35%	31	32	2
Current financial situation (Dec. 2001)				
Better off than last year	32%	26	37	5
About the same	31%	36	28	5
Worse off than last year	26%	37	30	7

Few express great confidence in Governor or state legislature to resolve the state's budget deficit properly

Respondents in the survey were told that the state government could be facing a budget deficit of \$12 billion or more over the next two years, and then asked how much confidence they had in Governor Gray Davis and the state legislature to do what is right to resolve this projected deficit. This question series is similar to one posed by The Field Institute during 1993, a year in which the state also faced large budget deficits.

The results from the current survey show that both the Governor and the state legislature fare poorly in this assessment. Just 10% of Californians have a great deal of confidence in the Governor to resolve the deficit properly, 44% have some confidence, while 41% report having not much confidence in him. Public confidence in the state legislature is also more negative than positive, although not quite as negative the assessment of the Governor. Statewide, just 8% report having a great deal of confidence, 53% have some confidence and 32% have not much confidence in the legislature to do what is right to resolve the state's budget problems.

Confidence in the Governor and state legislature to do what is right to resolve the state's budget deficit is related to party affiliation. Republicans are more likely than other voters to report not having much confidence in both the Governor and state legislature to resolve the budget deficit properly.

Eight years ago when the state faced another large projected deficit, the public had even less confidence in then Governor Pete Wilson and the legislature to resolve the state's budget problems properly.

Table 4

Confidence in the GOVERNOR to do what is right to resolve the state's budget deficit

	Great deal	Some	Not much	No opinion
<u>Statewide</u>				
December 2001	10%	44	41	5
February 1993	9%	31	59	1
<u>Democrats</u>				
December 2001	13%	54	27	6
February 1993	4%	24	72	*
<u>Republicans</u>				
December 2001	5%	31	61	3
February 1993	15%	40	44	1
<u>Others</u>				
Registered December 2001	9%	40	39	12
February 1993	8%	35	56	1

* Less than 1/2 of 1%

Table 5

Confidence in the LEGISLATURE to do what is right to resolve the state's budget deficit

	Great deal	Some	Not much	No opinion
<u>Statewide</u>				
December 2001	8%	53	32	7
February 1993	4%	40	54	2
<u>Democrats</u>				
December 2001	9%	61	24	6
February 1993	3%	47	47	3
<u>Republicans</u>				
December 2001	7%	48	41	4
February 1993	4%	35	61	*
<u>Voting status</u>				
December 2001	8%	44	34	14
February 1993	4%	30	61	5

* Less than 1/2 of 1%

If state faces a deficit, twice as many prefer spending cuts even if they reduce services to increasing taxes

If the state should face a budget deficit in the next two years, twice as many Californians (49%) would rather the state reduce spending even it means cutting services than favors a tax increase (29%). Another 8% volunteer that the state should do both, while 7% would continece neither.

Republicans favor a spending cut over a tax increase by greater than three to one margins. Democrats and those not affiliated with either party are more divided, but still prefer spending cuts over a tax increase. Support for a spending cut over a tax increase increases among those with high levels of income. For example, spending cuts are preferred over a tax increase by a nearly three to one margin (56% to 21%) among those with household incomes of \$80,000 or more, while among those making less than \$20,000 42% favor reduced spending and 30% favor a tax increase.

Table 6

If state faces a deficit, would you rather it reduce spending even if it cuts services or increase taxes?

	Reduce spending	Increase taxes	(Volunteered) Both	Neither
<u>Statewide</u>				
	49%	29	8	7
<u>Party</u>				
Democrats	41%	35	8	8
Republicans	63%	20	7	4
Others	44%	30	7	12
<u>Household income</u>				
Under \$20,000	42%	30	6	9
\$20,000-\$39,999	43%	33	6	10
\$40,000-\$59,999	52%	32	8	3
\$60,000-\$79,999	52%	31	7	5
\$80,000 or more	56%	21	10	7
<u>Current financial situation</u>				
Better off than last year	50%	32	7	4
About the same	48%	27	9	9
Worse off than last year	49%	25	7	9

(Differences between the sum of each row's percentages and 100% equal proportion with no opinion.)

No consensus regarding which of ten major categories of state spending to cut

Even though the public favors spending cuts over tax increases when confronting a deficit, the public is unable to reach consensus regarding which areas of state spending to cut. Only about one in three Californians supports cutbacks to any of ten major categories of state spending. Two categories receiving the broadest support for reduced spending are cutting state energy contracts used for supplying California with electricity (35%) and reducing the amount spent on state prisons and corrections system (34%). On the other hand, majorities believe spending in these areas should be held at their current levels should the state face a budget deficit.

There is even less support for spending cutbacks in eight other major categories. For example, just 8% support cutting back the amount spent on the public schools, 10% favor cutbacks to law enforcement and the police, and only 12% would stand behind cuts to either mental health programs or medical care and public health. In addition, the proportion favoring cutbacks to higher education, public assistance for low income families with children, state highway building and repair and state parks and recreational facilities ranges narrowly between 18% and 25%. By contrast, large majorities in each case favor holding spending at current levels should the state face a budget deficit.

Table 7a

Because of state's projected budget deficit, should state government spending in each of these areas be reduced or held at current level?

	Reduced	Held at current level	Increased (vol.)
State energy contracts supplying CA with electricity	35%	52	7
State prisons/corrections	34%	55	5
State parks and recreational facilities	25%	65	8
State highway building and repair	19%	65	13
Public assistance for low income families with children	18%	67	13
Higher education	17%	65	15
Mental health programs	12%	70	14
Medical care/public health	12%	68	16
Law enforcement/police	10%	75	13
Public schools	8%	65	23

Somewhat larger proportions of Republicans than Democrats are able to identify areas they would target for spending cuts in the event of a budget deficit. For example, 41% of Republicans support making spending reductions to state energy contracts supplying the state with electricity. In addition, greater than one in four GOPers supports making cuts to state prisons and corrections, state parks and recreation, public assistance for low income families with children, and higher education. However, in none of the ten spending categories does a majority of Republicans stand behind spending cutbacks of specific program areas.

Table 7b

Proportions who feel state spending in each area should be reduced if the state faces a budget deficit -- by party affiliation

	Democrats	Republicans
State energy contracts supplying CA with electricity	35%	41%
State prisons/corrections	34	35
State parks and recreational facilities	20	36
State highway building and repair	20	18
Public assistance for low income families with children	12	29
Higher education	11	26
Law enforcement/police	9	9
Medical care/public health	9	17
Mental health programs	7	18
Public schools	4	13

About this Survey

The findings in this report are based on a survey conducted December 1 – 11, 2001 among a representative sample of 1,000 California adults. Interviewing was conducted by telephone in English and Spanish using a random digit dialing sampling methodology, which selects telephone exchanges within all area codes serving California. From each exchange a random sample of telephone numbers are selected by adding random digits to the telephone exchange selected, thus permitting access to both listed and unlisted numbers. Within each household one adult is selected using a systematic procedure. Up to six calls are made to each randomly selected household to reach an eligible adult. During the data processing phase, the overall sample was weighted slightly to adjust the survey sample to known parameters of the state's adult population.

According to statistical theory survey results from the overall statewide sample have a sampling error of +/- 3.2 percentage points at the 95% confidence level. However, the reader is cautioned that there are other possible sources of error in any survey. Different results could occur because of biases in question wording or sequencing or through undetected errors in sampling, interviewing or data processing. Extensive efforts were made to minimize such potential errors.

Previous surveys references in this release were conducted using a comparable methodology.