

MEMORANDUM

TO: Democratic Leadership
FROM: Geoffrey Garin and Mark Bunge
DATE: May 20, 2009
RE: Key Findings From A Survey Of California Voters On Solutions To The State's Budget Deficit

Californians express serious concerns about the cuts in government services that were part of February's budget agreement—in fact, they find those spending cuts more objectionable than the tax increases. Looking forward, voters strongly reject further spending cuts without first considering new revenue sources.

Attitudes Toward Spending Cuts

Voters react negatively to nearly all the reductions in state services that were part of the February budget; in fact, they are more critical of the individual spending cuts than they were toward the tax increases. The eight spending cuts that we tested fall into four tiers.

Voters express the deepest concerns about the \$1.8 billion in cuts to Medi-Cal, Cal-Works, and other social services programs, as well as the \$10 billion in cuts to K-14 education. More than seven in 10 voters feel that the cuts in these programs are unacceptable, including half who believe the cuts are *totally* unacceptable—indicating a great deal of intensity on these issues.

Acceptability of Spending Cuts

	<u>Acceptable</u> %	<u>Unacceptable</u> %	<u>Totally Unacceptable</u> %
Cutting \$1.8 billion from Medi-Cal, Cal-Works, and programs that provide social services and health care for seniors, blind people, and the disabled	19	78	48
Cutting funding for K-12 schools and community colleges by more than \$10 billion for the next two years, which is approximately a 12% cut	25	71	52

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Three other service reductions face broad opposition but less intensity: cuts to mental health programs, wage-reductions for homecare workers, and diverting money from First 5 California. Two-thirds of voters find each of these cost-saving measures unacceptable, but less than 40% find them *totally* unacceptable.

Voters dislike but do not hate two of the cost-saving measures: cutting state funding for public transportation and reducing funding for UC and CSU.

Acceptability Of Spending Cuts (cont.)			
	Acceptable	Unacceptable	Totally
	%	%	Unacceptable
			%
Cutting \$460 million in funding for mental health programs	26	67	36
Cutting the wages of people who provide home care for seniors and people with disabilities to \$9.50 an hour	26	66	38
Diverting \$1.6 billion from the First 5 Program, which will reduce education and services for families with young children	27	66	39
Cutting around \$800 million from the University of California and CSU budgets	37	57	34
Eliminating \$2.5 billion in state funding for public transportation	43	51	21
Cutting \$2 billion in state employee salaries and benefits through layoffs, requiring unpaid days off, eliminating 2 paid holidays, reducing overtime pay, and cutting retirement benefits	52	43	23

A solid majority (58%) of voters say that they would be less likely to support their state legislator for reelection if they voted for these spending cuts (21% more likely to support). Majorities of Democrats (68%) and DTS voters (55%) say that they would be less likely to support a legislator who voted for these cuts, along with 61% of low-primary GOP voters.

Attitudes Toward Tax Increases

The sales, income, and car tax increases contained in the February budget agreement are not highly objectionable to most California voters. A 56% majority of voters find the sales tax increase acceptable, and voters are evenly divided on the income tax and vehicle license fee. So while Republican legislators may argue that the public will not stand for any more tax increases, the truth is that voters are ambivalent about rather than deeply troubled by the three cornerstone revenue streams from the last budget.

The revenue source that voters find most objectionable is placing a new fee on low-income, elderly, and disabled Californians for home health care. Fully 85% of voters believe that the fee for homecare services is unacceptable, including 64% who feel that it is *totally* unacceptable. Voters from across the political spectrum agree on this point, with more than four in five Republicans, Democrats, and DTS voters describing the homecare fee as unacceptable.

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Acceptability Of Tax/Fee Increases			
	<u>Acceptable</u> %	<u>Unacceptable</u> %	<u>Totally Unacceptable</u> %
Temporarily increasing the state sales tax by one cent on the dollar, with the tax increase ending in two to three years	56	43	29
Temporarily increasing the state income tax rate by .25% percent, with the tax increase ending in one to three years	49	48	33
Temporarily increasing the vehicle license fee from .65% percent of the vehicle's value to 1.5% percent, with the fee increase ending in two to four years	47	50	33
Temporarily reducing the income tax credit for children and other dependents from around \$300 per dependent to \$100 for one to three years	35	61	36
Placing a new fee on low-income elderly and disabled Californians for home health care services	11	85	64

Although attitudes toward the individual measures vary, voters are not favorable toward these tax/fee increases as a package. A solid majority (62%) of voters say they would be less likely to support a state legislator for reelection if they voted in favor of this package of tax increases.

Attitudes Toward Corporate Tax Breaks

Voters approve of tax breaks that they believe might stimulate the economy, but roundly reject those that appear to be corporate giveaways. Fully three-quarters of voters (including 76% of Democrats) support the \$3,000 tax credit for small businesses to hire new employees, and a slight majority (52%) of voters support the \$10,000 tax credit for newly constructed homes.

Support For Business Tax Cuts			
	<u>Favor</u> %	<u>Oppose</u> %	<u>Strongly Oppose</u> %
Providing a \$3,000 tax credit for small businesses for each new employee hired in 2009 or 2010	75	20	8
Providing a \$10,000 tax credit for people who buy a newly constructed home within the next year	52	43	23
Providing a tax credit of up to 25% for movie and television production in California	35	56	34
Reducing taxes paid by corporations by allowing multi-state companies to determine which tax formula would be most beneficial	28	59	39

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Among these four tax cuts, the multi-state corporate tax cut concerns voters the most. Voters oppose the tax credit for movie and television production in California (35% support, 56% oppose) and the corporate income taxes on multi-state companies (28% support, 59% oppose). What is striking when it comes to these tax cuts is the *lack* of partisan differences. Democrats, Republicans, and DTS voters all favor the first two tax credits and oppose the latter two.

Voters say that they would be significantly less likely (47%) rather than more likely (29%) to reelect a legislator who voted for these tax cuts.

Attitudes Toward Labor And Contracting Rule Changes

Voters oppose the five labor and contracting rule changes we tested, including three that they find strongly objectionable. Allowing government contractors to inspect their own work (85%), circumventing the competitive bidding process (79%), and loosening overtime rules for employers (75%) are all overwhelmingly rejected by voters, including large majorities of Democrats, Republicans, and DTS voters. Voters also are strongly opposed (albeit less intensely) to allowing unlimited private toll roads (61% oppose) and exempting major state highway projects from environmental review (55% oppose).

Support for Labor/Contracting Rule Changes

	Favor %	Oppose %	Strongly Oppose %
Allowing state and local governments to award public works contracts that let private contractors inspect their own work, without public oversight or inspection.	11	85	65
Changing the rules so that state and local governments can award construction and public works projects without competitive bidding.	13	79	63
Changing the rules for overtime pay, so that employers are no longer required to pay overtime if people work more than eight hours in a day.	21	75	58
Allowing an unlimited number of private, for-profit toll roads in California	30	61	44
Exempting major state highway projects from environmental review and providing permits faster	38	55	37

Future Cuts And Taxes To Close The Budget Gap

Near the end of the survey we asked voters about potential future plans to close the budget deficit that California will face despite the steps taken in February.

Voters strongly oppose most additional cuts in state services. Principally, Californians object to making deeper cuts in the programs they objected to cutting in the first place, including Medi-Cal and Cal-Works, K-14 public schools, and mental health programs. Californians (including Republicans) overwhelmingly and intensely oppose further cuts in these areas. Most voters also describe further cuts in other key areas as

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unacceptable, including higher education, state parks, after-school programs, state employee salaries and benefits, and funding for preschool and child care.

Acceptability of Future Cuts in State Services			
	Acceptable	Unacceptable	Totally
	%	%	Unacceptable
			%
Cutting additional funding from Medi-Cal, Cal-Works, and programs that provide social services and health care for seniors, blind people, and the disabled, on top of the \$1.8 billion already being cut	15	83	55
Cutting an additional \$3.6 billion dollars in funding for K-12 schools and community colleges, on top of the \$10 billion that is already being cut	19	79	60
Cutting additional funding from mental health programs, on top of the \$460 million dollars in funding already being cut	21	75	45
Cutting additional funding from the University of California and California State University budgets, on top of the \$800 million dollars already being cut	32	65	36
Closing some state parks and reducing services at others	44	51	24
Reduce funding for after-school education and safety programs	39	58	30
Cutting state employee salaries and benefits even further, on top of the layoffs, forced furloughs, and cuts in retirement benefits that have already happened	36	59	34
Reducing funding for preschool and child care programs	34	63	36

Voters are far more supportive toward a variety of new revenue sources than they are toward additional budget cuts in trying to balance the budget moving forward. Voters of all political stripes strongly support increasing the "sin taxes" on cigarettes and alcohol. Fully 72% of voters favor increasing the state income tax on upper income households. Even a 53% majority of Republican voters say that increasing the income tax on wealthy families would be acceptable. While Republican support is not overwhelming, it does portend that opposition could be somewhat more muted than in the past given the current fiscal realities. Additionally, three in five (63%) favor extending the sales tax to services, including 71% of Democrats, 61% of DTS voters, and 54% of Republicans. However, Democrats, DTS voters, and Republicans also are united in their opposition to the gas tax.

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Acceptability of Future Tax Increases

	Totally Acceptable %	Acceptable %	Unacceptable %
Increasing the tax on cigarettes	65	81	17
Increasing the tax on alcohol	55	80	18
An additional increase in state income taxes on individuals who earn over \$250,000 a year or couples who earn over \$500,000 a year	47	72	24
Extending the sales tax to include things such as tickets to sporting events, amusement parks, golf, skiing, and digital downloads	31	63	34
Increasing the state gasoline tax	16	35	62

Voters want the state legislature to know that “enough is enough” and that they have deep concerns about the damaging cuts that have been made (and proposed) in state services. We asked voters to rate how well four statements best summarized their attitudes and the message they would want to send their state legislator about handling the budget. By a significant margin, voters were most apt to say they wanted to tell the legislature “enough is enough, you cannot keep cutting education and other critical services without jeopardizing California's future.” Sixty-one percent of all voters feel that way strongly, including 85% of Democrats, 70% of DTS voters, and 53% of Republicans, making it the most resonant statement across the political spectrum.

Voters' Message To The State Legislature Regarding The Budget

	“Totally” Feel That Way %
Enough is enough, you cannot keep cutting education and other critical services without jeopardizing California's future	61
It is time to make the rich pay their fair share—you cannot keep putting the burden on working families	47
You need to compromise and find middle ground—we need to raise taxes and cut spending in order to balance the budget	26
Keep making the necessary cuts in services to balance the budget	19

On behalf of the Fair Budget Coalition, Garin-Hart-Yang Research conducted a statewide telephone survey among a total of 922 likely 2010 general election voters in California. The survey included a representative cross section of 619 California voters, plus oversamples among 151 registered decline-to-state (DTS) voters and 152 registered Republicans who have voted in no more than one past primary election. The oversamples were weighted to reflect their actual proportions within the electorate. Interviewing was conducted from April 15 to 19, 2009, and the survey has a margin of sampling error of ±4.0 percentage points for all voters.