

Don't Tax You, Don't Tax Me Tax the Man Behind the Tree

The Arizona Budgetary Crisis in Perspective

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The State of Arizona is facing an unprecedented budget shortfall.

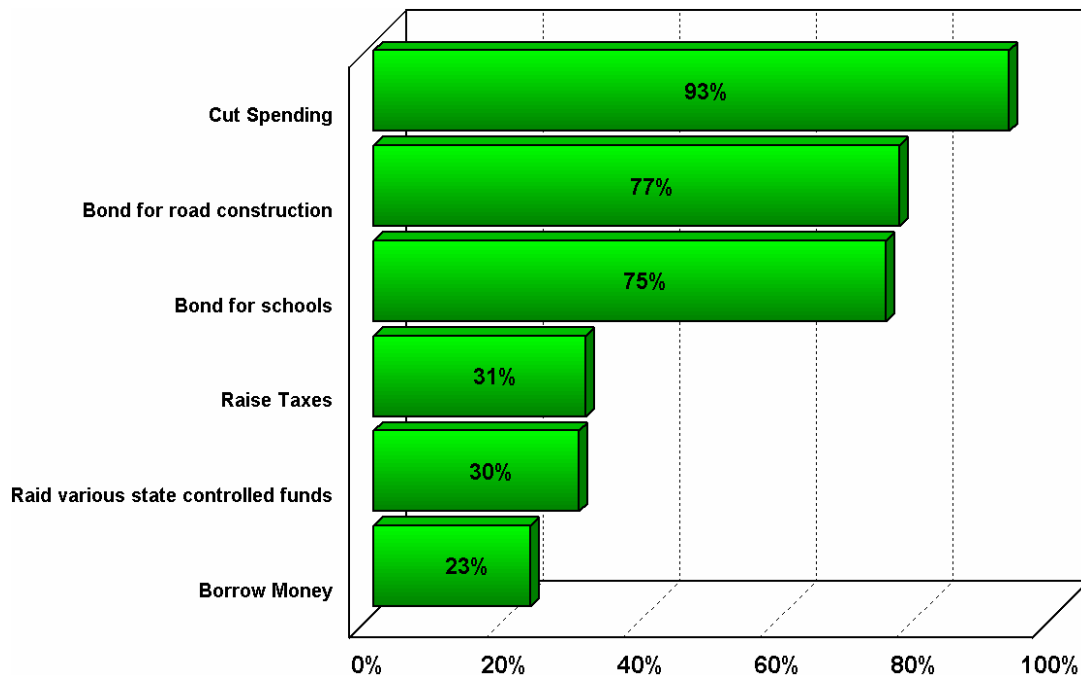
All of the easy alternatives seem to have been exhausted: specialized funds have all been raided and emptied, payments to school districts delayed, and the state's "rainy day" fund depleted.

The day of reckoning is upon us. Should we cut programs? Raise taxes? Given a constitutional mandate to balance the budget, there seem to be no alternatives to these choices.

What does the public want?

Responses from two iterations of the O'Neil Associates/ASBA Arizona Economic Indicators Monitor are instructive.

In the first instance, we asked a sample how they wanted the state to respond to its budget shortfall. Respondents were asked separately about six separate responses. The largest proportion, 93%, said "cut spending". Other than bonding for road construction (77%) and bonding for schools (75%) no alternative received majority support. Notably, less than a third, 31%, favored raising taxes.

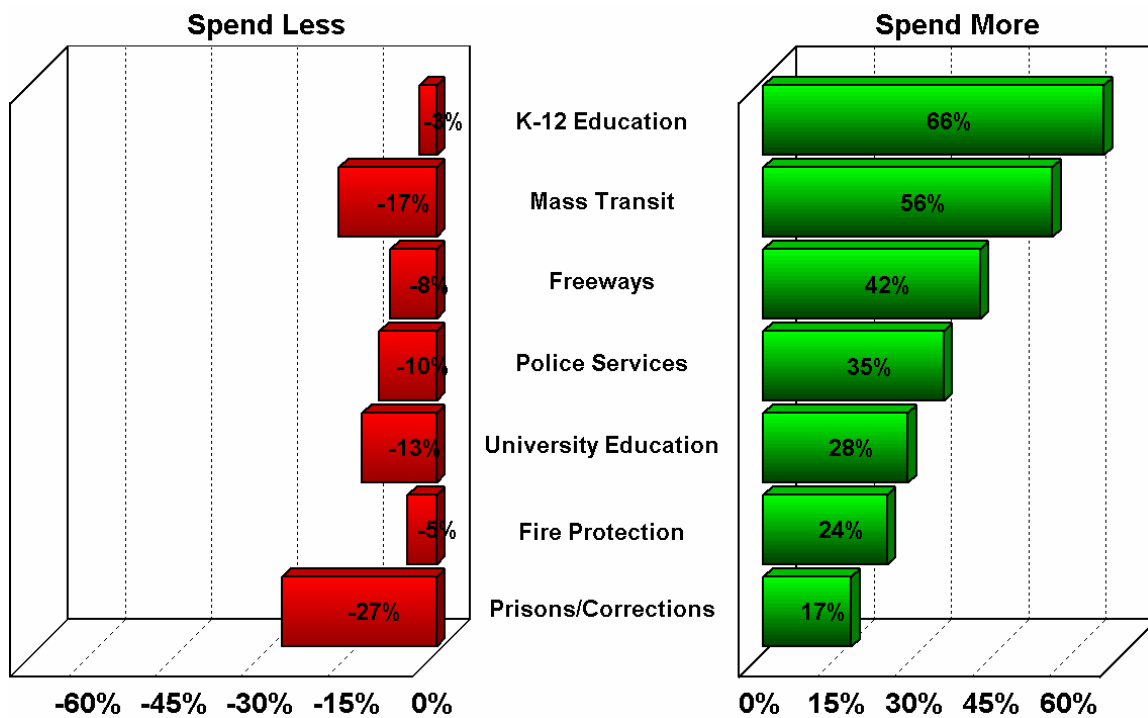


Given that we can't bond for things other than capital expenditures, this sounds like Case Closed: Cut spending. Right?

Not so quick.

The more I thought about this result, the more unsatisfying I found it to be. Cut what spending? The form of the question, even though it closely resembled that used in thousands of public opinion polls over the years, was hopelessly vague.

After mulling this issue, I decided to probe the question it raised in the following quarter's survey. Same population. This time I would ask about spending preferences in several specific areas. I chose seven: K-12 education, mass transit, freeways, police services, university education, and fire protection, and prisons/corrections. For each, we asked whether the public favored the state spending *more*, *the same*, or *less* than it currently spends.



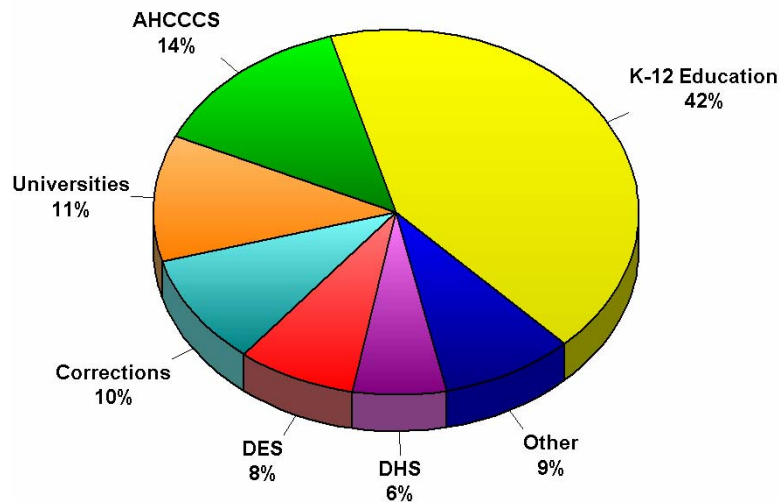
The results were astounding. *The same population that was most enamored of “cut spending” as the favored response to the state’s budgetary crisis, favored **more spending** rather than less spending in six of the seven areas we measured, most by overwhelming margins.* K-12 education? Fully 66% say spend *more*, only 3% say spend *less*. Mass transit? Fifty-six percent say spend more, only 17% say spend less. Only prisons and corrections had more people favoring less spending (27%) than more spending (17%).

What are we to make of this?

So-called preferences for “cutting spending” probably have their basis in vague notions that government wastes a lot of money and that such waste should be curtailed. No one favors government waste. Or administration and other “overhead” expenses, though we do want someone to answer our call when we call a state agency. One man’s “waste” is often another’s “essential services”.

If we take a look at the state's budget, the depths of the problem become even more obvious: *the areas we measured consume the vast majority of the state's budget.* They are large precisely because they are considered to be important. And by the public, not just by elected officials.

The chart below shows where the state spends its money.



The current estimated budgetary shortfall, \$1.2 Billion (and rising) constitutes 12% of the state's total budget. The only area where our survey found a preference for reduced spending, corrections constitutes only 10% of the state's budget. So even if we were to close all our prisons and release all inmates, it would not be enough to balance the current state budget. And I am certain this would not meet with public approval.

Even before we consider that much of the state's budget is "off limits" due to constitutional and voter protection provisions, the conclusion is clear: **if the state budget is to be balanced by spending cuts these must be very major cuts in areas where the public favors increased rather than decreased spending.**

Spending cuts are popular in the abstract. When we get specific and name particular services, the same public that says it wants "cuts" not only finds it difficult to name them, it tends to want more rather than less.

Michael J. O'Neil is President of O'Neil Associates, a national public opinion research firm based in Tempe, Arizona. O'Neil Associates has conducted more than 1,700 opinion research surveys in the last 30+ years. A sociologist by training, he has taught at several universities including the University of Michigan, the University of Illinois, and Northwestern.