

Perspectives on Local Finance and Infrastructure Issues in the U.S. and California: Surveys of City Officials

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Summary

This report presents an analysis of California and U.S. city officials' responses to a survey on state and local finance and infrastructure issues. These surveys are conducted at a time when city officials are confronting the consequences of issues such as ongoing federal, state, and local budget decisions, and state and local government discussions about infrastructure needs and financing. In California, there were five state propositions for a total of about \$43 billion in state bonds on the November ballot for transportation, affordable housing, school facilities, flood controls, and water and parks as well as numerous local ballot measures for local infrastructure funding. This local officials' survey seeks to provide information to help identify local issues, state- and federal-level concerns, and fiscal policy preferences.

The findings are based on a California city officials' survey conducted from June to August 2006 by the Public Policy Institute of California, the League of California Cities, and the National League of Cities, which sent a direct mail survey to a nonelected city official on the senior staff in all of California's 478 cities. A total of 192 surveys were completed and returned, for a 40 percent response rate. We compare the findings of this survey to those in a survey of city officials nationwide conducted from June to August 2006. The national survey was sent via direct mail to a random sample of nonelected city officials on the senior staff in 1,000 U.S. cities, excluding California. A total of 228 responses were received, for a response rate of 23 percent. Among the significant findings of these surveys:

- Sixty-seven percent of U.S. city officials and 62 percent of California city officials say that their city's fiscal conditions are in excellent or good shape. Looking to 2007, the majority of U.S. city officials (56%) and California city officials (64%) are optimistic about being better able to meet financial needs.
- One reason for city officials' optimism about their cities' fiscal conditions may be that nearly four in ten U.S. city officials (39%) and 48 percent of California city officials report that their cities have more revenue than expected for FY 2006. Still, one in six officials (15% U.S., 16% California) say that their city's budget situation is a big problem, and another 61 percent of U.S. city officials and 50 percent of California city officials say that their city's budget situation is at least somewhat of a problem.
- When asked about situations when expenditures exceed revenues, about half of the city officials in the U.S. (52%) and California (51%) say they would prefer to make spending cuts. When asked about situations when revenues exceed expenditures, 57 percent of U.S. city officials say they would prefer to put the funds aside for a rainy day, compared to 45 percent in California. About one in four (21% U.S., 24% California) say they would increase spending on streets and roads.
- Thirty-seven percent of city officials in the U.S. say that their state's budget situation is a big problem, compared to 66 percent of California city officials, perhaps reflecting the ongoing multibillion dollar structural deficit in California.
- Four in 10 city officials in the U.S. (43%) say that they approve of their governor's handling of budget and tax issues, compared to 51 percent of California city officials, perhaps reflecting the California governor's efforts to protect local government revenues. In contrast, seven in ten city officials in the U.S. (72%) and California (69%) disapprove of their state legislature's handling of budget and tax issues.

- The majority (55%) of U.S. city officials and 45 percent of California city officials say that the system of public finance is in need of major changes, and nearly all city officials say the current system is in need of at least minor changes.
- When it comes to infrastructure needs, majorities of city officials in the U.S. and California say that the top priority for local and state projects and funding should be surface transportation (i.e., highways, roads, bridges, ports, airports).
- In terms of specific local infrastructure needs, city officials prioritize highways and roads within the category of surface transportation, increasing broadband capacity in the telecommunications arena, and improving water-related infrastructure in the public utilities arena (i.e., water supply and distribution, storm water).
- Forty-six percent of city officials in the U.S. approve of their governor's handling of infrastructure issues, compared to 60 percent of California city officials, perhaps reflecting the multibillion dollar package of state infrastructure bonds sent to California voters for their approval on the November ballot. Majorities of U.S. city officials (52%) and California city officials (64%) disapprove of the handling of infrastructure issues by their state legislatures.

Introduction

City governments in the U.S. and California face significant budgetary and infrastructure funding challenges. Among the major challenges are a large federal budget deficit, state-level fiscal recovery, and concerns about the implications of a slowing housing market for local finances. As a result, city governments face uncertainties about funding sources for their current operating budgets and long-term infrastructure projects. On the latter issue, state and local governments are increasingly aware of infrastructure conditions and the need to devote resources to maintain and improve the public infrastructure. In California, budget and infrastructure funding issues occur against the backdrop of a November election ballot that included state bonds for infrastructure totaling about \$43 billion for surface transportation, affordable housing, school facilities and flood controls, and water and parks, as well as numerous local ballot measures to provide additional funding for public works projects.

To better understand the perspectives of city government officials, the Public Policy Institute of California, the League of California Cities, and the National League of Cities sent a survey to city officials in all 478 California cities and to a random sample of 1,000 cities elsewhere in the U.S. For the California survey, a total of 192 questionnaires were returned from June to August 2006, for a 40 percent response rate. For the national survey, 228 questionnaires were returned, for a 23 percent response rate. Most of the responses are from non-elected senior staff, such as city managers. The California survey responses are closely comparable to the distribution of cities across the state by population and region. The national survey responses are closely comparable to the distribution of cities across the nation by population and region. The responses from city officials were analyzed for differences across cities of various population sizes and regions of the country.

The survey answers the following questions:

- What are city officials' perceptions of overall fiscal conditions and spending pressures?
- What are the perceptions of city officials regarding state and federal budget conditions and their impacts? How do they rate the performance of state and federal leaders on fiscal issues?
- Do city officials believe there is a need for changes in fiscal policy?
- What do city officials think should be the key priorities for local, state, and federal infrastructure projects?
- How do they rate the performance and plans of state and federal leaders on infrastructure issues?
- How do California city officials' responses to questions on fiscal and infrastructure issues compare with responses from city officials across the U.S.?

Local and State Finance Issues

Overall Local Fiscal Conditions

Local governments have confronted a variety of spending and revenue pressures since the national recession in 2001. As the economy has improved in recent years, tax revenue collections have been increasing in many states and localities across the U.S. However, the recent slowing of the housing market raises concerns about local property tax collections.

Today, two in three city officials nationwide (67%) say that fiscal conditions are either excellent (17%) or good (50%), while 62 percent of city officials in California say that fiscal conditions are excellent (20%) or good (42%). Another 27 percent of city officials nationwide report fair conditions, compared to 31 percent in California. Only 6 percent of city officials nationwide and 7 percent of city officials in California report that their city's fiscal conditions are poor.

When asked if their cities were better able to meet financial needs this fiscal year (2006) than the previous fiscal year (2005), at least two in three city officials in California (71%) and elsewhere in the U.S. (67%) said that they were better able to meet their needs.

California city officials (64%) are somewhat more optimistic than city officials nationwide (56%) about being able to meet financial needs in the next fiscal year (2007).

"How would you rate fiscal conditions in your city today?"

	U.S.	CA
Excellent	17%	20%
Good	50	42
Fair	27	31
Poor	6	7

"Overall, would you say that your city is / will be better able or less able to meet financial needs in FY 2006 than in FY 2005? In FY 2007 compared to FY 2006?"

	<u>U.S.</u>		<u>CA</u>	
	FY 2006	FY 2007	FY 2006	FY 2007
Better able	67%	56%	71%	64%
Less able	33	44	29	36

Local Revenue Perceptions

One reason that city officials may be optimistic about their current fiscal situation is the health of city revenues. For FY 2006, nearly half of city officials in California (48%) and four in ten city officials nationwide (39%) say that they have more revenue than expected. Another 46 percent and 49 percent of city officials in California and the U.S., respectively, report that their cities have the amount of revenue that was expected. Only 6 percent of California city officials and 12 percent of city officials nationwide report lower than expected revenues.

City officials in larger cities (populations of 100,000 or more) are more likely than those in smaller cities to report additional revenues (60% to 39%).

When asked how much of a problem the budget situation is in their city, in terms of the balance between revenues and expenditures, 50 percent of California city officials say the budget situation is only somewhat of a problem, compared to 61 percent of city officials elsewhere in the nation. One in six city officials (15% U.S., 16% California) say that their city's budget situation is a big problem.

One in four U.S. city officials (24%) and one in three California city officials (34%) say that the budget situation is not a problem in their cities.

“For FY 2006, will your city have somewhat more revenue or somewhat less revenue or about what was expected?”

	U.S.	CA
More revenue	39%	48%
Expected amount	49	46
Less revenue	12	6

“Is the budget situation in your city—that is, the balance between spending and revenues—a big problem, somewhat of a problem, or not a problem?”

	U.S.	CA
Big problem	15%	16%
Somewhat of a problem	61	50
Not a problem	24	34

Local Revenues and Expenditure Preferences

When faced with situations where local expenditures exceed local revenues, half of the city officials in the U.S. (52%) and California (51%) say they would prefer to make spending cuts. California city officials (35%) are slightly less likely than city officials elsewhere in the U.S. (46%) to say that they would prefer to incorporate a mix of spending cuts and tax increases to cover the gap. Few city officials say they would prefer tax increases alone (2% U.S., 3% California).

When asked about the opposite scenario – when revenues exceed expenditures – 57 percent of city officials nationwide and 45 percent of California city officials say they would prefer to set the additional funds aside for a “rainy day” (typically defined as carrying forward an “ending balance” to the budget in the next fiscal year). One in five U.S. and California city officials (21 percent and 24 percent, respectively) say they would increase spending on streets, roads, and other transportation facilities. Thirteen percent of U.S. city officials and 15 percent of California city officials say they would prefer across-the-board increases in spending.

Large cities seem somewhat less likely to set aside surplus funds for more challenging times: Forty percent of city officials in cities with populations of 100,000 or more say they would set additional funds aside for a rainy day, compared to 64 percent of officials in cities with populations of 50,000 to 99,999 and 57 percent of officials in cities of less than 50,000.

“How would you prefer to deal with situations when expenditures exceed revenues in your city?”

	U.S.	CA
Spending cuts	52%	51%
Mix of spending cuts and tax increases	46	35
Tax increases	2	3
Other	0	10
Don't know	0	1

“In situations when revenues exceed expenditures, how would you prefer that your city use the additional funds?”

	U.S.	CA
Set aside for rainy day	57%	45%
Increase spending on streets, roads, transportation	21	24
Increase spending across the board	13	15
Increase spending on public safety (police, fire, EMS)	8	13
Increase spending on parks, recreation, libraries, museums	1	2
Increase spending on social/human services / community development	0	1
Increase spending on general government/administration	0	0

State and Federal Budgets

Recent analyses of state budgets reveal improving fiscal conditions in many states, with some states reporting more revenue than expected. Despite the improving state revenue outlook, two in three California city officials (66%) say that the California state budget presents a big problem for California cities today. By contrast, 37 percent of city officials elsewhere in the nation say that state budget situations are a big problem for cities. The differences between U.S. and California city officials may reflect the fiscal environment in California over the past several years. Specifically, the state of California continues to have a multibillion dollar structural deficit, meaning that state expenditures are exceeding state revenues. Only 2 percent of California city officials say the state government's balance between spending and revenues is not a problem, compared to 12 percent of U.S. city officials.

The federal budget continues to be significantly in the red, with the federal government reporting deficits of several hundred billion dollars in recent years. When asked how much of a problem the federal deficit is for cities, 94 percent of U.S. city officials say that it is a big problem (47%) or somewhat of a problem (47%). This question was not asked in the California survey.

"Do you think the budget situation in your state government—that is, the balance between state spending and revenues—is a big problem, somewhat of a problem, or not a problem for cities in the state?"

	U.S.	CA
Big problem	37%	66%
Somewhat of a problem	51	31
Not a problem	12	2
Don't know	0	1

State and Federal Approval Ratings

City officials in California give higher approval ratings than city officials elsewhere in the nation to their state governor. About half of California city officials say that they approve of Governor Arnold Schwarzenegger's handling of budget and tax issues in 2006, compared to 38 percent saying that they disapprove. Eleven percent of California city officials are undecided. Elsewhere in the U.S., 43 percent of city officials say that they approve of their governor's handling of budget and tax issues, compared to 57 percent that disapprove. The differences may reflect the fact that Schwarzenegger has been working with local governments on the issue of protecting their local revenues from being used to reduce state budget deficits.

City officials are much more critical of their state legislatures. Seven in ten city officials in the U.S. (72%) and California (69%) say that they disapprove of their state legislature's handling of budget and tax issues.

City officials in the U.S. overwhelmingly disapprove of the handling of budget and tax issues by President Bush (75%) and the U.S. Congress (81%). Only 25 percent approve of the president's handling of budget and tax issues, and only 19 percent approve of the job that the U.S. Congress is doing when it comes to the budget and taxes. These two questions were not asked in the California survey since it was focused on state and local fiscal issues.

"Do you approve or disapprove of the way that the governor is handling budget and tax issues?"

	U.S.	CA
Approve	43%	51%
Disapprove	57	38
Don't know	0	11

"Do you approve or disapprove of the way that the state legislature is handling budget and tax issues?"

	U.S.	CA
Approve	28%	14%
Disapprove	72	69
Don't know	0	17

Fiscal Reform

City officials were also asked about whether they thought the system of public finance needs to be changed. Nine in ten U.S. and California city officials (97% and 89%, respectively) say that major or minor changes are needed. California city officials are somewhat more likely than U.S. officials to report that major changes are needed in the system of public finance.

**“In general, does the system of public finance, which includes your city’s finances, need to be changed?
If yes, are major or minor changes needed?”**

	U.S.	CA
Major changes	55%	45%
Minor changes	42	44
No need for change	3	9
Don’t know	0	2

Local and State Infrastructure Issues

Addressing rising local infrastructure needs has been a steady source of policy debate in many states for much of 2006. This issue is highly relevant in California, since the November ballot included a multibillion dollar package of state infrastructure bonds. City officials were asked to assess the priorities for local, state, and federal infrastructure investment and to assess the performance of state and federal policymakers when it comes to addressing infrastructure needs. For the purposes of this survey, the term “infrastructure” refers to a variety of public works projects, including surface transportation (highways, roads, bridges, ports, airports), education facilities, flood protection, telecommunications, utilities, and new affordable housing.

Local, State, and Federal Infrastructure Priorities

City officials were asked what they think should be the top priority for local, state, and federal infrastructure projects and funding. U.S. city officials say that surface transportation should be the top priority for local (59%), state (50%), and federal (53%) projects and funding.

City officials in California are even more in favor of surface transportation being the top priority at the local (73%) and state (76%) levels. The California survey did not ask about federal priorities for infrastructure funding since it was concerned with state and local infrastructure.

Fewer than one in four city officials cite any other infrastructure priorities at any of the government levels. Seventeen percent of U.S. city officials point to utilities as needing top priority at the local level, 22 percent say that state governments should prioritize education facilities, and 14 percent say that education facilities should be a top priority at the federal level. In the California survey, 11 percent named flood protection as a top priority at the state level.

“Which of the following do you think should be the top priority for local/state/federal infrastructure projects/funding?”

	<u>U.S.</u>			<u>CA</u>		
	Local	State	Federal	Local	State	Federal*
Surface transportation	59%	50%	53%	73%	76%	-
Housing	5	4	5	8	0	-
Flood protection	4	5	6	6	11	-
Utilities	17	9	7	5	4	-
Education facilities	3	22	14	2	8	-
Telecommunications	2	1	2	0	1	-
Other	10	9	13	5	0	-
Don't know	0	0	0	1	0	-

* Question not asked in the California survey.

Local Infrastructure Priorities

City officials were also asked about their top priorities within different types of local infrastructure – surface transportation, telecommunications, and utilities.

When it comes to surface transportation needs in their cities, local officials in California (90%) and the rest of the U.S. (93%) city officials overwhelming say that the top priority should be highways, roads, bridges, and support structures, as opposed to other options such as public transportation, airports, waterways and ports, passenger and freight rail, and intermodal facilities (less than 3% in all cases).

In the telecommunications arena, three in four U.S. city officials (73%) and three in five California city officials (61%) say that broadband capacity should be the top local priority, compared to emerging technologies, cable, or landlines.

In the public utility arena, U.S. and California city officials point to various water-related infrastructure needs. One in three (36% U.S., 32% CA) say that water supply and distribution should be the top priority. At least one in four also point to storm water infrastructure (24% U.S., 31% CA) or wastewater treatment and solid waste disposal (26% U.S., 23% CA).

“In (surface transportation/telecommunications/utilities), which of the following should have the top priority in your city?”

	U.S.	CA
<i>Surface Transportation</i>		
Highways, roads, bridges, and support structures	93%	90%
Public transportation (buses, light rail)	3	3
Airports	0	1
Waterways and ports	0	1
Passenger and freight rail	0	0
Intermodal facilities	1	0
Other	3	4
Don't know	0	1
<i>Telecommunications</i>		
Broadband capacity (fiber, wi-fi, etc.)	73%	61%
Emerging technologies	21	16
Cable	3	4
Landlines	2	0
Other	1	2
Don't know	0	17
<i>Utilities</i>		
Water supply and distribution	36%	32%
Storm water	24	31
Wastewater treatment and solid waste disposal	26	23
Electric transmission grid / power generation capacity	6	4
Alternative fuels (solar, hybrid, agrifuels)	1	3
Gas/natural gas	0	1
Other	7	2
Don't know	0	4

State and Federal Approval Ratings

When it comes to state policymakers' handling of infrastructure issues, city officials in California give their governor higher ratings than city officials elsewhere give their governors. Three in five California city officials (60%) say they approve of Governor Schwarzenegger's handling of infrastructure issues, compared to less than half of the city officials in the rest of the nation (46%) who say they approve of their governor's handling of infrastructure issues.

City officials give lower approval ratings to their state legislature's handling of infrastructure issues. Thirty-six percent of U.S. city officials and 24 percent of California city officials approve of their state legislature's handling of infrastructure issues, while majorities disapprove (64% in U.S., 52% in California).

Federal officials also receive low approval ratings from city officials. Seven in ten city officials say that they disapprove of the handling of infrastructure issues by President Bush (73%) and the U.S. Congress (68%). About three in 10 say they approve of the way their federal elected officials are handling infrastructure issues (27% for Bush, 32% for Congress). The California survey did not ask about federal approval ratings for infrastructure issues since it was focused on state and local fiscal issues.

"Do you approve or disapprove of the governor's handling of infrastructure issues?"

	U.S.	CA
Approve	46%	60%
Disapprove	54	22
Don't know	0	18

"Do you approve or disapprove of the state legislature's handling of infrastructure issues?"

	U.S.	CA
Approve	36%	24%
Disapprove	64	52
Don't know	0	24

Appendix A. City Officials' Survey Methodology – California

The results presented here are from the *Public Finance and Infrastructure Survey* conducted by the Public Policy Institute of California, League of California Cities, and National League of Cities. The findings in this report are based on a direct mail survey of city officials in all 478 cities in California, conducted from June to August 2006.

Questionnaires were completed via an Internet survey protocol using secure passwords provided to each city or were returned by mail and then were compiled and coded. Most of the responses were from nonelected senior staff officials such as city managers. A number of reminders were sent to encourage the officials to return the surveys. The survey data were analyzed at the Public Policy Institute of California and the National League of Cities. The number of usable responses totaled 192, for a response rate of 40 percent.

The survey is representative of the responses of city officials in cities across California. The survey responses are closely comparable to the distribution of cities across the state by population size and region. The findings do not change significantly when we use statistical weighting to correct for slight over-representation or under-representation of cities in population or region categories.

City population	% of 478 cities statewide	% of 192 survey responses
<50,000	70	65
50,000 – 99,999	18	23
>100,000	12	12

Region	% of 478 cities statewide	% of 192 survey responses
Central Valley	19	21
SF Bay Area	21	20
Los Angeles	19	17
Other Southern California	23	24
Other	18	18

Appendix B. City Officials' Survey Methodology – U.S.

The results presented here are from the *Public Finance and Infrastructure Survey* conducted by the Public Policy Institute of California and National League of Cities. The findings in this report are based on a direct mail survey of city officials in a random sample of 1,000 U.S. cities, excluding cities in California, conducted from June to August 2006.

Questionnaires were completed via an Internet survey protocol using secure passwords provided to each city or were returned by mail and then were compiled and coded. Most of the responses were from nonelected senior staff officials such as city managers. A number of reminders were sent to encourage the officials to return the surveys. The survey data were analyzed at the Public Policy Institute of California and the National League of Cities. The number of usable responses totaled 228, for a response rate of 23 percent.

The survey responses are closely comparable to the distribution of cities in the larger sample. The findings do not change significantly when we use statistical weighting to correct for slight over-representation or under-representation of cities in population or region categories.

City population	% of 1000 cities nationwide	% of 228 survey responses
<50,000	80	80
50,000 - 99,999	12	13
>100,000	8	7

Region	% of 1000 cities nationwide	% of 228 survey responses
Northeast	23	15
Midwest	33	37
South	33	37
West	11	11

Appendix C. Survey Questionnaire – California

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Public Finance and Infrastructure Survey

[Note: Responses from 192 city officials from June-August 2006]

1A. Name of your municipality: _____ 1B. State: _____

2. How would you characterize your municipality in terms of **location in your region**?
(Please circle the response that most closely describes your city)

- (1) Central / core municipality 15% (2) Suburban municipality 55%
(3) Rural municipality 29% (9) Don't know 1%

3. Which source of revenue makes up the **largest share** of your municipal budget? (Circle one)

- (1) Property tax 33% (2) Sales tax 53% (3) User fees/charges 6%
(4) State revenues 2% (5) Federal revenues 1% (7) Other 5%

MUNICIPAL FISCAL CONDITIONS

4. How would you rate **fiscal conditions** in your municipality today? (Circle one)

- (1) Excellent 20% (2) Good 42% (3) Fair 31% (4) Poor 7%

5. Overall, would you say that your municipality is **better able** or **less able** to...
(circle one for parts "a." and "b.")

	Better <u>Able</u>	Less <u>Able</u>
A. Meet financial needs in FY 2006 than last year	71%	29%
B. Address its financial needs in the next fiscal year (FY 2007)?	64	36

MUNICIPAL REVENUES AND EXPENDITURES

6. For **FY 2006**, will your municipality have somewhat more revenue, or somewhat less revenue, or about what was expected? (Circle one)

- (1) More revenue 48% (2) Expected amount 46% (3) Less revenue 6%

7. Is the **budget situation in your municipality** – that is, the balance between spending and revenues – a big problem, somewhat of a problem, or not a problem? *(Circle one)*
- (1) Big problem 16% (2) Somewhat of a problem 50% (3) Not a problem 34%
8. How would you prefer to deal with the situations when **expenditures exceed revenues**? *(Circle one)*
- (1) Mix of spending cuts and tax increases 35% (2) Mostly through spending cuts 51%
 (3) Mostly through tax increases 3% (4) Other answer 10%
 (9) Don't know 1%
9. In situations when **revenues exceed expenditures**, how would you prefer that your municipality use the additional funds? *(Circle one)*
- (1) Increase spending on public safety (police, fire, and EMS) 13%
 (2) Increase spending on streets, roads, transportation 24%
 (3) Increase spending on social/human services 1%
 (4) Increase spending on parks and recreation, libraries, museums 2%
 (5) Increase spending on general government/administration 0%
 (6) Across-the-board increases (shared across all areas) 15%
 (7) Set aside in rainy day fund / carry forward to next fiscal year (ending balance) 45%

LOCAL AND STATE INFRASTRUCTURE PRIORITIES

The term “infrastructure” refers to a variety of public works projects, including surface transportation (highways, roads, bridges, ports, airports), education facilities, flood protection, telecommunications, utilities, and new affordable housing.

10. Which of the following do you think should be the top priority for **local infrastructure** projects? *(Circle one)*
- (1) Surface transportation 73% (2) Education facilities 2%
 (3) Flood protection 6% (4) Telecommunications 0%
 (5) Utilities 5% (6) New affordable housing 8%
 (7) Other 5% (9) Don't know 1%

11. In **surface transportation**, which of the following should have the top priority in your municipality? (in other words, where is the greatest need?) *(Circle one)*

- (1) Highways (roads, bridges, support structures) 90%
- (2) Public transportation (buses, light rail) 3%
- (3) Passenger and freight rail 0%
- (4) Intermodal facilities 0%
- (5) Airports 1%
- (6) Waterways and ports 1%
- (7) Other 4%
- (9) Don't know 1%

12. In **telecommunications**, which of the following should have the top priority in your municipality? (in other words, where is the greatest need?) *(Circle one)*

- (1) Landlines 0%
- (2) Broadband capacity (fiber, wi-fi, etc.) 61%
- (3) Cable 4%
- (4) Emerging technologies 16%
- (5) Other 2%
- (9) Don't know 17%

13. In **utilities**, which of the following should have the top priority in your municipality? (in other words, where is the greatest need?) *(Circle one)*

- (1) Water supply and distribution 32%
- (2) Wastewater treatment/solid waste disposal 23%
- (3) Storm water 31%
- (4) Electric/transmission grid/power generation capacity 4%
- (5) Gas/Natural gas 1%
- (6) Nuclear 0%
- (7) Distribution network for alternative fuels (solar, hybrid, agrifuels) 3%
- (8) Other 2%
- (9) Don't know 4%

14. Do you think that the state government should spend more money than it does now, the same amount as now, or less money than now on **infrastructure projects**? *(Circle one)*

- (1) More money 85%
- (2) Same amount of money 7%
- (3) Less money 3%
- (9) Don't know 5%

15. Do you approve or disapprove of the governor's plan to spend \$222 billion dollars over 10 years on **infrastructure projects** including surface transportation, education facilities, air quality, water and flood control, jails and prisons, and courts? *(Circle one)*

- (1) Approve 82%
- (2) Disapprove 7%
- (9) Don't know 11%

16. The California state legislature recently passed a **package of state bonds** for the November ballot totaling about \$37 billion dollars for infrastructure projects such as education facilities, surface transportation, flood protection, and affordable housing to be paid through the state’s general funds with no new taxes. Would you favor or oppose the following bond proposals? *(Circle one per line)*

	<u>Favor</u>	<u>Oppose</u>	<u>Don't know</u>
A. About \$20 billion for surface transportation projects?	88%	4%	8%
B. About \$10 billion for school and university construction?	58	13	29
C. About \$4 billion for flood protection projects?	72	9	19
D. About \$3 billion for new affordable housing?	57	18	25

17. Which of the following do you think should have the top priority for additional **state funding** ? *(Circle one)*

- | | |
|--------------------------------|-----------------------------|
| (1) Surface transportation 76% | (2) Education facilities 8% |
| (3) Flood protection 11% | (4) Telecommunications 1% |
| (5) Utilities 4% | |

18. Do you approve/disapprove of the state government’s handling of **infrastructure issues**? *(Circle one per line)*

- | | | | |
|----------------------|-----------------|--------------------|--------------------|
| a. Governor | (1) Approve 60% | (2) Disapprove 22% | (9) Don't know 18% |
| b. State legislature | (1) Approve 24% | (2) Disapprove 52% | (9) Don't know 24% |

INTERGOVERNMENTAL BUDGET AND TAX POLICY

19. Do you approve/disapprove of the state government’s handling of **budget and tax issues**? *(Circle one per line)*

- | | | | |
|----------------------|-----------------|--------------------|--------------------|
| a. Governor | (1) Approve 51% | (2) Disapprove 38% | (9) Don't know 11% |
| b. State legislature | (1) Approve 14% | (2) Disapprove 69% | (9) Don't know 17% |

20. The state of California will have somewhat more revenue this year than expected. Do you think the **budget situation in California** – that is, the balance between government spending and revenues – is a big problem, somewhat of a problem, or not a problem for cities in California? *(Circle one)*

- | | |
|----------------------|-------------------------------|
| (1) Big problem 66% | (2) Somewhat of a problem 31% |
| (3) Not a problem 2% | (9) Don't know 1% |

21. Governor Schwarzenegger proposed a **budget plan** for the next fiscal year that includes increasing spending on K to 12 public education, health and human services, higher education, corrections and prisons, and transportation. The plan includes no new taxes. In general, are you satisfied or dissatisfied with the governor's budget plan?

(1) Satisfied 55% (2) Dissatisfied 31% (9) Don't know 14%

22. Do you think that **tax increases** should have been included in the governor's budget plan? *(Circle one)*

(1) Yes 33% (2) No 49% (9) Don't know 18%

STATE-LOCAL FISCAL REFORM

23. In general, does the **system of public finance**, which includes your municipality's finances, need to be changed? If yes, are major or minor changes needed? *(Circle one)*

(1) Yes, major changes 45% (2) Yes, minor changes 44%
(3) No, no changes 9% (9) Don't know 2%

24. Do you think that replacing the two-thirds (67%) vote requirement with a 55% majority vote for voters to pass **local special taxes** is a good idea or a bad idea? *(Circle one)*

(1) Good idea 79% (2) Bad idea 16% (9) Don't know 5%

25. Do you think that replacing the two-thirds (67%) vote requirement with a 55% majority vote for the state legislature to pass the **state budget** is a good idea or a bad idea? *(Circle one)*

(1) Good idea 60% (2) Bad idea 31% (9) Don't know 9%

THANK YOU VERY MUCH FOR YOUR COOPERATION!!!

Appendix D. Survey Questionnaire – U.S.

PUBLIC POLICY INSTITUTE OF CALIFORNIA NATIONAL LEAGUE OF CITIES

Public Finance and Infrastructure Survey

[Note: Responses from 228 city officials from June-August 2006]

1A. Name of your municipality: _____ 1B. State: _____

2. How would you characterize your municipality in terms of **location in your region**?
(Please circle the response that most closely describes your city)

24% Central/core municipality 47% Suburban municipality 29% Rural municipality

3. Which source of revenue makes up the **largest share** of your municipal budget? (Circle one)

53% Property tax 25% Sales tax 9% Income tax 11% User fees/charge 2% Other

MUNICIPAL FISCAL CONDITIONS

4. How would you rate **fiscal conditions** in your municipality today? (Circle one)

17% Excellent 50% Good 27% Fair 6% Poor

5. Overall, would you say that your municipality is **better able** or **less able** to...
(circle one for parts "a." and "b.")

	Better <u>Able</u>	Less <u>Able</u>
A. Meet financial needs in FY 2006 than last year	67%	33%
B. Address its financial needs in the next fiscal year (FY 2007)?	56%	44%

LOCAL & STATE REVENUES AND EXPENDITURES

6. For **FY 2006**, will your municipality have somewhat more revenue, or somewhat less revenue, or about what was expected? (Circle one)

39% More revenue 49% Expected amount 12% Less revenue

7. Is the **budget situation in your municipality** – that is, the balance between spending and revenues – a big problem, somewhat of a problem, or not a problem? (*Circle one*)

15% Big problem 61% Somewhat of a problem 24% Not a problem

8. How would you prefer to deal with the situations when **expenditures exceed revenues**? (*Circle one*)

46% Mix of spending cuts and tax increases 52% Mostly through spending cuts
2% Mostly through tax increases 0% Other 0% Don't know

9. In situations when **revenues exceed expenditures**, how would you prefer that your municipality use the additional funds? (*Circle one*)

8% Increase spending on public safety (police, fire, and EMS)
21% Increase spending on streets, roads, transportation, and planning
0% Increase spending on social/human services and/or community development
1% Increase spending on culture and leisure (parks & recreation, libraries, museums)
0% Increase spending on general government (administration, personnel)
13% Across-the-board increases (shared across all areas)
57% Set aside for rainy-day/reserve fund or carry forward to next fiscal year

LOCAL INFRASTRUCTURE PRIORITIES

The term “infrastructure” refers to a variety of public works projects, including surface transportation (highways, roads, bridges, ports, airports), education facilities, flood protection, telecommunications, utilities, and new affordable housing.

10. Which of the following do you think should be the top priority for **local infrastructure** projects? (*Circle one*)

59% Surface transportation 3% Education facilities 4% Flood protection
2% Telecommunications 17% Utilities 5% New affordable housing
10% Other

11. In **surface transportation**, which of the following should have the top priority in your municipality? (in other words, where is the greatest need?) (*Circle one*)

93% Highways (roads, bridges, support structures) 3% Public transportation (buses, rail)
0% Passenger and freight rail 1% Intermodal facilities
0% Airports 0% Waterways and ports
3% Other

12. In **telecommunications**, which of the following should have the top priority in your municipality? (in other words, where is the greatest need?) (*Circle one*)

2% Landlines	73% Broadband capacity (fiber, wi-fi, etc.)	3% Cable
21% Emerging technologies	1% Other	

13. In **utilities**, which of the following should have the top priority in your municipality? (in other words, where is the greatest need?) (*Circle one*)

36% Water supply and distribution	26% Wastewater treatment/solid waste
24% Storm water	6% Electric/transmission grid/power
0% Gas/Natural gas	0% Nuclear
1% Distribution network for alternative fuels (solar, hybrid, agrifuels)	7% Other

STATE AND FEDERAL INFRASTRUCTURE PRIORITIES

14. Do you think that the state and federal governments should spend more money than they do now, the same amount as now, or less money than now on **infrastructure projects**? (*Circle one*)

a. State:	80% More money	18% Same amount of money	2% Less money
b. Fed:	74% More money	21% Same amount of money	5% Less money

15. Do you approve/disapprove of your **state government's** handling of **infrastructure issues**? (*Circle one per line*)

a. Governor	46% Approve	54% Disapprove
b. State legislature	36% Approve	64% Disapprove

16. Which of the following do you think should have the top priority for additional **state funding**? (*Circle one*)

50% Surface transportation	22% Education facilities	5% Flood protection
1% Telecommunications	9% Utilities	4% New affordable housing
9% Other		

17. Do you approve/disapprove of the **federal government's** handling of **infrastructure issues**? (*Circle one per line*)

a. President/Administration	27% Approve	73% Disapprove
b. U.S. Congress	32% Approve	68% Disapprove

18. Which of the following do you think should have the top priority for **federal funding**? (*Circle one*)

53% Surface transportation	14% Education facilities	6% Flood protection
2% Telecommunications	7% Utilities	5% New affordable housing
13% Other		

STATE AND FEDERAL BUDGET AND TAX POLICY

19. Do you approve/disapprove of the state and federal governments' handling of **budget and tax issues**?

(*Circle one per line*)

a. Governor	43% Approve	57% Disapprove
b. State legislature	28% Approve	72% Disapprove
c. President/Administration	25% Approve	75% Disapprove
d. U.S. Congress	19% Approve	81% Disapprove

20. Do you think that the **budget situation in your state government** – that is, the balance between state spending and revenues – is a big problem, somewhat of a problem, or not a problem for cities in your state? (*Circle one*)

37% Big problem 51% Somewhat of a problem 12% Not a problem

21. As you may know, the federal government expects to run a deficit of several hundred billion dollars in FY 2006. How much do you think the **federal deficit is a problem for cities**? (*Circle one*)

47% Big problem 47% Somewhat of a problem 6% Not a problem

22. In general, does the **system of public finance**, which includes local, state, and federal finances, need to be changed? If yes, are major or minor changes needed? (*Circle one*)

55% Yes, major changes 42% Yes, minor changes 3% No, no changes

THANK YOU VERY MUCH FOR YOUR COOPERATION!!!

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