

Perspectives on Local and State Finance and Infrastructure in California: Surveys of City Officials and Residents

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Summary

This report presents an analysis of California city officials' and residents' views on state and local finance and infrastructure issues. The findings are based on two surveys. The first is a city officials' survey, conducted from July to August 2006 by the Public Policy Institute of California, the League of California Cities, and the National League of Cities. This was a direct mail survey to city officials in all of California's 478 cities; a total of 192 surveys were completed and returned, for a 40 percent response rate. We contrast this survey with a PPIC Statewide Survey of 2,000 adult residents, conducted in May 2006 and made possible with funding from the James Irvine Foundation, and the March 2006 PPIC Statewide Survey when applicable.

These surveys have been conducted at a time when both city officials and California residents are confronting such issues as ongoing state-local budget decisions, a statewide debate about infrastructure needs and financing, and a November election that includes a governor's race, as well as several infrastructure-related ballot measures. These surveys of city officials and residents are designed to provide information to help to identify local issues, state-level concerns, and policy preferences. Among the most significant findings from these two surveys are:

- Sixty-two percent of city officials say their city's fiscal conditions are in excellent or good shape, and two in three (64%) think their cities will be better able to meet financial needs in the next fiscal year.
- One reason for city officials' optimism about their cities' fiscal conditions may be that nearly half (48%) report that their cities have more revenue than expected for FY 2006. Despite this optimism, 50 percent of city officials say that their cities' budget situation is "somewhat of a problem" and another 16 percent say that the budget situation is a "big problem."
- When asked about situations in which expenditures exceed revenues, one in two (51%) city officials say they would prefer to make spending cuts and one in three (35%) say they would prefer a mix of spending cuts and tax increases. When asked about situations in which revenues exceed expenditures, 45 percent of city officials say they would prefer to put the funds aside for a rainy day. One in four (24%) say they would increase spending on streets and roads.
- Two in three city officials say the state's budget situation is a "big problem" for California cities, compared to three in four city officials in 2005, and nine in 10 in 2004. Residents also believe the budget gap is a problem, with nearly six in 10 saying it is a "big problem."
- About half of city officials (51%) approve of the way that the governor is handling budget and tax issues; only 14 percent approve of the state legislature's handling of these issues. Fifty-five percent express overall satisfaction with the governor's budget plan, with only one in three (33%) saying that it should have included tax increases. By comparison, residents express less approval both of the governor and of his budget plan.
- Nine in ten (89%) city officials say that the California system of public finance is in need of either major (45%) or minor (44%) changes. Four in five (79%) favor

replacing the two-thirds vote requirement for local special taxes with a 55 percent majority vote. Residents are much less likely to support these two fiscal reforms.

- When it comes to infrastructure needs in the state, city officials say that the top priority for local (73%) and state (76%) projects and funding should be surface transportation (highways, roads, bridges, ports, and airports). In contrast, residents tend to rate education facilities as a higher priority than surface transportation.
- In terms of specific, local infrastructure needs, city officials prioritize enhancing highways and roads in the area of surface transportation, increasing broadband capacity in the telecommunications arena, and improving water-related infrastructure in the public utilities arena. Residents are more divided in their priorities for surface transportation, with many naming public transportation over highways and roads.
- Three in five (60%) city officials approve of the governor's handling of infrastructure issues, compared to 24 percent approval for the state legislature. Four in five (82%) approve of the governor's plan to spend \$222 billion dollars over ten years on infrastructure projects. Residents also look favorably on the governor's infrastructure plan.
- Majorities of city officials support the four infrastructure bond measures approved by the state legislature for the November 2006 ballot. Support is stronger for the proposed \$20 billion dollar bond for surface transportation projects (88%) and \$4 billion dollar bond for flood protection projects (72%) than for the \$10 billion dollar bond for education facilities (58%) and \$3 billion dollar bond for new affordable housing (57%). Majorities of residents also favor these four bond measures, although among likely voters the support for the affordable housing bond falls below a majority.

Introduction

City governments in California face significant fiscal and infrastructure challenges, including a large federal budget deficit, state-level fiscal recovery, and a slowing housing market. As a result, city governments face uncertainties about funding sources. In addition, the state and city governments are increasingly aware not only of infrastructure requirements but also of the need to devote additional resources to maintaining and improving the state's infrastructure. In California, fiscal and infrastructure challenges occur against the backdrop of a constrained system of public finance, the legacy of both Proposition 13 local property tax limits and the many initiatives and legislative adjustments that have occurred since its passage in 1978.

To better understand the perspective 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. A total of 192 questionnaires were returned between June and August 2006, for a 40 percent response rate. Most of the responses are from non-elected senior staff, such as city managers. The survey responses are closely comparable to the distribution of cities across the state by population and region. The responses from city officials were analyzed for differences across cities of various population sizes and among regions in the state.

We will contrast the responses to the current survey of city officials to answers to similar questions asked in surveys in 2004 and 2005. We will also compare the city officials' responses to residents' responses, taken from a May 2006 PPIC Statewide Survey of 2,000 adults as well as the March 2006 PPIC Statewide Survey when applicable.

The survey answers the following questions:

- What are the city officials' perceptions of overall fiscal conditions and spending pressures?
- What are the perceptions of city officials regarding the state's budget conditions and its effects? How do they rate the performance of the governor and legislature on fiscal issues and evaluate the governor's budget plan?
- Do city officials believe there is a need for changes in state-local fiscal policy?
- How do city officials' responses to questions on state fiscal issues compare with California residents' responses in the most recent PPIC Statewide Surveys?
- How do city officials' responses this year compare to the responses of city officials to similar surveys conducted in previous years?
- What do city officials think should be the key priorities for state-local infrastructure? How do they rate the performance and plans of the governor and legislature on infrastructure issues?

Local and State Finance Issues

City Fiscal Conditions

Since the 2001 recession, California state and local governments have confronted a variety of spending and revenue pressures as revenue collections have been slow to recover. Recently, as the economy has improved, tax revenue collections have also improved. However, the recent slowing of the housing market raises concerns about local tax collections, particularly from property tax.

Today, six in ten (62%) city officials say that fiscal conditions are either excellent (20%) or good (42%); this percentage is approximately the same as this time last year (60%). This year, 31 percent report fair conditions and only 7 percent report that their city's fiscal conditions are poor.

City officials from smaller cities, with populations less than 10,000, are less likely to report that their fiscal conditions are excellent or good (50%), than city officials from cities over 100,000 in population (69.5%), between 50,000-99,999 (65.9%), and between 10,000-49,999 (62.7%). This pattern was similar in previous surveys. City officials in the San Francisco Bay Area (42%) are less likely to report excellent or good fiscal conditions than city officials in the Central Valley (68%), the Other Southern California region (77%) and the Los Angeles region (81%).

When asked if their cities were better able to meet financial needs this fiscal year (2006) than the previous fiscal year (2005), seven in 10 city officials (71%) said that they were better able to meet needs. Nearly two in three city officials (64%) predict that their cities will be better able to meet financial needs in FY 2007 than in FY 2006.

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

	2005	2006
Excellent	15%	20%
Good	45	42
Fair	33	31
Poor	6	7
Don't know	1	0

"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?"

	FY 2006	FY 2007
Better Able	71%	64%
Less Able	29	36

The City Revenue Picture

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

City officials in the smallest cities, with populations less than 10,000, are less likely to report additional revenues (25%) than city officials from cities with populations over 100,000 (65%), between 50,000-99,999 (57%), and between 10,000-49,999 (50%). City officials in Los Angeles County (59%) and other parts of Southern California (60%) are more likely to report additional revenues than city officials in the San Francisco Bay Area (42%) and the Central Valley (43%). This pattern may be an indication of regional differences in the extent of fiscal recovery.

When asked how much of a problem the budget situation is in their city, in terms of the balance between revenues and expenditures, one in two (50%) California city officials say it is only somewhat of a problem. Only 16 percent say that their city's budget situation is a big problem. One in three say that their city's budget situation is not a problem (34%).

City officials in Los Angeles County (53%) and other parts of Southern California (47%) are more likely to say that their current budget situations are not a problem than city officials in the San Francisco Bay Area (13%) and the Central Valley (28%).

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

More revenue	48%
Expected amount	46
Less revenue	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?”

Big problem	16%
Somewhat of a problem	50
Not a problem	34

Dealing with Revenue-Expenditure Gaps

When faced with situations in which local expenditures exceed local revenues, city officials are most likely to say they would prefer to make spending cuts (51%) to cover the gap. One in three (35%) say they would prefer to create a mix of spending cuts and tax increases, while only 3 percent say they would prefer to implement tax increases alone. It is interesting to note the extent to which city officials express fiscally conservative positions on taxes and spending. There are no notable differences today in preferences across cities of different population sizes or among regions of the state. Moreover, California city officials are less likely to exhibit a preference for a mix of spending cuts and tax increases in 2006 (35%) than in 2005 (44%).

When asked about the opposite scenario – when revenues exceed expenditures – more than four in 10 (45%) California city officials would prefer to set the additional funds aside for a rainy day (typically done by carrying forward an “ending balance” to the next fiscal year). One in four (24%) city officials would increase spending on streets, roads, and other transportation facilities. Fifteen percent would make across-the-board increases in spending and 13 percent would increase spending on public safety.

City officials in the largest cities, with 100,000 or more in population, are more likely than their counterparts in cities of other sizes to say they would increase spending on public safety (35%), while city officials in the smallest cities, with 10,000 or less in population, are more likely to say they would prefer to set the additional funds aside for a rainy day (64%). Central Valley city officials (30%) are more likely than city officials in other parts of the state to say they would increase spending across the board, while city officials in other parts of Southern California (32%) are more likely to increase spending on streets, roads, and transportation.

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

	2005	2006
Mix of spending cuts and tax increases	44%	35%
Spending cuts	46	51
Tax increases	2	3
Other	8	10
Don't know	0	1

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

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

The State Budget

Until recently, the state government had for several years run a multi-billion dollar budget gap between spending and revenues. Today, the state government has experienced a shift and has reported more revenue than expected. In this year's survey, we asked city officials to rate the severity of the state budget problem with respect to cities in California, to assess the governor's and the legislature's handling of budget and tax issues, and to evaluate the governor's budget plan.

Despite the improving state revenue outlook, two in three (66%) California city officials say that the California state budget presents a big problem for California cities today. By contrast, 76 percent of city officials responding in 2005 and 90 percent of city officials responding in 2004 said that the multi-billion dollar budget gaps in those years were big problems for California cities. Responses this year were similar across cities of varying population sizes and among differing regions.

Resident respondents to the PPIC Statewide Survey in May 2006 held opinions similar to city officials, with 58 percent of adult residents saying that the state's budget situation was a big problem for the people of California today. Thirty-one percent said this issue was somewhat of a problem, and 5 percent said it was not a problem

"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?"

	City Officials	Residents*
Big problem	66%	58%
Somewhat of a problem	31	31
Not a problem	2	5
Don't know	1	6

*Resident responses from the PPIC Statewide Survey, May 2006

The Governor's Approval Ratings

City officials' approval of Governor Arnold Schwarzenegger's handling of budget and tax issues in 2006 continues to be mixed, with 51 percent saying they approve and 38 percent saying that they disapprove (compared 49% and 43%, respectively, in 2005). It is worth noting here that each respondent in the city officials' survey is weighted equally, even though their cities vary widely in size and, as a result, one should not assume that if the governor is popular with a large percentage of city officials that the governor should be equally popular with state residents.

Compared to city officials, residents were more critical of Governor Schwarzenegger in our May 2006 PPIC Statewide Survey. Thirty-four percent of adults approved of the governor's performance on this issue, while half (52%) disapproved, and 14 percent were undecided.

Regionally, support for the governor's handling of budget and tax issues is lowest among city officials in the San Francisco Bay area (41%). Slim majorities of city officials in all other regions say they approve of the governor's handling of budget and tax issues – Los Angeles (52%), Other Southern California (55%), and Central Valley (56%). Support for the governor's budget and tax policies is lowest among city officials in cities with a population over 100,000 (39%).

The state legislature comes in for more criticism from city officials (69% disapprove, 14% approve) than the governor does. The level of disapproval with the state legislature's handling of fiscal issues is similar to that found in the 2005 survey (73% disapproval, 18% approval). We did not ask about the legislature's performance in handling the state budget and taxes in the May 2006 PPIC Statewide Survey.

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

	City Officials	Residents*
Approve	51%	34%
Disapprove	38	52
Don't know	11	14

*Resident responses from the PPIC Statewide Survey, May 2006

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

	2005	2006
Approve	18%	14%
Disapprove	73	69
Don't know	9	17

The Governor's Budget Plan

Governor Schwarzenegger's plan for the next fiscal year includes increased spending on K-12 public education, health and human services, higher education, corrections and prisons, and transportation. Fifty-five percent of California city officials say they are satisfied with this plan, compared to 31 percent who are dissatisfied. This year's satisfaction with the governor's budget is similar to that in 2005 (56% satisfied, 35% dissatisfied).

Among the state's residents, satisfaction with the governor's budget plan in May 2006 was similar to that of city officials and decidedly more positive than a year ago (44% satisfied, 47% dissatisfied, May 2005).

City officials in parts of Southern California other than Los Angeles (69%) are more likely to say they are satisfied with the governor's budget plan than city officials in the Central Valley (46%), San Francisco Bay Area (54%), or Los Angeles (61%). City officials in the largest cities, those over 100,000 in population, are more likely than others to say they are satisfied with the governor's budget plan (74%), while city officials in cities under 10,000 in population are least likely to be satisfied (40%).

The governor's plan does not include tax increases. One in three (33%) California city officials say the governor's plan should have included tax increases, compared to 58 percent in 2005. No notable differences are evident across cities of different sizes and among regions of the state. We did not ask if the governor's plan should include taxes in the May 2006 PPIC Statewide Survey.

"In general, are you satisfied or dissatisfied with the governor's budget plan?"

	City Officials	Residents*
Satisfied	55%	57%
Dissatisfied	31	30
Haven't heard anything about the budget (vol)	--	6
Don't know	14	7

*Resident responses from the PPIC Statewide Survey, May 2006

"Do you think that tax increases should have been included in the governor's budget plan?"

	2005	2006
Yes	58%	33%
No	30	49
Don't know	12	12

Fiscal Reform

City officials were also asked about their perception of the need for changes in California's state and local system of finance. Nine in ten (89%) say that either major (45%) or minor (44%) changes are needed. However, California city officials were less likely to point to a need for major changes in 2006 (45%) than in 2005 (76%), and more likely to say that minor changes are needed (44% and 21%, respectively). No notable differences are evident across cities of different sizes or among regions of the state.

City officials were asked about two specific reform ideas having to do with reducing the current vote requirements to pass local special taxes and the state budget. Four in five (79%) say that they think it is a good idea to replace the two-thirds vote requirement with a 55 percent majority vote for voters to pass local special taxes. Three in five (60%) also think it is a good idea to replace the two-thirds vote requirement with a 55 percent majority vote for the state legislature to pass the state budget.

City officials in Los Angeles (74%) and the San Francisco Bay Area (72%) are more likely to support changing the vote requirement for the state legislature than city officials in the Central Valley (54%) and Other Southern California (51%).

California residents are much less enthusiastic than California city officials when asked to consider these two specific changes to the state and local system of finance. About four in 10 say that they think it is a good idea to replace the two-thirds vote requirement with a 55 percent majority vote for voters to pass local special taxes (38%) or that it is a good idea to replace the two-thirds vote requirement with a 55 percent majority vote for the state legislature to pass the state budget (42%).

“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?”

	2005	2006
Major changes	76%	45%
Minor changes	21	44
No, no changes	1	9
Don't know	2	2

“Do you think that...?”

(% responding “good idea”)	City Officials	Residents*
Replacing the 2/3's vote requirement with a 55 percent majority vote to pass local special taxes is a good idea or a bad idea?	79%	38%
Replacing the 2/3's vote requirement with a 55 percent majority vote for the state legislature to pass the state budget is a good idea or a bad idea?	60	42

*Resident respondents from the PPIC Statewide Survey, May 2006

Local and State Infrastructure Issues

Addressing California’s rising infrastructure needs has been a steady source of policy debate in the state for much of 2006. Proposals and plans have emerged from both the state legislature and the governor, and California voters will have various infrastructure investment options to consider in the November election. California city officials were asked to assess their priorities for state and local infrastructure investment and to assess the performance of state policymakers when it comes to addressing the state’s infrastructure needs.

Please note that 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.

Top Local and State Infrastructure Priorities

City officials were asked what they think should be the top priority for local and state infrastructure projects. Overwhelmingly, city officials say that the priority for state (76%) and local (73%) infrastructure projects and funding should be surface transportation. One in 10 city officials say that the state government should prioritize flood protection (11%) and education facilities (8%), while the local government should prioritize housing (8%). City officials’ priorities for local and state infrastructure are consistent across cities of different population sizes and among regions of the state.

In the May 2006 PPIC Statewide Survey, when residents were asked which of three infrastructure or public works projects should have the top priority for additional state funding, they were much less likely than city officials to name surface transportation. The top choice for residents was education facilities (50%), followed by surface transportation (24%) and flood protection (15%). Seven percent said something else and 4 percent said they didn’t know. The prioritization of education facilities over surface transportation was similar in the January 2006 PPIC Statewide Survey, in which adults were asked to choose from a larger list of infrastructure projects.

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

	Local	State
Surface transportation	73%	76%
Housing	8	0
Flood protection	6	11
Utilities	5	4
Education facilities	2	8
Telecommunications	0	1
Other	5	0
Don’t know	1	0

Local Infrastructure Priorities

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

When it comes to local surface transportation needs, California city officials overwhelmingly say that the top priority should be highways, roads, bridges, and support structures (90%), as opposed to public transportation (3%), airports (1%), waterways and ports (1%), passenger and freight rail (0%), or intermodal facilities (0%).

In the telecommunications arena, three in five (61%) city officials say that broadband capacity should be the top local priority, compared to one in six (16%) who say that emerging technologies should be the top priority; few or none would prioritize cable (4%) or landlines (0%).

In terms of public utilities, city officials point to various water-related infrastructure needs. One in three say that water supply and distribution (32%) or stormwater infrastructure (31%) should be the top local priority. Twenty-three percent also say that wastewater treatment and solid waste disposal should be prioritized.

California city officials' perceptions of the top local priorities for surface transportation, telecommunications, and public utilities infrastructure are consistent across cities of different population sizes and among regions of the state.

In the May 2006 PPIC Statewide Survey, residents were not asked to prioritize local infrastructure choices. However, in the January 2006 PPIC Statewide Survey, when residents were asked for their top priorities from a list of surface transportation projects, they named freeways and highways (38%), ahead of public bus and transit systems (29%), local streets and roads (24%), and carpool lanes (7%). This finding is consistent with earlier PPIC Statewide Surveys, which also find more support for public transportation than does the current city officials' survey.

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

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

Approval Ratings of Infrastructure Planning

When it comes to state policymakers' handling of infrastructure issues, city officials in California give the governor higher ratings than the state legislature. Three in five (60%) city officials say that they approve of the governor's handling of infrastructure issues, compared to one in four (24%) who say they approve of the legislature's handling of these issues.

In the May 2006 PPIC Statewide Survey, 30 percent of residents approved of the way the state legislature was handling the issue of transportation and other infrastructure projects; however, we did not ask about the governor's work on these issues. But in the March 2006 PPIC Statewide Survey, 36 percent of adults approved of the governor's handling of transportation and other infrastructure projects.

Earlier this year, the governor proposed a plan to spend \$222 billion dollars over ten years on infrastructure projects in the state, including surface transportation, education facilities, air quality, water and flood control, jails and prisons, and courts. Currently, four in five (82%) city officials say that they approve of the governor's plan. Support for the governor's plan is high in all regions and among cities of different sizes. Seventy percent of residents said they approved of the governor's infrastructure plan in the May 2006 PPIC Statewide Survey.

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

	Governor	State Legislature
Approve	60%	24%
Disapprove	22	52
Don't know	18	24

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

	City Officials	Residents*
Approve	24%	30%
Disapprove	52	51
Don't know	24	19

*Resident responses from the PPIC Statewide Survey, May 2006, on "transportation and other infrastructure projects"

"Do you approve or disapprove of the governor's plan...?"

	City Officials	Residents*
Approve	82%	70%
Disapprove	7	21
Don't know	11	9

*Resident responses from the PPIC Statewide Survey, May 2006

State Bond Ballot Measures

Overall, city officials in California overwhelmingly (85%) believe that the state government should spend more money on infrastructure projects than it does now. By comparison, in the May 2006 PPIC Statewide Survey, 58 percent of residents said that state government should spend more, 32 percent said the same amount, and 7 percent said less.

The state legislature recently passed a package of state bonds for the November ballot that totals \$37 billion for such infrastructure projects as surface transportation (\$20 billion), education facilities (\$10 billion), flood protection (\$4 billion), and affordable housing (\$3 billion). The bonds would be paid for through the state's general funds, with no new taxes.

When asked whether they favor or oppose the individual bond measures, majorities of city officials in California said that they support each of the four proposals. Nine in 10 (88%) city officials say that they favor the \$20 billion bond proposal for surface transportation. Seven in 10 (72%) city officials favor the \$4 billion bond proposal for flood protection projects. Smaller majorities also favor the \$10 billion bond proposal for school and university construction (58%) and the \$3 billion bond proposal for new affordable housing (57%).

City officials in the smallest cities, those under 10,000 in population, are less likely to favor the \$10 billion bond for education facilities (41%) than city officials in cities over 100,000 in population (83%), between 50,000-99,999 (61%), and between 10,000-49,999 (57%). Support for other bond measures is consistent across different city sizes and across all regions of the state.

While California residents are similar to city officials in their support all four bond proposals, the level of support for the various proposals differs. Among residents, the highest level of support is for the \$10 billion school and university bond (74% residents, 58% officials), while among city officials the highest level of support is for the \$20 billion surface transportation bond (62% residents, 88% officials). Residents were less likely than city officials to support the \$4 billion flood protection bond (62% residents, 72% officials). Support for the \$3 billion affordable housing bond was similar among residents and city officials (60% residents, 57% officials). However, it should be noted that two of the four bond measures received lower support among likely voters — that is, residents most likely to vote in the November election (65% surface transportation, 62% flood protection, 68% education facilities, 49% affordable housing).

"Would you favor or oppose the following bond proposals?"

(% responding "favor")	City Officials Residents*	
	City Officials	Residents*
\$20 billion for surface transportation projects	88%	62%
\$4 billion for flood protection projects	72	62
\$10 billion for school and university construction	58	74
\$3 billion for new affordable housing	57	60

*Resident responses from the PPIC Statewide Survey, May 2006, indicating percent "yes"

Appendix A. City Officials' Survey Methodology

The results presented here are from the *Public 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 that were provided to each city, or were returned by mail, compiled, and coded. Most of the responses were from non-elected senior staff officials, such as city managers. A number of reminders to return the survey were sent. 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 distribution of responses across regions and different city population sizes is similar to surveys conducted in previous years, providing us with an opportunity to contrast the answers to survey questions that were repeated over time.

In analyzing the responses, we contrast cities of different population sizes – less than 10,000; 10,000-49,999; 50,000-99,999; and 100,000 or more. We also compare cities across the major regions of the state. “Central Valley” includes cities in Butte, Colusa, El Dorado, Fresno, Glenn, Kern, Kings, Madera, Merced, Placer, Sacramento, San Joaquin, Shasta, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba Counties. “San Francisco Bay Area” includes cities in Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties. “Los Angeles” refers to cities in Los Angeles County, and “Other Southern California” includes cities in Orange, Riverside, San Bernardino, and San Diego Counties.

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
<10,000	26%	21%
10,000 - 49,999	44%	44%
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 Questionnaire

PUBLIC POLICY INSTITUTE OF CALIFORNIA
LEAGUE OF CALIFORNIA CITIES
NATIONAL LEAGUE OF CITIES

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% (3) Rural municipality 29%
(2) Suburban municipality 55% (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% (3) User fees/charges 6% (5) Federal revenues 1%
(2) Sales tax 53% (4) State revenues 2% (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
Able | Less
Able |
|---|----------------|--------------|
| 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% (4) Other answer 10%
(2) Mostly through spending cuts 51% (9) Don't know 1%
(3) Mostly through tax increases 3%

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/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% (5) Utilities 5%
(2) Education facilities 2% (6) New affordable housing 8%
(3) Flood protection 6% (7) Other 5%
(4) Telecommunications 0% (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) Stormwater 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** – surface transportation, education facilities, flood protection?
(Circle one)

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

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% | (3) Not a problem 2% |
| (2) Somewhat of a problem 31% | (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% (3) No, no changes 9%
(2) Yes, minor changes 44% (9) Don't know 2%

24. Do you think that replacing the two-thirds (67%) vote requirement with a 55 percent 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 percent 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!!!

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