



**RIPEC**

# Comments on Your Government

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## A Survey of Rhode Island Voters' Opinions of Tax and Spending Issues

RIPEC commissioned Opinion Dynamics Corporation of Cambridge, Massachusetts to conduct a poll in order to gauge public opinion about tax and spending issues in the Ocean State. This report summarizes the main findings of a statewide telephone survey of 400 Rhode Island voters. Interviews were conducted during the evening and weekend hours of January 5 – 8, 2006.

### Executive Summary

The mood in Rhode Island is very favorable for a constitutional amendment that would limit the growth of property taxes and slow increases in state spending. Voters overwhelmingly think Rhode Island taxes are higher than in other states, and they do not think the state government is effectively fulfilling many of its core responsibilities—especially responsibilities related to keeping taxes low and spending taxpayer money wisely.

When voters are asked to name the most important problem facing the state today, *taxes* is the most frequently volunteered response. A majority (58%) of voters believe that the current levels of taxes and government spending in the state *discourage business from moving to Rhode Island*.

When asked to rate the job the state government is doing in fulfilling core responsibilities, voters give net-negative ratings in seven of eight areas. Nearly 9-in-10 voters give the state government a negative rating for *keeping taxes as low as possible*, while 8-in-10 give negative ratings for *setting budget priorities and spending wisely*. Even in the core social service areas of education and health care, voters give negative job ratings by about a 2-to-1 margin. *Maintaining public safety* is the only area tested in which the government receives a positive job rating.

Voters initial reaction to a constitutional amendment that would set limits on the amount state spending could increase and limit the growth of property taxes is very favorable—nearly three-quarters (72%) say they would vote for such an amendment, 17% say they would vote against it, while the remaining 12% are not sure how they would vote. Support for the constitutional amendment is high across all demographic subgroups of voters, including: Democrats (74%) and Republicans (71%); voters under age 45 (72%) and older voters (71%); voters from households earning less than \$50,000 (75%) and those with household earning over \$100,000 (68%).

Voters react even more favorably to some of the specific components of the amendment than they do to the amendment as a whole. Three of the main components of the amendment are supported by over three-quarters of voters—a meaningful rainy day fund (83%), a limit on state spending (79%), and a limit on increases in property taxes (77%).

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It is also worth noting that the constitutional amendment could be an issue with leverage in upcoming elections. The majority of voters say they would be more likely to support a candidate for governor (59%) or legislature (57%) who supports the amendment, while very few (7% and 8%, respectively) say a candidate’s support for the amendment would make them less likely to support a candidate.

## Summary of Key Findings

### *Mood of the electorate*

Voters are equally likely to say things in Rhode Island are *pretty seriously off on the wrong track* (41%), as they are to say things are *generally headed in the right direction* (41%).

### *The tax environment*

Across a range of measures, it is clear that voters think state taxes are too high.

- Three-quarters (75%) of voters say the state and local taxes they pay are too high, 22% say they are about right, and 1% say they are too low.
- Over three-quarters (77%) of voters think Rhode Island’s taxes are higher than other states—fully 55% say they are *a lot higher*, while 22% say they are *a little higher*.
- A majority (58%) of voters think that state taxes and government spending in Rhode Island *discourage businesses from moving to, or expanding in Rhode Island*.

The property tax is the most disliked of the three major taxes in Rhode Island.

- If one tax was going to be permanently reduced, 58% would choose the property tax, 20% would choose the sales tax, and 19% would choose the income tax.
- If one needed to be increased, 42% would choose the sales tax, 20% would choose the income tax, and only 11% would choose the property tax.
- Among those who think the tax burden in the state is unfair, 58% think the property tax is the least fair, 26% say the income tax, and 14% say the sales tax.

### *State government’s job performance ratings*

Voters were asked to rate the job state government is doing in eight areas, using a scale of excellent, good, only fair, or poor. The eight areas and the ratings are presented below.

	<u>Excel/Good</u>	<u>Fair/Poor</u>	<u>Diff</u>
Maintaining public safety	56%	42%	+14
Protecting the environment	46	51	-5
Providing quality education for RI children	33	63	-30
Promoting economic development and job creation	32	64	-32
Providing health care for the poor and elderly	23	71	-48
Building and maintaining roads and bridges	22	78	-56
<b>Setting budget priorities and spending wisely</b>	<b>12</b>	<b>80</b>	<b>-68</b>
<b>Keeping taxes as low as possible</b>	<b>10</b>	<b>88</b>	<b>-78</b>

Voters were also asked which two of the eight items are most important to them personally. The three most commonly selected items were *providing quality education for Rhode Island children* (44%), *providing health care for the poor and elderly* (41%), and *keeping taxes as low as possible* (37%).

***Reactions to proposals***

Voters were asked about two specific proposals related government spending and taxes. Exact question wording and responses are shown below.

	<u>For</u>	<u>Against</u>
<i>Some people have proposed a law that would limit increases in local property taxes to no more than 4% per year. If local leaders want larger increases, they would need to get approval from a majority of voters. Would you favor or oppose such a law?</i>	75%	20%
<i>How would you vote on a constitutional amendment that would set limits on the amount state spending could increase, limit the growth of property taxes, set aside a rainy day fund, and contain an escape clause in event of emergencies?</i>		
<i>All:</i>	72	17
<i>Republicans:</i>	71	20
<i>Democrats:</i>	74	17
<i>Other voters:</i>	73	13
<i>Liberals:</i>	70	20
<i>Moderates:</i>	60	20
<i>Conservatives:</i>	79	13
<i>Age 18 – 44:</i>	72	19
<i>45 – 64:</i>	74	15
<i>65 or older:</i>	66	16
<i>&lt; \$50,000:</i>	75	11
<i>\$50 - \$100,000:</i>	79	12
<i>\$100,000+:</i>	68	26

Voters were asked if they support or oppose the four main components of the amendment. Complete question wording and responses are shown below.

	<u>Support</u>	<u>Oppose</u>
<i>The amendment would require that the state set some money aside each year in a rainy day fund, so that during bad economic times vital services will not have to be cut as deeply as in the past.</i>	83%	12
<i>The amendment would stop state government's spending from increasing by any more than the rate of growth of personal income in the state.</i>	79	15
<i>The amendment would limit the amount by which local governments could increase property taxes.</i>	77	19
<i>The amendment will have an emergency provision permitting the legislature to increase spending by more than the established limit if 66% of the members agree.</i>	41	52

***Impact on vote choice***

Voters were asked if they would be more or less likely to support a political candidate who supported a constitutional amendment setting limits on the amount state spending could increase.

- A majority (57%) of voters would be more likely to support a candidate for the state legislature if he or she supported the proposed amendment (35% *much more*, and 22% *somewhat more*); 28% say a candidate's position on the amendment would not make any difference to them; only 8% would be less likely to support a candidate for the state legislature who supported such an amendment.
- 59% of voters would be more likely to support a candidate for governor if he or she supported the proposed amendment; 25% say it wouldn't make a difference to them; only 7% would be less likely to support the candidate.

**RIPEC Comments**

Believing that the cost of government should not grow faster than the ability of the community to pay for it, RIPEC is part of the Affordable Rhode Island Coalition. The Coalition is promoting a Constitutional Amendment to enhance fiscal discipline and promote affordable government. The following is a description of the salient points of the proposed Constitutional Amendment.

# **Brief Explanation of the Constitutional Amendment**

## **State Limitations**

1. No appropriations, supplemental appropriations or budget act shall:
  - a. Cause the aggregate State general revenue appropriations to exceed 98% of available general revenues; and
  - b. Total general revenue appropriations shall not exceed the product of total general revenue appropriations for the base year and the sum of the CPI + 1.5% for each year after base year.
2. Any unencumbered general revenue shall be transferred to a budget reserve account until the amount of money in that account equals 5% of State general revenues.
3. After making the allocation to the budget reserve account, the first 2% of unencumbered general revenues shall be appropriated to fund capital projects or unfunded State pension obligations.
4. The balance of any unencumbered funds shall be refunded to taxpayers in a manner recommended by the Governor and approved by the General Assembly.
5. Upon the request of the Governor and with approval of 2/3 of the entire membership of the General Assembly, funds in the budget reserve fund may be used to fund the costs related to an emergency.
6. The limit contains a sunset provision and every 10 years the voters will be asked to extend the limitation.
7. The Superior Court shall have jurisdiction to adjudicate an action alleging violation of these provisions. Provides standing for general officers and any person economically aggrieved.

## **Local Limitation**

1. The annual aggregate property tax levy in each municipality shall not exceed 2.5% of the full market value of property.
2. The increase in the aggregate property tax levy for any fiscal year shall not exceed 4% of the property levy for the prior fiscal year.
3. Taxpayers may not exceed the 4% levy limit without the prior approval of a majority of the voters of that municipality.
4. Exception to the 4% levy limit exists to cover:
  - Revenue losses resulting from reduction in net State aid compared to the prior year; and
  - Increases in debt service costs from the immediate preceding fiscal year in excess of the 4%.
5. There is an anti-mandating provision whereby the State shall not impose on any municipality any part of the total cost of new programs or services or increases in existing programs and services, unless a specific State appropriation is made to pay the local unit.