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Institute for Public Policy & Social Research

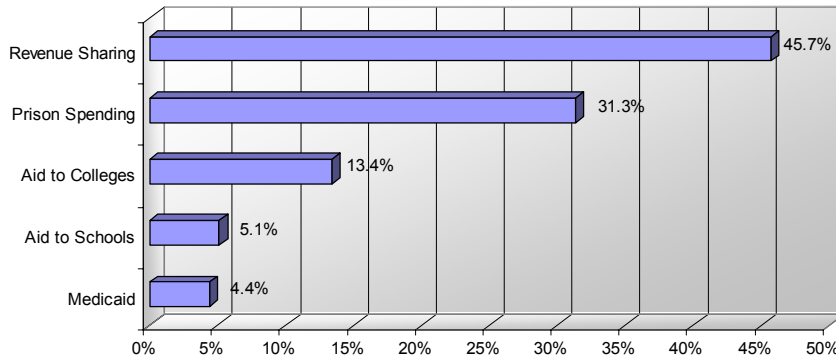
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STATE of the STATE Survey

Addressing the Budget Crisis: Michigan Residents Speak Out

Addressing the Budget Deficit: What Should be Reduced First by State Government?



Reducing the Deficit: What Should We Cut?

The twenty-ninth round of the Institute for Public Policy and Social Research (IPPSR) State of the State Survey (SOSS) queried 1,017 Michigan residents on their preferences for dealing with Michigan's budget crisis, priorities for Michigan's governor and legislature, trust in various levels of government, and personal financial condition.

When given a set of options on what the government should do first in addressing the current budget deficit, residents were most likely to prefer cutting state revenue sharing and prison spending and least likely to cut aid to colleges, schools, and Medicaid. A separate question, which will be detailed later, revealed that they were also unlikely to support tax cuts. Provided below is a brief overview of responses by category.

Some 46% of respondents said the state should first reduce revenue sharing to local governments as a means to address the current state budget deficit.

Respondents were supportive of cutting prison spending (31%); however, when asked whether they favored or opposed

the early release of prisoners, most (63%) opposed it.

Citizens were reluctant to reduce aid to colleges: only 13% of respondents chose this option. Interestingly, when SOSS was administered in 2002, Michigan residents also saw a strong connection between the state's public colleges and universities and the economy. Some 88% said that the role of colleges in the state economy was very or somewhat important.

One of the most unpopular items to cut to address the budget crisis was school funding. Only 5% of respondents favored this approach.

Respondents were also unlikely to favor cutting Medicaid (4%) to reduce the budget deficit.

In a separate question, respondents were asked "If the state government decided to raise taxes to reduce the deficit, which type of tax would you favor most?" There was a lack of consensus on which approach was best here. Some 39% preferred delaying income tax cuts, 33% preferred delaying the single business tax cuts, and 28% favored expanding the sales tax to include services such as doctors, repair service, and dry cleaners.

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Study Methodology

The Institute for Public Policy and Social Research conducted the twenty-ninth round of the State of the State Survey (SOSS-29) by phone with 1,017 Michigan adult residents during January 21-March 10, 2003. The margin of sampling error was + 3.1%.

This edition of SOSS includes questions on citizens' concern about the economic outlook, unemployment, trust in government, the most important problem for the legislature and governor, and questions related to healthcare and taxes.

About SOSS

IPPSR's State of the State Survey is the only survey conducted in Michigan that provides a regular systematic monitoring of the public mood on important issues in major regions of the state. More information on SOSS is online at: www.ippsr.msu.edu/SOSS.

Overall support of SOSS is provided by the Dean of the College of Social Science and the MSU Office of the Provost.

Priorities for Michigan's Governor and Legislature

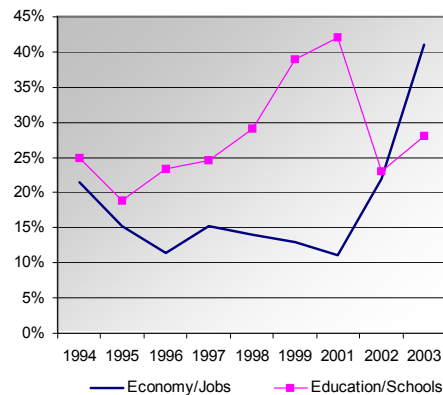
Since the inception of SOSS in 1994, Michigan residents have been asked about their top priorities for Michigan's governor and legislature. In this open-ended question, respondents are able to list any issue they consider to be most important. While jobs and the economy have been among the top priorities in many of these surveys, they are ranked higher than ever in 2003, surpassing education for the first time.

While 41% of respondents said that the economy and jobs were the most important issue for Michigan's government to grapple with, only 28% cited education and schools. This is quite a jump in priority for economy and jobs considering the average for the past eight years has been 15%. While the 28% for education matches its eight year average, this is the first time any issue has outranked education in this survey.

The 2003 ranking was higher than last year's ranking (23%), but considerably lower than in 1999 (39%) and 2001 (42%).

There were significant differences by region as to whether respondents cited

Economy and Education: Most Important Issue Ranking for the Governor and Legislature



economic or educational issues as top concerns for the governor and legislature. The UP, West Central, East Central, and Southeast regions favored economy and jobs over education or schools by at least

17 points on average. Northern Lower Peninsula, and Southwest were more likely to list educational concerns but only slightly above economic ones (averaging 6 points).

Other priorities that were mentioned by respondents were health (8.5%), foreign policy (3.4%), poverty (3.3%), and size of government (3.1%). In the area of health there was some difference by party. While 12% of Democrats said it was the most important issue only 3% of Republicans felt that way.

In a separate question, respondents were asked to choose between improving the public schools, providing health insurance to families without insurance, making quality child care more affordable, or lowering taxes. Michiganians were most likely to prefer providing health insurance and improving schools. Some 46% of respondents said providing health insurance should be a top priority, 29% said improving schools, and only 17% thought that lowering taxes was the most important.

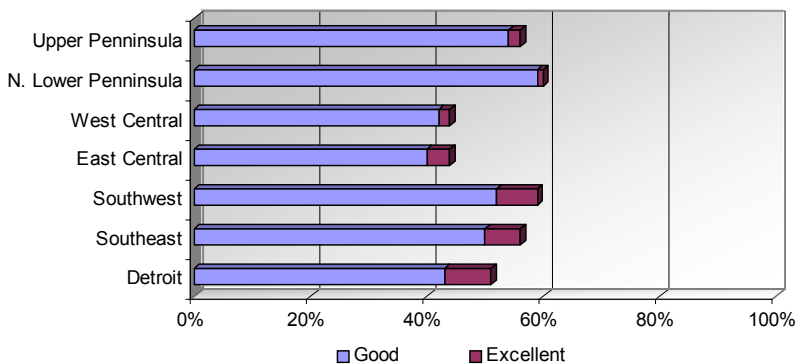
Financial Condition

In each round of SOSS, respondents are asked a series of economic related questions. When asked to evaluate their current financial situation in this edition of the survey, slightly more than half (53%) of Michiganians said that it was excellent or good. This is a decline from a year ago, when 61% felt this way. In 2003 one out of six (15%) rated their current situation as not so good or poor, while one-third (32%) rated it as fair.

Regionally, there was some variation among respondents. The West Central and East Central regions fared worst. Some 44% in each of these regions rated their financial situation as good or excellent. The Northern Lower Peninsula was doing the best with 60% of respondents reporting they were doing good or excellent. Detroiters on the whole were not distinctly worse off than other Southeast Michigan residents (51% and 55% respectively).

As is consistent with past surveys, there was a sharp divide by race in respondents' reporting of personal financial situation. Whites were much more likely than African Americans to

Perception of Current Financial Situation by Region



say they were doing excellent or good (56% versus 42%). When viewed by region there are even starker differences. While whites outside of Detroit were doing better than the statewide average (54%), African Americans outside of Detroit fared far worse (37%). At the same time, African American Detroiters were not doing much worse than Michiganians as a whole, with 50% saying their situation was good or excellent.

There was also a slight difference by gender. While just more than half of men surveyed rated their situation excellent or good (51%), some 55% of women rated their situation that way.

Trust in Government

In the aftermath of September 11, 2001 trust in the federal government rose sharply. This pattern in Michigan was typical of the country as a whole, but the SOSS surveys suggest that this "rally effect" for federal government has begun to wear off. Trust is beginning to return to more "traditional" levels in which Americans (including Michiganians) trust their local government most, state government less, and federal government least. In 2003, while more people trust local government (38%) than state (27%) or federal (26%), the gap has closed to just 10 percentage points.