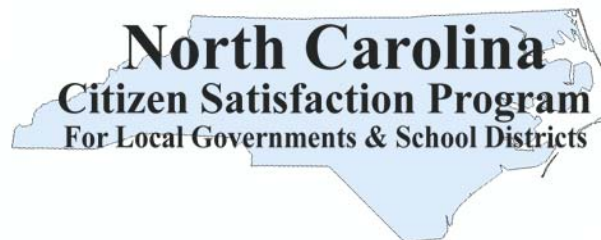


The North Carolina Budget Crisis: An Internet Demonstration Survey

Summary Report

February 2003



For information on this demonstration survey, or the FGI-Hertzog Research North Carolina Citizen Satisfaction Research Program, please contact

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Executive Summary and Methods

Executive Summary

In this Internet survey of self-selected, adult North Carolinians, the respondents seem at first bluish to speak clearly with respect to the state's budget crisis: a majority say the state budget should be balanced through spending cuts alone, without any tax increases. A combined 84% say the state should cut more spending than it raises in new tax revenue in order to close the budget deficit.

However, when asked about their support for spending cuts in each of 25 broad areas, the respondents' enthusiasm for budget-cutting wanes. As seen on page 4, in only one instance, cutting general government operations budgets, does a spending reduction gain the support of a tentative majority. In the respondents' collective view, several "big-ticket" categories of services are off-limits to cuts: emergency services, schools, law enforcement, services for the elderly and disabled, and health care for the poor and uninsured.

On 22 of the 25 spending categories, there was no significant difference between the attitudes of respondents who were receptive to at least some tax increases and those who said they were not. Indeed, on two of the three categories where differences were found—community colleges, and job training and placement programs—the "no new taxes" respondents were *more opposed to cuts* than were the rest of the respondents.

As shown on page 5, **five forms of revenue increases gain more support in our sample than any category of spending cuts.** Enactment of a state lottery was most strongly preferred, followed by increases in "sin taxes" on alcohol and tobacco sales, raising corporate income taxes, and increasing fees for hunting and fishing licenses.

These preferences with regard to spending and revenue hold true, in nearly identical order of preference, even among those respondents who initially said they were most opposed to tax increases.

Survey Methods

This demonstration survey was conducted via the World Wide Web. Members of the FGI Research proprietary "SmartPanel" of Internet consumers who were North Carolina residents, age 18 or older, were invited to participate via electronic mail between January 31 and February 6, 2003. A total of 498 valid responses were received. Although no scientific sampling has been attempted, in order to correct for inherent demographic biases, the results have been statistically weighted to account for differences in demographics between the respondents and the most recent North Carolina Census data available for persons age 18 or older.

In addition to the data reported here, the survey contained a number of questions relating to quality of life in the local community, performance ratings of state and local governments and public schools, the respondents' views on several public-policy issues now before the state government, and their sources of state and local news. In the interest of clear focus and brevity, only the results of the budget-related questions are reported here, along with appropriate demographic and attitudinal data used in analyzing attitudes toward state spending and taxes. Complete top-line results, including a copy of the questionnaire, are available upon request from Hertzog Research at the address on the front page of this report.

WARNING

This survey was conducted, and these results are presented, ONLY for demonstration purposes. Because this is a self-selected, Internet-based sample, these results are not scientific, and they *must not* be reported or interpreted in any way as representing the views of North Carolinians as a whole, or even of Internet users in North Carolina.

The Budget Paradox

The first budget question asked respondents to indicate the general mix of spending cuts and tax revenue increases they thought North Carolina’s legislators should adopt to close the serious state budget deficit. As shown at right, an absolute majority of our respondents initially said the state budget should be balanced through spending cuts alone, without any tax increases. The spending-cuts-only (or “no new taxes”) respondents were found most often in three general clusters:

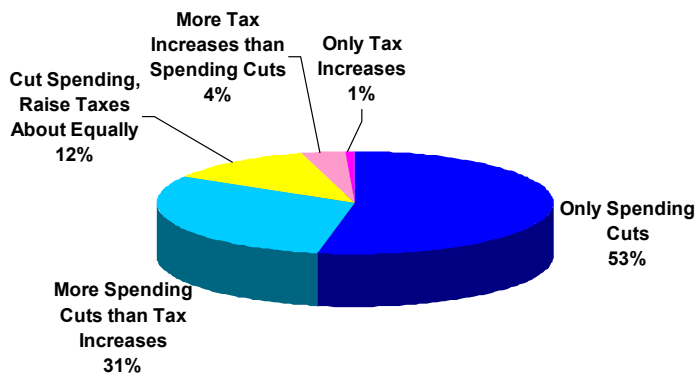
- Struggling blue-collar workers with modest incomes and education levels, especially in the Triad and in western North Carolina;
- Political conservatives, especially self-identified Christian conservatives; and
- “Nesting” families of parents usually in their later 30s, with above-average incomes, mostly in the larger metropolitan areas.

As seen on the next page, in only one instance, cutting general government operational budgets, do spending reduction gain the support of a tentative majority. Public transit and welfare programs fall next in order of the respondents’ preferences for cuts, probably because most of our Internet sample need not make use of these services.

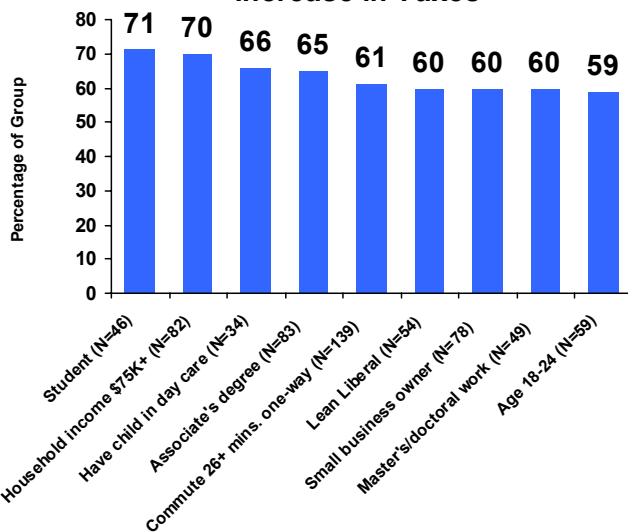
It is interesting that three social-service categories fall among the six with the greatest opposition to spending cuts: health care for the poor and uninsured, and services for senior citizens and persons with disabilities. The three other categories in which budget cutting is taboo are more predictable: emergency services, public schools, and law enforcement.

That first cluster of new tax opponents discussed above – the struggling blue-collar workers – were stronger supporters of cutting general government operations than were other respondents, but they actually were significantly more likely to *oppose* budget cuts to community colleges, and in job training and placement programs than were people who were more receptive to tax increases!

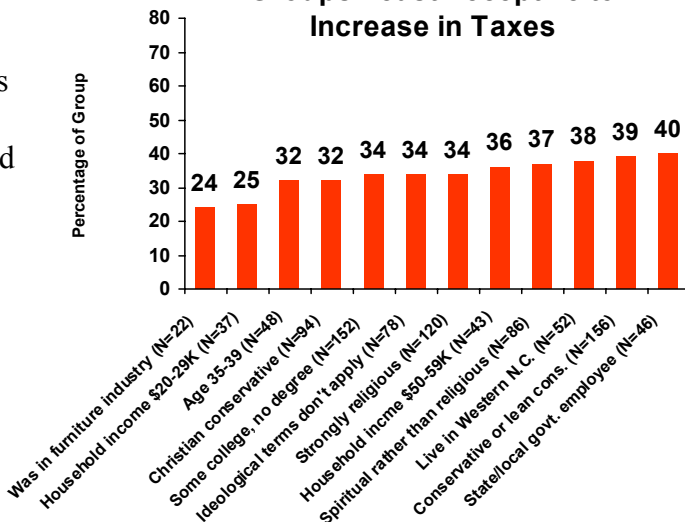
How to Balance the State Budget
(N=456)



Groups Most Receptive to Some Increase in Taxes

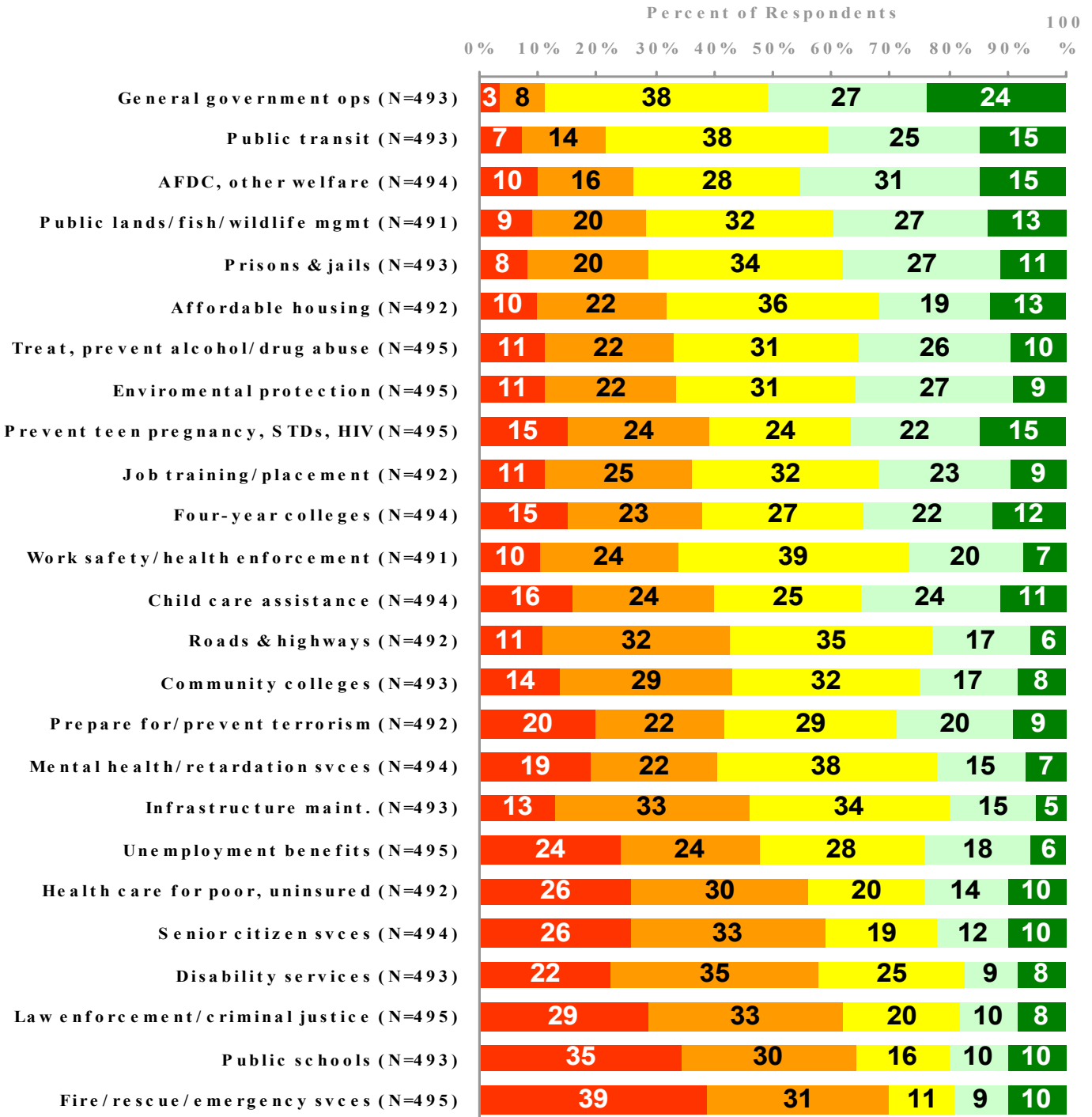


Groups Least Receptive to Increase in Taxes



Spending Priorities

Where to Cut State Spending



■ Strongly Oppose Cuts
■ Tend to Oppose Cuts
■ Could Go Either Way
■ Tend to Support Cuts
■ Strongly Support Cuts

■ Tend to Oppose Cuts
■ Tend to Support Cuts

Raising Revenue

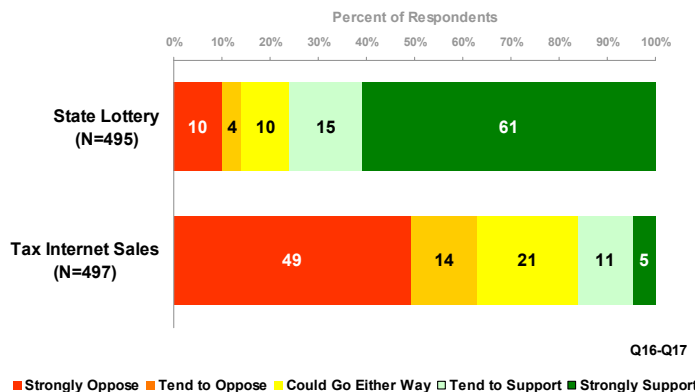
How to close the budget gap, then, with such little enthusiasm for cutting spending in actual practice? Unquestionably, the easy and popular first choice among our respondents to raise money for these programs and services is to create a new, voluntary revenue source: a state lottery.

The strongest support for a lottery came from those aged 18 to 24, those who had taken no college courses, those with children in day care, and people with no health insurance! The strongest opposition, relatively speaking, was from self-identified Christian conservatives and from retirees; yet in the latter group, there were slightly more lottery supporters than opponents.

There was no significant difference between those who were receptive to new taxes and those who were not; both supported the lottery proposal in similar proportions.

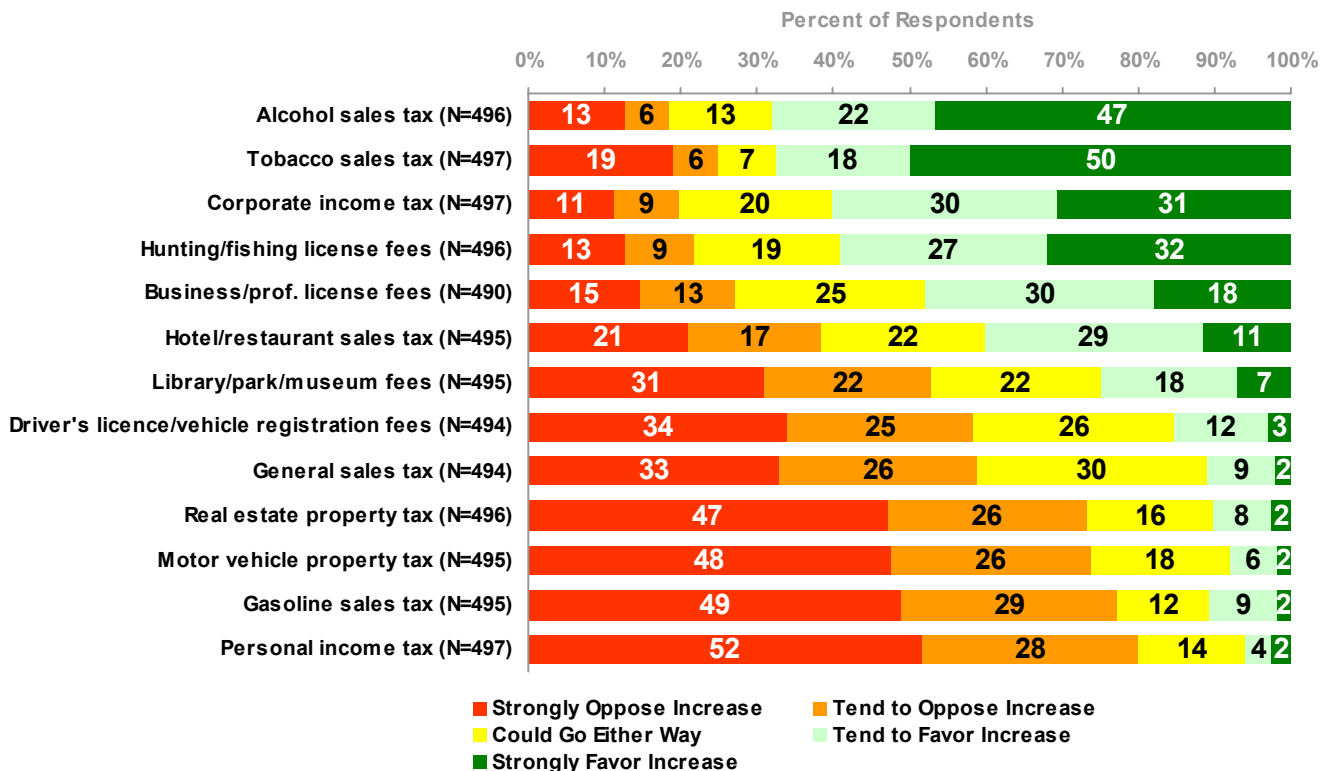
It is not surprising that most respondents to this Internet-based poll were strongly opposed to taxing Internet sales.

New Revenue Proposals



As shown below, four sets of tax and fee increases gain more support in our sample than *any* category of spending cuts. Increases in “sin taxes” on alcohol and tobacco sales were easy winners, followed by raising corporate income taxes, and increasing fees for hunting and fishing licenses. Increases in individual income taxes, property taxes, general sales taxes, and motor vehicle fees are out. (Our respondents love their cars, trucks, and SUVs, and are sensitive to increased transportation costs.)

Support for Specific Tax or Fee Increases



“No New Taxes?”

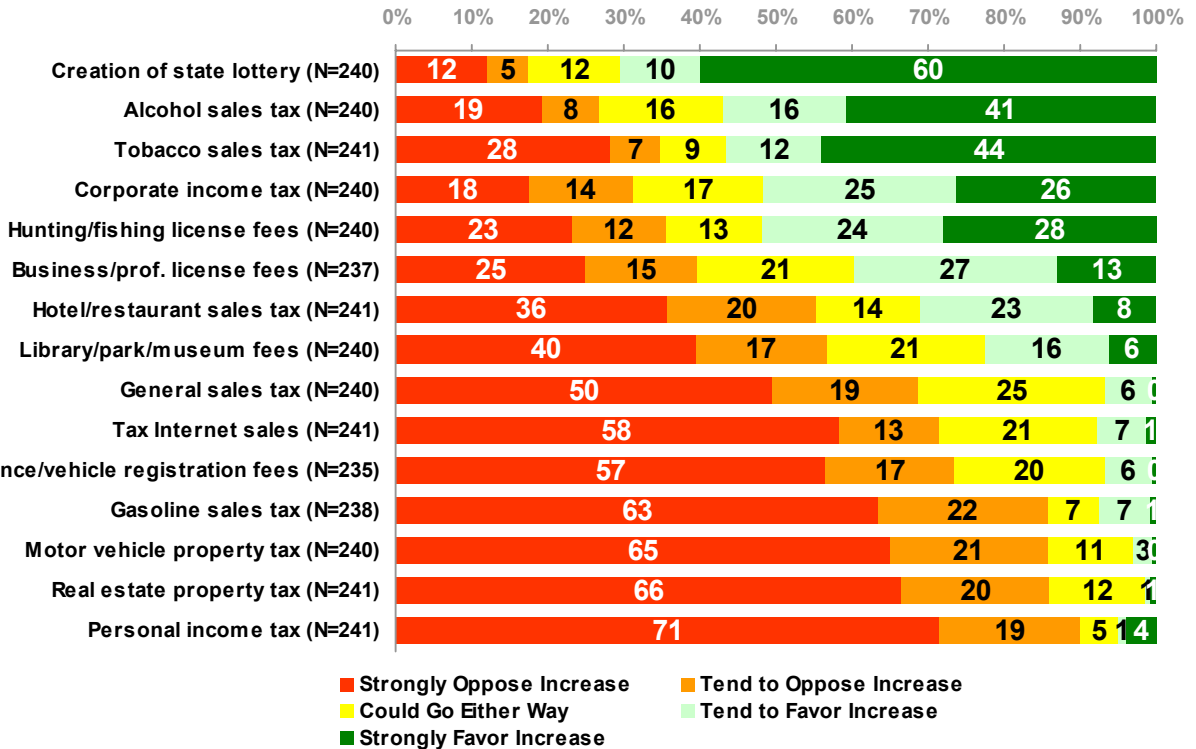
It is extremely interesting that the same pattern of responses held true for those who initially said they would support only spending cuts to balance the budget, and no tax revenue increases.

While the “no new taxes” respondents were significantly less enthusiastic than other respondents about all new tax proposals (other than the lottery, which many don’t regard as a new tax), they gave firm majority support to increasing sales taxes on alcohol and tobacco, and tentative majorities to raising the corporate income tax, and increasing hunting and fishing license fees.

Note that the order of preference (or lack thereof) for increases is nearly the same among the spending-cuts-only respondents below as for the sample as a whole.

Support for New Taxes or Revenues among "No New Taxes" Respondents

Percent of Respondents



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