

# Beyond Wishful Thinking: Californians Deliberate State Budget Reform



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## Executive Summary

Most Californians have not yet come to grips with the enormity of the challenges facing the state's budget and governance systems. Misconceptions and wishful thinking abound. Under these circumstances, people's surface opinions are highly unstable. While polls and focus groups can take snapshots of opinions, they provide little sense of how those opinions are likely to evolve as people learn, or of the kind of leadership initiatives that can help advance such a learning process.

To help provide this insight, Viewpoint Learning, sponsored by California Forward, conducted six day-long *Choice-Dialogues*<sup>™</sup> with randomly selected representative samples of Californians across the state. These dialogues focused on reforming governance in California – especially how spending decisions are made and money is raised through taxes. We found that when given a chance to connect the dots and overcome wishful

thinking, the public reaches thoughtful and responsible conclusions.

We also found that **as Californians think through issues of governance and budget reform, the much discussed 'red/blue' divide is not the major factor — Californians do not see these questions in strongly partisan terms. Instead, there are major areas of agreement between liberals and conservatives on what approaches make sense and which should be avoided.**

Over the course of the day participants considered many proposals for budget and governance reform. Some they rejected out of hand and others they were willing to consider only if specific conditions were met. **But two potential reforms received quick and widespread support:**

**1. Performance-based budgeting**, in which government sets goals, reviews results, and bases future budget allocations on the results achieved. Participants strongly supported this in every dialogue.

**2. Longer term-budgets/planning** (3-5 years)

Participants then reviewed a series of other proposals and approaches.

• **Changing state/local fiscal arrangements.** Many wanted to shift more authority and resources to local government, and most strongly supported an end to unfunded mandates. At the same time, participants wanted to balance local autonomy with statewide equity to protect communities with fewer resources. Acceptable reforms had to balance both these values. This meant that participants often gravitated towards ideas like block grants that



combine local decision-making with state oversight to maintain equity.

- **Lowering 2/3 vote thresholds** to give state and local governments more flexibility to make budget decisions.
  - At the *state* level, most participants came to view vote thresholds to approve the budget and tax increases as a necessary evil. Participants understood the argument against them but described the threshold as an important protection in a highly polarized political environment – they did not trust either side with so much power, and the 2/3 requirements essentially forced these polarized extremes to talk to each other.
  - At the *local* level the response to lowering vote thresholds was somewhat more favorable, but translating this openness into sustainable support for change will depend on more fundamental work to rebuild trust.

- **Taxes.** Most participants concluded that investing in programs that benefit Californians is more important than keeping taxes low. But not just *any* tax:
  - All must pay their fair share, without an undue burden on the poor
  - Any new taxes must be earmarked for specific purposes
  - Strong reservations about modifying Proposition 13

**The major and recurring theme in all of the dialogues was the need to change the relationship between Californians and their governments. Participants repeatedly expressed their mistrust of government and called for greater accountability and transparency. As the dialogues proceeded it became clear that these were really calls for more effective and honest two-way communication with their governments. Public support for more fundamental reform (e.g. changing 2/3 vote thresholds, reforming Proposition 13) will depend on steps to strengthen trust and two-way communication between government and the public.**

## Conclusions

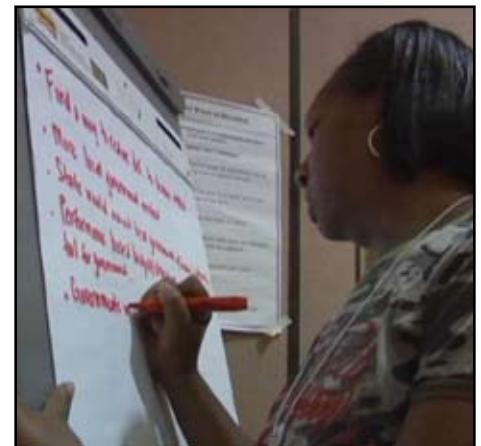
This research suggests a number of steps — and a sequence of steps — that leaders and others can take to build public trust and sustainable support for budget and governance reform.

- **Build on common ground.** The Choice-Dialogues revealed that Californians of all ages, incomes and political orientations share a great deal of common ground on issues of governance and budget reform. These areas of agreement provide good starting points where effective leaders can begin building broad-based public support for change. A first step is to focus on the

strongest areas of common ground – in particular performance based budgeting and long-term planning, where most Californians are ready to move quickly.

- **Make rebuilding public trust a priority in its own right.** Rebuilding public trust is a fundamental precondition for public support on a wide range of governance and budget reform issues. As such it should be treated as an objective in its own right. This will involve changing the relationship between Californians and their governments (see below). But as steps are taken to rebuild trust, and as public confidence increases, other governance and budget changes will become more possible (including changes in state/local fiscal arrangements and in taxes).
- **Change the relationship between Californians and their governments.** Rebuilding public trust will depend on more effective and honest two-way communication between Californians and their governments. This was supported almost unanimously in all dialogues and a number of steps to accomplish this are outlined in the report.

Significant, sustainable budget and governance reform depends on building public trust, understanding and support.



Without that, only incremental changes will be possible.

These Choice-Dialogues showed that given the chance to work through the issues and overcome wishful thinking, Californians arrive at thoughtful and realistic conclusions on state budget reform. Far from being unwilling to consider difficult decisions, the randomly selected representative samples of Californians involved in this study were serious and responsible. Beneath their mistrust and dissatisfaction was a deep desire to address the problem and work together to find sustainable solutions.

It would be a serious mistake to underestimate what the public can contribute to the process. When the public feels excluded and believes that important decisions are being made behind closed doors in Sacramento (as they do now), mistrust grows and they are more likely to support measures designed to tie the hands of those they mistrust – ballot box budgeting, term limits and more. But when the public is engaged in a serious way, trust and understanding grow, as does latitude for significant reform. As we saw in microcosm in these dialogues, when Californians know that their voices are being heard and taken seriously, mistrust and wishful thinking turn into a constructive, problem-solving approach and the conversation becomes more realistic.

Engaging Californians in this way is an under-utilized and under-appreciated strategy for breaking through gridlock and advancing significant reform. Californians are willing to do their part to find sustainable solutions — if leaders are willing to meet them halfway.





It is no secret that Californians are increasingly dissatisfied with the direction the state is heading. They see a state losing its economic edge, a health care system in crisis, population outgrowing its housing, transportation and water resources, an education system failing to prepare kids for the future and a growing gap between the state’s ‘haves’ and ‘have nots.’ And – even before this summer’s prolonged budget stalemate – they see a state government apparently incapable of making significant progress on any of these challenges.

While many polls and other research have outlined Californians’ attitudes toward these specific policy areas, and their growing skepticism that state and local leaders can be trusted to resolve any of them, broader issues of governance and budget are farther removed from Californians’ day-to-day experience. Most Californians have not yet come to grips with the enormity of the challenges facing the state’s budget

and governance systems. Misconceptions and wishful thinking abound. Under these circumstances, people’s surface opinions are highly unstable and polls and focus groups (which take snapshots of opinions) provide little sense of how those opinions are likely to evolve as people learn, or of the kind of leadership initiatives that can help advance this learning process. What sort of reforms will the public support and under what conditions? What will it take to restore public confidence in California’s state government?

To help provide this insight, Viewpoint Learning, sponsored by California Forward, conducted six day-long *Choice-Dialogues*<sup>™</sup> on reforming governance in California – especially how spending decisions are made and money is raised through taxes. Choice-Dialogue is an innovative methodology that engages representative samples of the public in working through their views on complex, gridlock issues. Dialogue participants come to understand the pros and cons of various choices, struggle with the

necessary trade-offs of each, move beyond wishful thinking and come to a considered judgment – all in the course of a single eight-hour day. When conducted with a representative sample, Choice-Dialogues provide both a basis for anticipating how the broader public will resolve issues once they have the opportunity to come to grips with them, and insight on how best to lead such a learning process on a larger scale. As a research tool, Choice-Dialogue represents an important means of hearing the thoughtful voice of the unorganized public, and developing a deeper understanding of the solutions they would be willing to support and the conditions for that support.<sup>1</sup>

The findings outlined below are largely consistent with findings of polls like those conducted by the Public Policy Institute of California (PPIC) – but they go beyond poll findings to illustrate how Californians’ views evolve as they work through the issues. Polling responses in California and across the country frequently show a public that wants more services but is

1. A description of Choice-Dialogue methodology can be found in Appendix A.

not prepared to pay for them. But given a chance to connect the dots and overcome wishful thinking, the public reaches more thoughtful and responsible conclusions that may surprise some policy-makers.

We also found that as Californians think through issues of governance and budget reform, the much discussed ‘red/blue’ divide is not the major factor — Californians do not see these questions in strongly partisan terms. Instead, there are major areas of agreement between liberals and conservatives on what approaches make sense and which should be avoided.

## SPECIFIC FINDINGS

The Choice-Dialogues, each with 35-45 randomly recruited Californians, were conducted across the state in April and May 2008.<sup>2</sup> The total sample is demographically representative of the state population. As a starting point for discussion, participants used a special workbook, constructed around four distinct values-based choices (or scenarios) for the future of state government — how spending decision get made and how revenues are raised. These scenarios provided a starting point only for discussion — participants were free to adapt and combine them as they saw fit.

The scenarios were developed based on a Strategic Dialogue session held with a bipartisan group of budget and governance experts and other leaders in Sacramento. These experts and leaders worked together to define the choices and tradeoffs they most wanted to see tested with the public to provide a deeper understanding of Californians’ views and values on budget reform.

The four scenarios are reproduced in the box at the right:

## FOUR SCENARIOS

### 1. STAY ON OUR PRESENT COURSE

In the first scenario we will continue on our present course, making decisions each year about which programs and services we can afford. We will continue to spend and invest more in good economic years and reduce spending in years when the economy is not as strong and revenues are low. We will deal with problems as they come up and not rush to action. We will continue to make budget decisions year-by-year, based on the previous year’s spending. In this scenario we will make no changes in the roles and responsibilities of state and local governments or in the relationship between those levels of government.

### 2. BRING DECISION-MAKING CLOSER TO HOME

In the second scenario authority will shift from state government to local governments. State government will be responsible only for matters that cannot be handled locally. In this scenario local governments will have more responsibility for providing programs and services. They will have more authority to raise money to provide those services. Money raised locally will be spent locally, on programs and services that local leaders and residents decide should have highest priority. The state will provide incentives for local governments in each region to work together.

### 3. FOCUS ON VALUE FOR MONEY

In the third scenario state government will focus on getting the most value for tax dollars and will operate more like a business. It will pay close attention to customers (the public), continuously improve quality and efficiency, and measure results. State government will set long-term goals and will direct funds to those programs and strategies that best achieve specific objectives. In this scenario government will encourage public-private partnerships to solve problems and will focus on providing those services that the private market cannot. Elected representatives will have more authority to make decisions on raising and spending funds, but there will also be increased public reporting on these decisions and their results by an independent agency.

### 4. INVEST FOR THE PUBLIC GOOD

In the fourth scenario, state government will give priority to investing for the future and providing help to those who need it most. The state will make long-term investments in areas like education, health services, environment, public safety and transportation to create a better future for everyone. To ensure this is done effectively, specific objectives and goals will be set for each policy area and there will be annual reports on progress made in achieving those goals. In this scenario, the state will provide more services and will actively engage Californians in setting priorities and reviewing results. Any new taxes will be earmarked for specific purposes to make it easier to “follow the money” and assess results.

2. Dialogues were held in San Diego, San Bernardino, Los Angeles, Fresno, San Francisco Bay Area, and Sacramento. A total of 232 Californians participated.



In all six Choice-Dialogues participants' conclusions were strikingly similar. Except where noted, the findings outlined below represent the conclusions of all six.

### Understanding the problem

Like Californians statewide, Choice-Dialogue participants agreed that the state is fundamentally off course: 72% said the state is on the wrong track. Participants expressed frustration, anger, and mistrust – aimed both at California's leaders and the way the state is run. They saw the effects every day, especially in education, health care, environment, and law enforcement. But relatively few understood at first how these specific policy areas connected to broader questions of governance and budgeting – the learning curve on these more abstract issues was very steep.

*In the good years we spend all the money we have, but in the leaner years we borrow against our future, borrow from our children.<sup>3</sup>*

As they discussed particular policy areas that they felt were falling short, participants began to see a consistent pattern – perhaps the problem was deeper and more systemic than they had originally thought. Many found their way into the broader questions of governance and budget by considering the deficit. Most were aware that the state runs a deficit, but few had thought much about why. Many began with a sense that the state simply spends money on the wrong things – ‘if we reallocate what we waste on X to what we *really* need (which is Y), then the problem will be solved.’

But as they considered the issue further, they came to see that this explanation is inadequate. Two items, in particular, helped people connect the dots:

- The boom and bust budgetary cycle.
- The array of voting thresholds needed for different revenue, spending and budget measures.

As these points sank in, participants began to think that **there is something fundamentally wrong with how the system works and how decisions get made**, and that this affects all the specific policy issues that really mattered to them. As participants saw it, California's budget is not just complicated – too often it's irrational. They saw cuts being made in the wrong places, money spent on the wrong things, and a ‘use it or lose it’ attitude distorting budgetary decisions – when it was even possible to see where the money is going at all. The day's conversation gave participants an especially strong sense that something must be done: at the end of the day, 77% of Choice-Dialogue participants said the state budget process needs major changes (compared to 65% of respondents in a statewide PPIC poll taken at around the same time).<sup>4</sup>

*It seems that, every year we have to set the budget, there are two months before and two months after that everyone is not governing. There's gridlock and there's all that stiffness – things just go to a complete stop.*

### Budget reforms

Over the course of the day participants considered many proposals for budget and governance reform, some they rejected out of hand and others they were willing to consider only if specific conditions were met. But **two potential reforms received quick and widespread support:**

1. **Performance-based budgeting**, in which government sets goals, reviews results, and bases future budget allocations on the results achieved. Participants strongly supported this in every dialogue.
  - Participants saw this as a good way to determine whether money is being well spent and to hold officials to account. They also felt that it would be a better way to make cuts than the current across-the-board approach.
  - Participants strongly supported increased authority and resources for independent audit/reporting, as well as mechanisms that actively solicit public input into setting priorities and assessing programs' effectiveness.

3. Participant comments illustrating key points are taken from all six Choice-Dialogues.

4. PPIC Statewide Survey: May 2008.

*When we're looking at programs, we want to review how not just how much money they made or how much money they spent, but how many people ... were actually affected. Not just – "well, we spent \$10 million out of the \$11 million budget, therefore, we're doing something good." We want to actually figure out a way to judge – did this program actually affect people, did this actually do some good?*

**2. Longer term budgets/planning** (3-5 years), supported by 79% of participants at the end of the day. Participants emphasized that:

- The budget system must be flexible enough to respond to changing circumstances.
- We need to set longer term strategic goals and manage the budget in that context.
- A longer-term plan will bring into clearer view impacts beyond this year and implications for the future and future generations.

Participants felt that these two reforms are especially critical and should be put in place as soon as possible. Many noted that they used similar approaches in their own lives and felt that the state should have been doing this for years.

### *State/Local authority*

**Participants examined the relationship between state and local governments, and were asked to consider whether they believed giving local governments more authority and resources would help to make the system more effective, accountable and responsive.**

- Participants did express greater trust in local government than in state government. At the end of the day, 46% said they trust local government to do the right thing all or most of the time, while only 29% said this of state government. In addition, 66% felt that state government wastes a lot of money vs. 40% for local government. But the level of trust was low even for local government, and especially so in Los Angeles and San Diego.
- Many participants wanted to shift more authority and resources to local government and strongly supported an end to unfunded mandates. But, at the same time, participants wanted to balance local autonomy and statewide equity to protect communities with fewer resources:
  - On the one hand, 78% agreed (25% strongly) that giving local government more control over programs would ensure tax money is spent in ways that reflect community needs. Liberal and conservative participants agreed on this point by virtually identical margins.<sup>5</sup>
  - At the same time 78% agreed (28% strongly) that the state should distribute tax revenues so that poor areas that can't raise much tax money on their own will get more resources they need. Again, both liberals and conservatives agreed on this point by very close margins.

Acceptable reforms had to balance both these values. Participants wanted to maintain strong checks and balances between state and local governments. (We saw similar results in recent dialogues on K-12 education reform, where we found that most Californians support a system in which the state provides broader framework and oversight, and localities have more resources and authority to make decisions in that context).<sup>6</sup> This meant that participants often gravitated towards ideas like block grants that combine local decision-making with state oversight to maintain equity.

*Some counties may be able to run their county a little more effectively by themselves than [with] more state involvement. When they can prove that they are able to do that... – using performance-based budgets and standards, tools to prove their efficiency – they'd get more control. Because we were more concerned about poor communities being affected negatively when they're run by local governments. But if they were able to function correctly they could ... get more authority.*

5. In the Choice-Dialogues, 31% of participants identified themselves as liberal, 43% as moderate and 24% as conservative.

6. See "Moving along the Learning Curve - From Values to Public Judgment: Citizen Dialogues on K-12 Education Reform." Viewpoint Learning, September 2008. <http://www.viewpointlearning.com/publications/reports.shtml>

- In addition, 70% supported giving more control over property tax income to local government (Prop 13 reform). However, participants also expressed strong caution about proposals to modify Prop 13, in part because of their concerns about statewide equity, and even more because of their mistrust that altering one part of Prop 13 would open the door to changing other things they supported more strongly. Given what we observed in these dialogues, we believe that translating this openness into sustainable support for change will depend on more fundamental work to rebuild trust (see below).

### Budget vote thresholds

**Participants also considered reforms to vote thresholds: both giving state and local governments more flexibility to make budget decisions by lowering the 2/3 vote thresholds in the legislature, and easing the threshold needed for voters to pass local tax increases and bond measures.**

- Most participants came to view vote thresholds to approve the budget and tax increases at the *state* level as a necessary evil. Participants understood the argument against them – 58% of participants agreed that requiring 2/3 of the legislature to approve the budget or tax increases gives too much power to a minority to block these actions – however, they felt that it is still better than the alternative. Participants



described the threshold as an important protection in a highly polarized political environment – they did not trust either side with so much power, and the 2/3 requirement essentially forced these polarized extremes to talk to each other.

- At the end of the day 65% still opposed lowering the vote threshold required to raise state taxes, and 58% opposed lowering the vote threshold to pass the state budget.
- At the *local* level the response was somewhat more favorable. When asked whether to reduce the 2/3-vote requirement to 55% to pass local tax increases and bond measures: 54% supported the idea and 45% were opposed (26% strongly opposed). Given what we saw in the dialogues we do not think that this narrow margin of support would hold up in the face of a campaign in the short term, and in any case the level of support measured would not be adequate to make a change.

It is interesting to note, however, that Choice-Dialogue participants responded differently to this question than did the general public in a May 2008 PPIC poll. PPIC respondents and Choice-Dialogue participants both rejected lowering *state* level vote thresholds and did so by similar margins. But Choice-Dialogue participants – after a day of discussion – were more open to lowering thresholds at the *local* level than PPIC respondents (54% of Choice-Dialogue participants supported lowering the local vote threshold vs. only 34% of PPIC respondents). This indicates that the public may be more willing to move on the issue of local vote thresholds as they work through the issue. But more fundamental work would need to be done to translate this opening into sustainable support for change (see below).

*Why [require] a two-thirds majority [in the Legislature]? Because the politicians lost our trust and showed they were unable to restrain themselves. They brought it on themselves.... The idea was that we should revisit this two-thirds vote issue after they've regained our trust. We can think about [changing] the two-thirds vote, but not until then.*

### Taxes

**Participants then considered the question of taxes.**

- Overall participants agreed that government has a positive role to play in providing for the state's citizens. 75% said that "government should do more to solve problems and help meet the needs of people"; only 23% agreed that "government is doing too many things better left to businesses and individuals." Most (58%) also felt that private companies "are too concerned with making profit to provide public services fairly and economically"; only 41% said that the private sector can provide services more efficiently than the state can.
- At the end of the day, 73% of Choice-Dialogue participants said that it was more important to invest in programs that benefit all Californians (like education and transportation) than it was to keep taxes low; and in every dialogue



participants agreed that they would be willing to pay more taxes themselves for such investments. This support was strong among both liberal and conservative participants – with 82% of liberals and 61% of conservatives in agreement.

- Interestingly, compared to PPIC respondents Choice-Dialogue participants were much more open to raising taxes for the things they want. Respondents in PPIC's May 2008 statewide survey expressed strong concern about cuts in spending, especially for education and social services. But when asked whether they would prefer to pay higher taxes for a government that provides more services or lower taxes for a government that provides fewer, PPIC respondents were split 49-43%, a far cry from the 73% preference for investment over low taxes shown in the Choice-Dialogues. In a day of dialogue, of connecting the dots and overcoming wishful thinking, Choice-Dialogue participants were able to go farther in working through this issue: at the close of the day, most Choice-Dialogue participants had made a clearer link between what they wanted from their state government and the taxes they had to pay to get it.

*I'm willing to pay a few bucks more a year if I know that [people's] services are going to be [maintained], or if I know the roads are going to be safe to travel on, and if I know that the schools are going to teach our children so we're not last in the nation.... I don't make that much money, but I would do it for the greater good of the economy, for the greater good of Californians for the future, not just for me. It's going to hit me now but I'm thinking about my daughter, her family, future generations to create a sustainable California.*

**Choice-Dialogue participants were clear that they were willing to pay more in taxes but not just any tax:**

- Taxes must be levied in a way that ensures that everyone pays a fair share, without putting an undue burden on the poor.
- Participants were split on whether to rely more on sales taxes and less on income taxes, with 52% supporting relying more on sales taxes (19% strongly), and 47% opposed (19% strongly).
- Reforming Proposition 13 so that commercial property is reassessed every year (not just when the property is sold) was ultimately favored by 59% statewide and opposed by 42% (24% strongly opposed). Support varied dramatically in different regions, with participants in San Francisco, Fresno and Los Angeles generally in favor, and those in San Diego and San Bernardino considerably opposed (Sacramento participants were split).<sup>7</sup> Participants in all cities were especially sensitive to the impact on small business, and the impact on larger businesses (and on their decisions to stay or invest in California) was a concern to many in a weakening economy. The high levels of opposition and the significant regional variation indicate that this support would not hold up in a campaign.

More important than the specific taxing mechanism, however, was what those taxes would be used for. Participants wanted to be able to “follow the money” and ensure those funds were being used for the purposes intended. To that end, they supported earmarking any new taxes for specific purposes (76% support, 41% support strongly) before they would agree to any new taxes. While they recognized the need to give leaders some flexibility to adapt to changing circumstances, they felt it was more important to keep a close eye on leaders and enforce stronger

7. PPIC's May 2008 survey noted similar regional differences in attitudes toward Proposition 13.

accountability, especially if new taxes were on the table. Participants were skeptical that tax money would go where it was supposed to without a law to ensure that it did.

*We are in support of taxes, as long as they're earmarked and there's accountability for how those taxes are being used. It's not that we like earmarking, but there never seems to be any accountability for whether or not those tax dollars are actually going to the programs that they're supposed to be going toward.*

**Beyond red and blue**

On most of these questions of governance and budget reform the liberal-conservative divide was not strongly in evidence. While a few themes played out along ideological lines – conservatives were more likely to support a role for private companies in providing state services, for instance, and liberals were more likely to favor progressive income taxes over sales taxes – on most issues partisan differences played a surprisingly small part.

The major areas of agreement and disagreement are outlined in the tables at right.

We found that on issues of budget and governance reform, Californians are pragmatists, not ideologues. The first question they ask about possible reforms is not “does this fit my political philosophy”, but rather “will this work?” We have seen

**BEYOND RED AND BLUE**

**STRONG AGREEMENT:  
FEW OR NO DIFFERENCES BY  
POLITICAL ORIENTATION**

	liberals	moderates	conservatives
California is on the wrong track	73	74	68
Need major changes in state budget process	73	82	73
Low trust in state government	68	71	75
Citizens should have more of a role; support for measures to improve two-way communication	86-94	89-95	90-93
Give local government more control over programs and spending	77	78	78
The state should distribute tax revenues to insure equity	80	72	86
Earmark taxes for specific purposes	76	77	77
Move to long-term budgeting (3-5 years)	79	80	75

**MAJORITIES OF ALL POLITICAL  
ORIENTATIONS AGREE, BUT  
WITH SOME DIFFERENCES**

	liberals	moderates	conservatives
State government wastes "a lot" of money	55	69	75
We should invest in programs like education and transportation even if it means higher taxes	82	74	61
Government should do more to meet the needs of people (vs. government is doing too many things best left to individuals & businesses)	88	73	63
Oppose lowering vote thresholds to pass the state budget	52	57	66
Oppose lowering vote threshold to increase state taxes	52	65	75

**WHERE POLITICAL ORIENTATION  
MAKES A GREATER DIFFERENCE**

	liberals	moderates	conservatives
Lower vote threshold to pass local tax measures	59	58	41
Local government wastes "a lot" of money	34	36	55
State should rely more on sales taxes and less on income taxes	46	55	65
Modify Proposition 13 so that commercial property is assessed every year, not just when property is sold	65	63	45
Private companies can do a more efficient job of providing services than the state can	23	41	66

similar responses from Californians on other issues, but it was especially striking in this case. The surprising amount of common ground we found, across the usual political divides, is a promising foundation on which to build widespread public support for governance and budget reform.

*The thing that impressed me the most was, as much as there are a lot of differences in opinion in this room, how many commonalities there were and how many things that we did have a consensus on. What I'd like to say to legislators is, instead of creating this artificial division amongst voters – Democrats, Republicans, or whatever – if we could start focusing on the things that are important to everybody we might actually make some progress.*



### *Accountability, trust and two-way communication*

**The major and recurring theme in all of the dialogues was the need to change the relationship between Californians and their governments. Participants repeatedly expressed their mistrust of government and called for greater accountability and transparency. As the dialogues proceeded it became clear that these were really calls for more effective and honest two-way communication with their governments:**

- Participants strongly supported greater public engagement in the process of setting budget priorities and reviewing results. For example, 81% agreed citizens should have an active role in setting priorities and reviewing the results of government programs (vs. 18% who thought people don't have the time and energy to spend on reviewing government programs).
- Participants strongly supported mechanisms that increase citizen oversight and input, such as citizen advisory/review boards (91% support), surveys on public approval of how programs are working (89% support), and local town meetings (89% support). Participants emphasized that they needed to do more as citizens and play a more active role in the accountability system.
- In this context, participants called for more accessible, understandable and useful forms of public reporting on government activities. They wanted government to be more creative and active in communicating with the public (for example in the design of the communications and in the use of technology to communicate). And they were critical of current efforts to communicate, which seemed to them to be one-way, limited, and not designed to really engage them or understand their views.

*One of the things that really bothers me is that I don't trust officials anymore. Years ago, I used to think they had our best interests at heart, and they really meant the best for society. I've gotten to the point where I don't believe anything they say anymore unless I can prove it myself. I just don't – and that goes for legislative, executive, and judicial. They don't have my trust anymore.*

*I was trying to find out what was happening with the 405 improvement project, which is two blocks from my house, and how long it was going to last. All the information on the CalTrans page was about bidding for contracts. It was like the public didn't exist. Only the contractors existed. I was just appalled by that. There was no one I could go and talk to.*

- Participants expressed resentment of government officials and special interests that think they do not need to play by the same rules as everyone else, those who seem to think they are better than other citizens. Many told stories of how they had tightened their belts when faced with economic difficulties, and they wanted to see government doing the same before asking the public for more funds.

*Say you can't go to a local elected official's office, [but] they have a blog – you can see what they're doing and how they're doing it, what they've achieved, and you can establish some sort of a bond with them and know whether they're doing a good job. Then I would trust them to do more.*

*You have a state budget, but there's no framework to relate it so the people in this room or the other people who are voting can understand. If we were able to put things into a context .. then you can say, I understand how this fits into a broader plan. Then you can start making informed decisions.*

- Participants wanted to see decision-makers treating their viewpoints and concerns seriously, to be able to check what decision-makers say against what they do, and to be able to track the results of those decisions. They also called for reforms to the initiative process that would protect that process but also make initiatives clearer and easier to understand, (many talked of feeling manipulated and confused by the current process with its emphasis on spin and 30-second spots).
- And they wanted to see government succeed – some said they wanted to hear the success stories if they were going to give governments greater degrees of freedom, others said that nothing improves trust so much as success.

Building public support for more fundamental reform will depend on taking steps to strengthen this two-way communication.

## CONCLUSIONS/ RECOMMENDATIONS

Public opinion on complex issues evolves in stages. From an initial stage of highly unstable “raw opinion” the public moves through a series of steps in which they connect the dots, confront tradeoffs, overcome wishful thinking, establish priorities and reconcile choices with their deeply held values. Only when the public understands and accepts responsibility for the consequences of their views, can we say that this “learning curve” is complete.<sup>8</sup> Advancing reform measures before the public is ready to accept them (for example, putting Proposition 13 reform or changes in the 2/3 vote threshold before steps to strengthen trust, accountability and two-way communication) is likely to backfire, even if the proposal is one the public might have ultimately supported given time and effective leadership.



In the course of these Choice-Dialogues, representative samples of Californians were able to move a considerable distance along the learning curve on many governance and budget reform issues, and in a way that was consistent from dialogue to dialogue. This research suggests a number of steps — and a sequence of steps — that leaders and others can take to build public trust and sustainable support for budget and governance reform.

- **Build on common ground.** The Choice-Dialogues revealed that Californians of all ages, incomes and political orientations share a great deal of common ground on issues of governance and budget reform. These areas of agreement represent promising starting points where effective leaders can begin building broad-based public support for change.

- A first step is to focus on the strongest areas of common ground – **in particular performance based budgeting and long-term planning**, where most Californians are ready to move quickly. Californians see these reforms not only as a way to make the system more rational, but even more importantly as a way to increase accountability and transparency, and to provide greater assurance that their tax money is being well spent and

8. Viewpoint Learning founder and chairman Daniel Yankelovich has written extensively on the learning curve process. See, for example, *Coming to Public Judgment: Making Democracy Work in a Complex World*.



for the purposes intended. In all of the dialogues, participants were clear that having such an assurance (by whatever means) is an essential precondition for their support of other budget reforms.

Building on common ground is a way to strengthen trust and to lay the groundwork for tackling more challenging reforms.

• ***Make rebuilding public trust a priority in its own right.*** Rebuilding public trust is a fundamental precondition for public support on a wide range of governance and budget reform issues. As such it should be treated as an objective in its own right. This will involve changing the relationship between Californians and their governments (see below). But as steps are taken to rebuild trust, and as public confidence increases, other governance and budget changes will become more possible:

- **Reforming state-local fiscal arrangements.** We saw in the dialogues that as participants connected the dots and overcame wishful thinking, support for reforming state-local fiscal arrangements grew. Participants supported giving local governments more authority and resources, and were open to lowering local vote thresholds, but on condition that statewide

equity can be maintained and trust (especially in local governments) can be increased. While there appears to be an opening to advance state-local fiscal reform, success will depend on more fundamental efforts to engage the public in working through the issue (advancing along the learning curve), and on rebuilding trust.

- **Taxes.** Participants began the day deeply skeptical of the prospect of new taxes. But as the day went on, they began to recognize that while making the kinds of structural reforms under discussion would certainly help reduce waste and increase efficiency, it might not be enough by itself to deal with the structural deficit or pay for the kind of future they wanted. Participants then defined two key conditions for any new tax: trust and fairness. First, any new monies must be clearly needed, and they must be able to trust that they will be used for the purposes intended and accounted for properly. And second, everyone must pay a fair share. Any proposal for new taxes needs to demonstrate how it meets these two conditions.

- ***Change the relationship between Californians and their governments.*** Rebuilding public trust will depend on more effective and honest **two-way communication** between Californians and their governments. Steps to do this were supported almost unanimously in all dialogues. This will include steps to:
  - Increase public involvement in the process of setting budget priorities and reviewing results.
  - Strengthen mechanisms for citizen oversight and input, such

as citizen advisory/review boards, surveys on public approval of how programs are working, and more effective town meetings designed to foster two-way communication.

- Make ballot initiatives clearer and easier to understand.
- Enhance transparency to show that government officials play by the same rules as ordinary Californians and that special interests do not drown out the public voice.
- Institute more accessible, understandable, creative and useful forms of public reporting on government activities – especially efforts that actively encourage public response and input.
- Identify and emphasize areas of bipartisan common ground before debating partisan differences.
- Treat citizens' viewpoints and concerns more seriously.

Significant, sustainable budget and governance reform depends on building public trust, understanding and support. Without that, only incremental changes are possible.

*The message I would give the decision-makers is to open up your doors. Be more accessible to the public. We want to see you. We want to talk to you. If you want us to vote for you, be there for us.*

These Choice-Dialogues showed that given the chance to work through the issues and overcome wishful thinking, Californians arrive at thoughtful and realistic conclusions on state budget reform. Far from being unwilling to consider difficult decisions, the randomly selected representative samples of Californians involved in this study were serious and responsible. Beneath their mistrust and dissatisfaction was a deep desire to address the problem and work together to find sustainable solutions.

It would be a serious mistake to underestimate what the public can contribute to the process. When the public feels excluded and believes that important decisions are being made behind closed doors in Sacramento (as they do now), mistrust grows and they are more likely to support measures designed to tie the hands of those they mistrust – ballot box budgeting, term limits and more. But when the public is engaged in a serious way, trust and understanding grow, as does latitude for significant reform. As we saw in microcosm in these dialogues, when Californians know that their voices are being heard and taken seriously, mistrust and wishful thinking turn into a constructive, problem solving approach and the conversation becomes more realistic.

Engaging Californians in this way is an under-utilized and under-appreciated strategy for breaking through gridlock and advancing significant reform. Californians are willing to do their part to find sustainable solutions — if leaders are willing to meet them halfway.

## ***Choice-Dialogue: THE METHODOLOGY***

ChoiceDialogue methodology differs from polls and focus groups in its purpose, advance preparation, and depth of inquiry.

### ***PURPOSE***

ChoiceDialogues are designed to do what polls and focus groups cannot do and were never developed to do. While polls and focus groups provide an accurate snapshot of people's current thinking, ChoiceDialogues are designed to predict the future direction of people's views on important issues where they have not completely up their minds, or where changed circumstances create new challenges that need to be recognized and addressed. Under these conditions (which apply to most major issues), people's top-of-mind opinions are highly unstable, and polls and focus groups can be very misleading. ChoiceDialogues enable people to develop their own fully worked-through views on such issues (in dialogue with their peers) even if they previously have not given it much thought. By engaging representative samples of the population in this way, ChoiceDialogues provide unique insight into how people's views change as they learn, and can be used to identify areas of potential public support where leaders can successfully implement policies consonant with people's core values.

### ***ADVANCE PREPARATION***

ChoiceDialogues require highly trained facilitators and (above all) the preparation of special workbooks that brief people on the issues. These workbooks formulate a manageable number of research-based scenarios, which are presented as a series of values-based choices, and they lay out the pros and cons of each scenario in a manner that allows participants to work through how they really think and feel about each one. This tested workbook format enables people to absorb and apply complex information quickly.

### ***DEPTH OF INQUIRY***

Polls and focus groups avoid changing people's minds, while ChoiceDialogues are designed to explore how and why people's minds change as they learn. While little or no learning on the part of the participants occurs in the course of conducting a poll or focus group, ChoiceDialogues are characterized by a huge amount of learning. ChoiceDialogues are day-long, highly structured dialogues – 24 times as long as the average poll and 4 times as long as the average focus group. Typically, participants spend the morning familiarizing themselves with the scenarios and their pros and cons and developing (in dialogue with each other) their vision of what they would like to have happen in the future. They spend the afternoons testing their preferences against the hard and often painful tradeoffs they would need to make to realize their values. To encourage learning, the ChoiceDialogue methodology is based on dialogue rather than debate – this is how public opinion really forms, by people talking with friends, neighbors and co-workers. These 8-hour sessions allow intense social learning, and both quantitative and qualitative measures are used to determine how and why people's views change as they learn.

## STEPS IN A Choice-Dialogue PROJECT

**1. ARCHIVAL ANALYSIS OF POLLS (OR CONDUCTING A SPECIAL ONE) AND OTHER RESEARCH TO PROVIDE A BASELINE READING ON WHAT STAGE OF DEVELOPMENT PUBLIC OPINION HAS REACHED.**

**2. THE IDENTIFICATION OF CRITICAL CHOICES AND CHOICE SCENARIOS ON THE ISSUE AND THEIR MOST IMPORTANT PROS AND CONS, AND THE PREPARATION OF A WORKBOOK BUILT AROUND THOSE SCENARIOS IN A TESTED FORMAT FOR USE IN THE DIALOGUES.**

**3. A SERIES OF ONE-DAY DIALOGUE SESSIONS WITH REPRESENTATIVE CROSS-SECTIONS OF THE POPULATION**

Each dialogue involves about 40 participants, lasts one full day and is videotaped. A typical one-day session includes the following:

- Initial orientation (including the purpose of the dialogue and the use to be made of the results, the nature of dialogue and ground-rules for the session, introduction of the issue and some basic facts about it);
- Introduction of the choice scenarios on the issue, and a questionnaire to measure participants' initial views;
- Dialogue among participants (in smaller groups and in plenary) on the likely good and bad results that would occur as a consequence of each choice if it were adopted, and constructing a vision of the future they would prefer to see;
- A second, more intensive round of dialogue among the participants (again both in smaller groups and in plenary) working through the concrete choices and tradeoffs they would make or support to realize their vision;
- Concluding comments from each participant on how their views have changed in the course of the day (and why), and a questionnaire designed to measure those changes.

**4. AN ANALYSIS OF HOW PEOPLE'S POSITIONS EVOLVE DURING THE DIALOGUES**

We take before and after readings on how and to what extent people's positions have shifted on each choice as a result of the dialogue. This analysis is both quantitative and qualitative.

**5. A BRIEFING TO LEADERS TO MAKE SENSE OF THE RESULTS**

The briefing summarizes what matters most to people on the issue, how positions are likely to evolve as surface opinion matures into more considered judgment, the underlying assumptions and values that shape that evolution, and the opportunities for leadership this creates.

## QUANTITATIVE FINDINGS

### RATINGS OF THE FOUR SCENARIOS

In each ChoiceDialogue, participants were surveyed twice, once at the beginning of the day and again at the end. They were asked to rate their response to each scenario independently on a scale of 1 to 10, 1 being totally negative and 10 being totally positive. The initial mean for each scenario indicates participants' average rating of the choice in the morning; the final mean represents participants' average rating of the same scenario at the end of the dialogue.

	INITIAL MEAN	FINAL MEAN
Stay on our present course	3.4	3.7
Bring decision-making closer to home	5.9	6.5
Focus on value for money	6.4	6.7
Invest for the public good	7.0	7.4

### ADDITIONAL QUESTIONS

1. Do you think things in California are generally going in the right direction or the wrong direction?

	TOTAL %
Right direction	26
Wrong direction	72

2. Do you think the people in STATE government waste a lot of money we pay in taxes, waste some of it, or don't waste very much of it?

Waste a lot	66
Waste some	34
Don't waste very much	1

3. How much of the time do you think you can trust the government in Sacramento to do what is right?

Just about always	1
Most of the time	28
Only some of the time	70

4. What do you think about the state budget process in CA (in terms of both revenues and spending)?

It needs major changes	77
It needs minor changes	22
It's fine the way it is	1

5. Do you think the people in LOCAL government waste a lot of money we pay in taxes, waste some of it, or don't waste very much of it?

Waste a lot	40
Waste some	54
Don't waste very much	6

6. How much of the time do you think you can trust LOCAL government to do what is right?

	TOTAL %
Just about always	2
Most of the time	44
Only some of the time	53

7. Which comes closer to your point of view?

Private companies can do a more efficient job of providing services than the state can.	41
Private companies are too concerned with making a profit to provide public services fairly and economically.	58

8. Which comes closer to your point of view?

Citizens should have an active role in setting priorities and reviewing the results of state government programs.	81
Most people don't have time or energy to spend on reviewing government programs - we need to leave that up to those we elect or appoint to do this job.	18

9. Which comes closer to your point of view?

We should keep taxes low even if it means we have to reduce spending for most state programs.	25
Even if it means higher taxes, we should invest in programs like education and transportation that will benefit everyone in the long run.	73

10. Which comes closer to your point of view?

Government should do more to solve problems and help meet the needs of people.	75
Government is doing too many things better left to businesses and individuals.	23

11. There have been a number of different ways suggested to insure that state programs are performing well. How effective do you think each of the following would be?

a. Appoint an independent board of experts to review programs and provide reports on how well they are doing.	
Very effective	53
Somewhat effective	40
Not very effective	7

b. Form special citizen groups that work together over time to review programs and report to the public and decision-makers.

	TOTAL %
Very effective	50
Somewhat effective	41
Not very effective	9

c. Conduct regular public surveys on how well programs are working.

Very effective	55
Somewhat effective	34
Not very effective	11

d. Hold local town meetings and hearings throughout the state to set priorities and evaluate the results of programs.

Very effective	57
Somewhat effective	32
Not very effective	10

12. Please indicate how strongly you agree or disagree with each of the following statements:

a. Giving local government more control over programs will insure that tax money is spent in ways that reflect community needs.

Agree strongly	25
Agree somewhat	53
Disagree somewhat	13
Disagree strongly	9

b. The state should be the one to distribute tax revenues, so that poor areas that can't raise much tax money on their own will get more of the resources they need.

	TOTAL %
Agree strongly	28
Agree somewhat	50
Disagree somewhat	19
Disagree strongly	3

c. Requiring a two-thirds vote in the state legislature to pass the budget or new taxes gives too much power to a minority to block these actions.

Agree strongly	27
Agree somewhat	31
Disagree somewhat	23
Disagree strongly	18

13. There have been a number of different changes suggested for the California tax and budget system. Please indicate the extent to which you favor or oppose each of these changes.

a. Instead of requiring a two-thirds vote, require only a 55% majority vote to pass LOCAL tax increases and bond measures.

	TOTAL %
Favor strongly	24
Favor somewhat	30
Oppose somewhat	19
Oppose strongly	26

b. Instead of requiring a two-thirds vote, require only a 55% majority vote in the legislature to increase STATE taxes.

Favor strongly	12
Favor somewhat	22
Oppose somewhat	26
Oppose strongly	39

c. Give more control over the income from property taxes to local government rather than state government.

Favor strongly	27
Favor somewhat	43
Oppose somewhat	18
Oppose strongly	11

d. Reduce restrictions on how state funds must be spent to give legislators more flexibility to deal with changing circumstances.

Favor strongly	12
Favor somewhat	45
Oppose somewhat	30
Oppose strongly	12

e. Rely more on sales taxes and less on income taxes for state revenues to make state income more predictable.

Favor strongly	19
Favor somewhat	33
Oppose somewhat	28
Oppose strongly	19

f. Require only a 55% majority rather than a two-thirds vote to pass the state budget.

Favor strongly	16
Favor somewhat	25
Oppose somewhat	27
Oppose strongly	31

g. For businesses, revise Prop 13 so that commercial property is reassessed every year, not just when the property is sold.

	TOTAL %
Favor strongly	22
Favor somewhat	37
Oppose somewhat	18
Oppose strongly	24

h. "Earmark" new taxes for specific purposes, such as health care or education so that they can only be used for the purpose that was intended.

Favor strongly	41
Favor somewhat	35
Oppose somewhat	17
Oppose strongly	6

i. Have budgets that cover a 3 to 5 year period rather than a single year, allowing for more long-term planning.

Favor strongly	48
Favor somewhat	31
Oppose somewhat	13
Oppose strongly	7

DEMOGRAPHIC INFORMATION

	TOTAL %
<b>Gender</b>	
Male	51
Female	49
<b>Age</b>	
Under 18	0
18-29	24
30-49	34
50-65	32
Over 65	9
<b>Do you own or rent your home ?</b>	
Own	50
Rent	45

Highest level of schooling you have completed	TOTAL %
Less than HS	2
HS grad	15
Some college	34
College degree	29
Grad study/degree	19

Annual household income from all sources before taxes	TOTAL %
Under \$20,000	18
\$20,000 - \$29,999	16
\$30,000 - \$49,999	21
\$50,000 - \$74,999	16
\$75,000 - \$99,999	13
\$100,000 or more	16

In statewide elections (for governor and statewide initiatives), how likely are you to vote?	TOTAL %
Always vote	66
Usually vote	17
Sometimes vote	6
Rarely vote	3
Registered - don't vote	3
Not registered	4

In general, would you describe your political views as:	TOTAL %
Very liberal	9
Liberal	22
Moderate	43
Conservative	19
Very conservative	5

Ethnicity	TOTAL %
White	45
African American	14
Latino	19
Asian	11
Other	8

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