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Focus on: Citizens and Public Choice
They Give, but They Also Take: Voters Muddle States’ Finances

By Timothy Egan

The voters of Arizona have spoken. They want lower taxes. They also want higher taxes — but only if they go to the state’s beleaguered public schools, consistently ranked among the worst in the nation.

The people of Colorado have spoken as well. They passed a constitutional amendment that limits how much state government can spend or take in, even in flush times. But then a few years later they passed another amendment, calling for guaranteed annual increases in education spending. Pay for it however possible, the voters seemed to be saying, but do not raise our taxes.

In Washington State, the voters have sent a similar mixed message. By a sizeable majority, people voted in 1999 to cut taxes. But the next year an even bigger majority voted to spend $800 million to give teachers annual raises and reduce class size, without also offering any new money to pay for the initiatives.

Call them unfinanced mandates from the people. Now all three states are facing crushing deficits and may have to close parks, delay road construction, close hospitals and reduce police officers in rural areas. Standard & Poor’s warned Colorado that its credit rating may be downgraded. Still, the voter message seems to be, Deal with it.

As state legislators struggle to find ways to adhere to the popular will, some are now wondering whether it was a good idea to let people shape big chunks of the budget by voter initiatives, leaving the messy details to lawmakers. Some state politicians have even coined a term for their new diminished role. They call themselves the Bypass Legislature.

In the last 10 years, the number of states where voters have put budgetary strictures on their elected officials has practically doubled, to 24. At the same time, in 24 states where lawmakers are permitted to go on a spending spree of their own, mandating money for drug treatment, schools, parks and roads. Voter initiatives have never been particularly popular with state lawmakers, who see their job as taxing and spending. But most of what voters did was largely inconsequential in the prosperous 1990s. Now, in the midst of a lingering recession and increased costs for domestic security, the bill is coming due, and in a growing number of states, expenses and revenues do not add up.

More than 40 states have a budget shortage. And unlike the federal government, these budgets are required by law to be balanced. “This makes my job very difficult,” said Nancy McCallin, the budget director for Colorado. “But the voters pay the taxes, and if they are telling us this is how they want us to run things, we have to do it.”

Voter moods can vary. Colorado is now trying to find a way to make up a two-year budget shortfall of about $700 million, in part because of new voter-mandated spending programs. But the state is also scrambling for a way to give about $1 billion back to taxpayers in voter-mandated refunds, which was deferred.

In the West, where taxing and spending by initiative has a strong tradition, the balancing act is particularly difficult. “I wouldn’t say voters are stupid,” said Phil Talmadge, a former Washington Supreme Court judge and legislator. “But the same voter who wants unlimited services also does not want to pay for it. There’s a disconnect.”

Voter initiatives, Mr. Talmadge said, were created nearly a hundred years ago because people did not trust their legislators to act for the public good. But in recent years, such initiatives have grown in popularity and importance. “What happened in the 1990s is that special interests decided it was a lot cheaper to buy initiatives than buy legislators,” Mr. Talmadge said.

The result, he said, is that Democrats used the initiative process for new spending...
programs on education, health care and the environment, and Republicans used it to cut taxes or limit states’ ability to raise taxes. Many voters punched yes for both sides. “This puts us in somewhat of a civic death spiral,” said Richard Davis, president of the Washington Research Council, a nonpartisan public policy research group in Seattle. “You give the voters an up or down without any nuance. They are reacting to a line item, and they never have to deliberate, as legislators do.”

The message in the states where voters can basically do the job that elected officials were once primarily charged with doing, Mr. Davis said, “is not liberal or conservative — it’s reactive.”

Others who have studied the initiative patterns agree. “Where direct democracy becomes a more dominant force than representative government the result is a whipsaw, without any long-term coherence,” said Brian Weberg, an official with the National Conference of State Legislatures.

People on both sides of the political spectrum say the system has gotten out of control. Lawmakers in some states have called for hearings on the initiative process. Still, these states with strong initiative powers have populist traditions, and lawmakers are loath to mess with the majority sentiment, however contradictory that can seem. “Legislators don’t want to do anything because it may be viewed as tinkering with the will of the people,” said Daniel A. Smith, a professor of political science at the University of Denver.

Washington State legislators, for instance, now seem cowed by the initiative, Mr. Davis said. When people voted to cut the annual car-registration fee to a flat fee of $30 from $500 or more, depending on the year and model of the car, officials argued that the measure would increase the state’s deficit. But when the State Supreme Court threw out the measure, legislators, with the aid of Gov. Gary Locke, a Democrat, resurrected the issue, made the $30 car-registration fee the law and said it was the will of the people. Now Washington is struggling to finance road construction to ease Seattle’s chronic traffic congestion. But legislative leaders from both parties say they are afraid to raise gasoline taxes to pay for new roads without first putting it to a vote of the people.

Here in Arizona, voters passed a 1992 constitutional amendment making it almost impossible for the Legislature to raise taxes. But in the late 1990s, during boom times, voters started mandating by initiative more money for health care and education. To make sure state politicians got the message, voters passed another measure that said the lawmakers could not undo what the voters had just decided to do. In the 2000 election, Arizona voters decided to raise the amount of money spent on schools every year. They also said lawmakers could not use school money for other purposes. But, several legislators say, the fund created for the schools does not have enough money to satisfy the law that says schools must be given a certain amount every year.

In part because of the dual mandates from voters, Arizona is now facing a deficit of up to $2 billion over this year and next. Washington’s shortage is about $1.6 billion, and Colorado has a $700 million hill to climb. “It’s a mess,” said Panfilo Contreras, executive director of the Arizona School Boards Association. “What’s happening now is we’re getting our comeuppance for what we’ve been doing over the last 10 years.” Mr. Contreras says voters realized that voting to restrict taxes and revenue 10 years ago was a mistake, because schools and health facilities in the state fell apart. Now the voters are more educated, he said, and are trying to undo piecemeal what they did earlier.

Others have a different interpretation, saying voters are inconsistent.

So Arizona legislators continue meeting here, now in their third special session over the last year, trying to figure out exactly what the voters intended while having to make large, unpopular cuts. Nearly 60 percent of the budget cannot be touched, under orders from the people. “We have become somewhat of a Bypass Legislature state,” said Francie Noyes, a spokeswoman for Gov. Jane Dee Hull, a Republican. “We have very little flexibility, particularly in hard times, to make budget decisions because of all the demands from voter initiatives.”

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Connections is published by the Kettering Foundation, 200 Commons Road, Dayton, Ohio 45459-2799.

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