

Faith in Reason: Voter Competence and Local Bond Propositions

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SUMMARY

California voters recently approved almost \$42 billion in general obligation bonds for infrastructure projects statewide. Similarly, city, county, and municipal bond propositions are used to raise funds for new local infrastructure projects. However, all too often, scant attention is paid to these local propositions by the voters or the media. The substantial fiscal and policy effects of these propositions make it important to understand the conditions of the information environment in which voters are asked to make their decisions. What are the conditions required for voters to make reasoned decisions, and are those conditions present in the political environment surrounding votes on local infrastructure bonds? In *Faith in Reason: Voter Competence and Local Bond Propositions*, a research paper funded by the USC Keston Institute for Public Finance and Infrastructure Policy, Elizabeth Garrett and Mathew D. McCubbins discuss the information that voters need to make informed choices and how the lack of adequate information or trusted endorsers places voters at a disadvantage for making reasoned decisions. Drawing from the examples of three hospital improvement bond initiatives in San Diego County, California, they demonstrate how individual actions on related but uncoordinated bond propositions can result in suboptimal provision of necessary services.

WHEN CAN VOTERS MAKE REASONED DECISIONS?

For voters to make a reasoned choice and improve their welfare, they must have correct beliefs about the consequences of their vote. Voters may be able to discern the consequences of their vote on the basis of personal knowledge and experience, but often voters lack such knowledge or experience. In that case, voters must be able to learn from someone else – a knowledgeable, trustworthy endorser. They can then cast a reasoned vote, not by relying on their own encyclopedic knowledge of a policy, but by using cues provided by a knowledgeable, trusted endorser. If both personal knowledge and trusted endorsers are absent, however, then it is doubtful that voters can consistently make welfare-improving choices.

Consider the results of three local bonds in the same county for improvements to hospital and health facilities. First, in November 2004, voters in seven communities of Northeast San Diego County approved Proposition BB, a general obligation bond of up to \$496 million for hospital, emergency care, and trauma center improvements for the Palomar Pomerado Health System. Proposition BB pays for most of a \$753 million building plan, and for the next 30 years, it will increase property taxes by about \$17.75 a year for every \$100,000 in assessed valuation.

Not two years later, in June 2006, the Tri City Medical District (in Northwest San Diego County) hired the same political consultant used for Proposition BB and proposed Proposition F, which, if passed, would have authorized up to \$596 million in general obligation bonds to repair and improve their medical facilities. Meanwhile, in the same election, the Grossmont Healthcare District in the southeast corner of the county won approval for Proposition G, which authorized a \$247 million bond for hospital improvements.

The justifications for these bond measures were the same: to accommodate population increases, to expand emergency services, and to retrofit facilities for earthquake safety. Voters not only had to assess the need for such facilities, in the context of simultaneous or closely related votes in other districts about funding similar health infrastructure, but they also faced a difficult policy choice influenced by numerous economic and social considerations. For example, San Diego has the fewest number of emergency room beds per capita of any county in California. Emergency room bed capacity in San Diego County, however, increased six percent in the 1990s, and these beds experienced only “moderate visits per bed,” perhaps “due to the use of military medical facilities.” Moreover, every emergency room in San Diego County lost money in 1999-2000, with county-wide losses totaling nearly \$22 million. As a result, three San Diego emergency rooms closed in the 1990s, and more hospitals recommended the closure of their emergency rooms in 2005 and 2006. The simultaneous expansion of hospitals and emergency rooms in one district and the closure of emergency rooms in other districts further increase the complexity of financing healthcare facilities and locating them near populations that need them. These tradeoffs must be made in the context of the challenging national health care situation, with large numbers of uninsured patients seeking primary treatment in emergency rooms, a declining federal commitment to health care entitlement programs, and a burgeoning population of older Americans.

REFORMS TO IMPROVE VOTER DECISION MAKING

Although the initiative information environment varies across California, in a great number of elections, voters face an information environment without credible endorsers, making it very difficult and/or unlikely that they can make a reasoned choice. There is no reason to believe, in these cases, that voters' choices are likely to improve welfare. To improve the initiative information environment, reforms are necessary to allow voters to learn from the statements of credible endorsers and to make decisions as if they were fully informed. Given the paucity of credible information, institutions that structure the information environment to credibly bring forward endorsers who are relatively likely to meet the trust and knowledge condition is an effective mechanism to improve voter decision making. The following reforms could measurably improve voter decision making.

1. Require state and local elected officials to go on record as either supporting or opposing a proposition if any of their constituents will be affected by the change in infrastructure or tax rates.

If more elected officials take public stances on bond measures, it should increase the probability that a voter either can identify the interests of the speakers or understand the institutional conditions in place when the speaker made the endorsement, thereby improving the conditions for learning and reasoned decision making. These endorsements can be publicized through webpages maintained by government entities and through the voter information pamphlets mailed out before an election.

2. Require broad dissemination of information about the finances of the bonding authority.

Two mechanisms are available to accomplish this. First, prior to a bond election, the bonding authority could be required to make available information about the authority's bond rating. This would give voters easy-to-understand information about how well the organization sponsoring the bond has previously managed its finances. Second, localities could require that any proposed bonds be evaluated by a bond rating organization and the rating for the new bond then publicized to voters through Internet disclosure and voter information pamphlets. These changes in disclosure could provide voters with easy to understand and useful information, produced by third parties with reputations that enhance credibility, about the financial aspects of a bond measure.

3. Enact disclosure laws to reveal which groups and individuals have provided significant financial support for and against the proposition.

This information should be made available periodically throughout the campaign and well before the election. Knowing who paid for campaigns can be an important and credible voting cue for voters in direct democracy. Because localities may not have the resources to provide this information in a timely way over the Internet, the state could provide the infrastructure for disclosure and encourage, or require, localities to enter the information. State officials might also need to provide workshops and training about the mechanics of disclosure. Fortunately, California has one of the most accessible methods of providing information about campaign spending in candidate and ballot measure campaigns at the state level; that expertise should be used to improve disclosure about spending on local initiatives and referendums.

In short, improving voter competence in local bond and other ballot measure elections requires thinking seriously about the information environment in which voting decisions are made. Information has to be provided to voters in a timely way and in a structure that provides the voters the tools to assess the credibility of the data, without expecting them to become experts on every ballot measure before them. Only then can we become more confident that decisions at the ballot box are likely to enhance overall welfare.

ADDITIONAL RESOURCES

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THE KESTON INSTITUTE FOR PUBLIC FINANCE AND INFRASTRUCTURE POLICY

The Keston Institute for Public Finance and Infrastructure Policy is a non-partisan research center and was established at the University of Southern California to leverage the university's intellectual resources to help California and the nation address critical infrastructure issues. The primary goal of the Institute is to raise the public's awareness of the value of infrastructure and to encourage strategic investment. The Keston Institute supports the formulation of infrastructure policies and practices that will improve the livability of California communities, ensure the economic well-being of its citizens, and promote environmental sustainability.

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