



Verde Valley Community Town Hall

“Financing Arizona’s Future”

September 28, 2016

We need to decide on the fundamental purpose of state government. What do we want to achieve and then, what is the best way to finance it? For example, is K-12 education our most important priority and if so how will we fund it? We cannot talk about how important education is and still be 49th out of 50 in per student public spending on education even after Proposition 123.

While cities and towns are required to have a 10-year fiscal plan we need the same from the Arizona state government which will compel political leadership to address long-term growth strategies and make allowance for the revenue needed to sustain that growth and support maintaining our infrastructure.

To stabilize the Arizona state government finance system, we should balance the means of taxation (property, income and sales taxes), otherwise we are at the mercy of economic cycles. Today, we are heavily dependent on the sales tax. We also need to address the regressive character of our current tax system.

The sales tax system is very complicated. It is difficult to determine how much tax is due and to whom. Simplification of the Transaction Privilege Tax does not seem to have achieved the objective of making the system easier to understand.

The state tax system is riddled with exceptions such as fine art sales to out of state buyers and crop duster sales going back to 1985. And, we do not currently tax services which are among the fastest growing segments of our economy. We are the only state in the country that does not allow tax increment financing (TIF).

One of the greatest indicators of someone ending up in our correctional system is reading skills. We need to focus on teaching children to read by grade 3.

To achieve long-term financial responsibility, we need real leadership in the state legislature rather than a focus on short-term tax cuts. There is no evidence that we are seeing economic growth despite significant tax reductions estimated by next year at \$4 billion since 1992. We may need to revisit term limits as one of its unintended consequences may be a short-term focus.

We need to do a better job of educating the general public and giving them reasons to change their perspective on state finances. The public needs to understand the long-term implications of continued tax reductions and needs to understand that you do not get something for nothing. If you want good public services, good roads and other quality infrastructure you must be willing to pay for it. We need to give the general public greater transparency in where tax revenues go and what benefits they provide.

We may need a marketing program that makes this clear – for example, a message on the interstate that says “You are in this traffic jam because your taxes are too low.” The public should believe that it is smart to pay taxes – it is an investment in your own community and the services and infrastructure you require.

We need to be mindful of the economic mantra that there truly is no free lunch.