

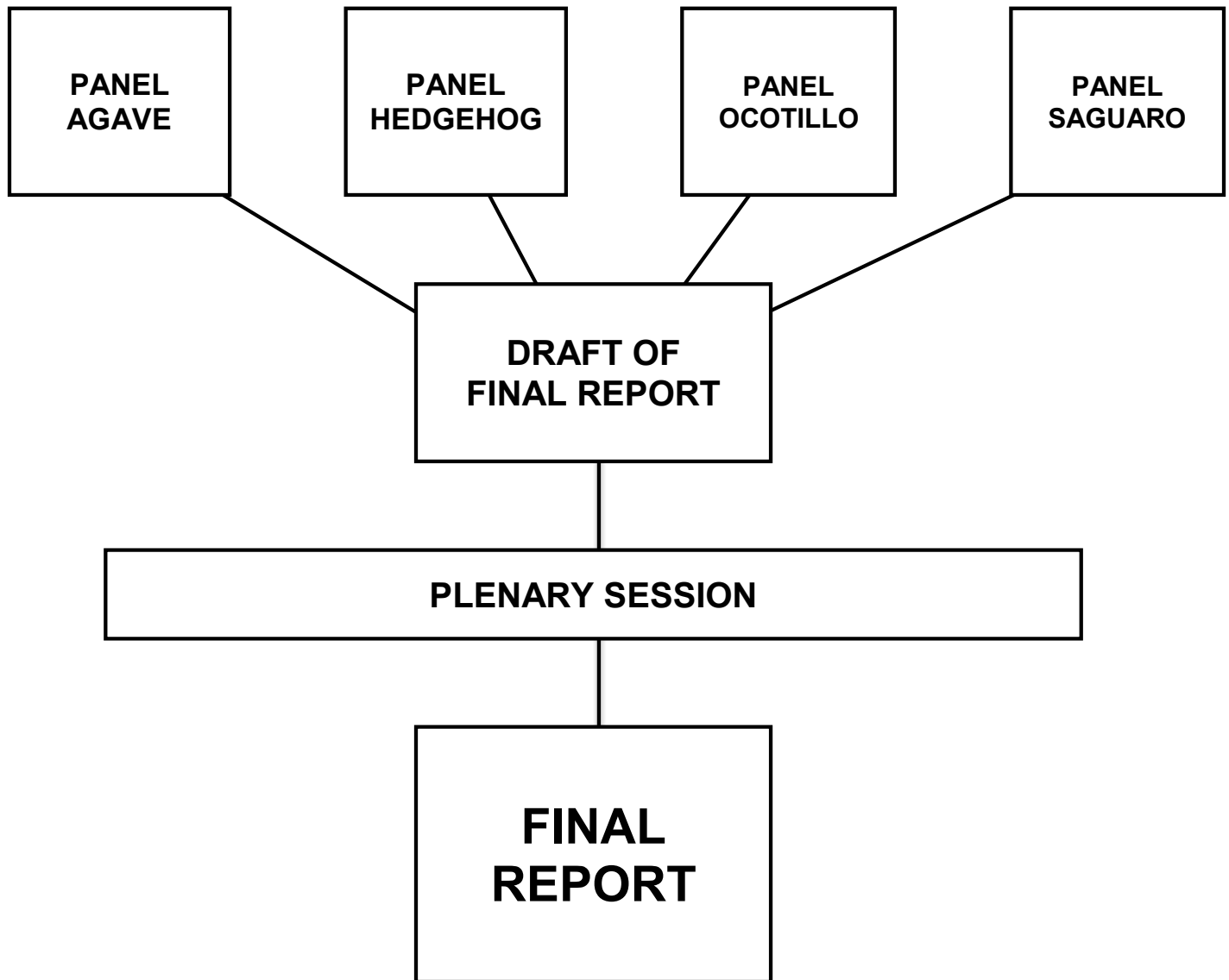
Financing Arizona's Future

109th Arizona Town Hall - November 13-16, 2016 - Mesa, Arizona



The Arizona Town Hall Process

From the Group Statement to the Final Report



“Seek first to understand, then to be understood.”

Stephen Covey, *The 7 Habits of Highly Successful People*

OVERVIEW OF THE ARIZONA TOWN HALL PROCESS

Arizona Town Hall is a private nonprofit organization founded in 1962 for the purpose of educating, engaging, connecting and empowering people to resolve important issues. Much of the success of the Arizona Town Hall lies in the fact that the process incorporates the knowledge, thoughts and ideas of all the participants. The Town Hall process has been adapted and utilized by many other groups who strive to create solutions by drawing upon diverse views and building informed coalitions.

Panel Discussions

The Town Hall begins with panel discussions. Each panel addresses the same discussion questions during the first portion of the Town Hall. The process and guiding principles for the panel discussions are as follows:

- The Panel Chair reads one question at a time and discussion follows.
- It is important to stick to the question at hand.
- The panel strives for consensus (votes are taken only if absolutely necessary).
- Consensus is reached when no one wants to add anything, and no one objects strongly to the wording offered.
- The Panel Recorder's role is to keep the panel on time, capture the consensus comments, read back consensus statements to the panel and make edits with participants.
- Viewpoints of all participants are considered equally valuable, regardless of title or position.
- Discussions are encouraged to be robust while maintaining a respect for different viewpoints.
- Participants are allowed to criticize concepts—not people.
- Minority viewpoints must be very strong to find their way into the final document.
- Media may be present at the Town Hall and may be in attendance during panel discussions. You should assume that your comments may be quoted at any time.
- Observers may attend the sessions but generally cannot contribute to discussions.
- The process is as valuable as the recommendations.

Creation of the Draft Recommendations Report

Once complete, the consensus statements are taken from each panel to the Report Chairs. The Report Chairs review the statements and look for consensus across all of the panels. With assistance from the Panel Recorders, the Report Chairs create a draft report of what appears to be the consensus of the Town Hall participants.

The draft report is distributed early in the morning before the plenary session on the Wednesday of each Town Hall. Panels meet prior to the start of the plenary session to review the draft and outline any areas the panel wants to address at the plenary session.

The Plenary Session

At the plenary session, Arizona Town Hall's Board Chair leads all of the Town Hall participants, as a full body, in an organized review of the document. All participants work to approve, amend or reject each section of the report of recommendations.

AGENDA

SUNDAY, NOVEMBER 13

- 3:00 p.m. – 6:00 p.m. Town Hall Registration – Kiva Foyer
- 6:00 p.m. – 7:00 p.m. Social Hour – Atrium
- 7:00 p.m. Opening Dinner & Orientation – Kiva AB
Welcome: **Tara Jackson**, President, Arizona Town Hall
Dinner
Opening Comments & Overview:
Tara Jackson, President, Arizona Town Hall
Linda Elliott-Nelson, Board Chair, Arizona Town Hall; Vice President for Learning Services, Arizona Western College

MONDAY, NOVEMBER 14

- 7:00 a.m. – 8:00 a.m. Breakfast Program – Kiva AB
Presiding: **Paul Brierley**, Executive Director, Yuma Center of Excellence for Desert Agriculture
Sponsor Highlighted: **Bank of America**
Panel Presentation: Town Hall Background Report Editors
Dennis Hoffman, Tom Rex and Ken Strobeck
- 8:30 a.m. – 12:00 p.m. Panel Discussions – (Coffee break mid-morning)
- Panel Agave** – Fiesta
Paul Brierley, Chair
Peter Montecucollo, Recorder
- Panel Hedgehog** – Kachina AB
Elizabeth McNamee, Chair
Chris Provera, Recorder
- Panel Ocotillo** – Pueblo AB
Talonya Adams, Chair
David Jacobs, Recorder
- Panel Saguaro** – Kiva C
Len Kirschner, Chair
Dan Brown, Recorder

MONDAY, NOVEMBER 14 (Cont.)

- 12:30 p.m. – 2:00 p.m. Luncheon Program – Kiva AB
Presiding: **Hank Peck**, Partner, TCI Wealth Advisors, Inc.
Sponsor Highlighted: **Arizona Public Service (APS)**
Keynote Speaker: **Kil Huh**, Senior Director, State and Local Fiscal Health, Pew Charitable Trusts
- 2:30 p.m. – 5:00 p.m. Continuation of panel discussions (Coffee break mid-afternoon)
- 6:00 p.m. – 7:00 p.m. Social Hour – Atrium
- 7:00 p.m. Dinner Program – Kiva AB
Presiding: **Jodie Filardo**, Community & Economic Development Director, Town of Clarkdale
Sponsor Highlighted: **Salt River Project (SRP)**
Keynote Speaker: **Marguerite Roza**, Director, Edunomics Lab, McCourt School of Public Policy, Georgetown University

TUESDAY, NOVEMBER 15

* *Breakfast on your own*

- 8:30 a.m. – 12:00 p.m. Continuation of panel discussions (Coffee break mid-morning)
- 12:30 p.m. – 2:00 p.m. Luncheon – Kiva AB
Presiding: **Tara Jackson**, President, Arizona Town Hall
Sponsor Highlighted: **Perkins Coie**
Special Entertainment: **Screamin' Javelinas**
What Happens Next?
Richard Bowen, Associate Vice President, Economic Development and Sustainability, Northern Arizona University
Sheila Breen, Chief Operating Officer, Remedy Pacific, LLC
Linda Elliott-Nelson, Vice President for Learning Services, Arizona Western College
Hank Peck, Partner, TCI Wealth Advisors, Inc.

* Options for breakfast: In-Room Dining (starting at 6:00 a.m.) and Zuni Bar & Grill (starting at 6:30 a.m.).

TUESDAY, NOVEMBER 15 (Cont.)

2:30 p.m. – 5:00 p.m. Continuation of panel discussions (Coffee break mid-afternoon)
5:30 p.m. – 6:30 p.m. Social Hour – Atrium
6:30 p.m. Dinner Program – Kiva AB
Sponsors Highlighted: **Arizona Fire District Association** and **Arizona Lottery**
The Newly Engaged Game: *How Well Do You Know the Members of Your Panel?*
Panel teams will participate in a lighthearted competition.
Recognition of student participants

WEDNESDAY, NOVEMBER 16

6:45 a.m. – 8:15 a.m. Individual panel caucuses
(Coffee & Danish will be available in Ballroom Foyer)
Panel Agave – Fiesta
Panel Hedgehog – Kachina AB
Panel Ocotillo – Pueblo AB
Panel Saguaro – Kiva C

8:30 a.m. - approx. 12:30 p.m. Plenary Session – Kiva AB
Presiding: **Linda Elliott-Nelson**, Board Chair, Arizona Town Hall
Adoption of Recommendations
(Coffee & Danish will be available during the session
– there will be no formal break)
Adjournment at approximately 12:30 p.m.

109TH ARIZONA TOWN HALL PROGRAM SPEAKER BIOGRAPHIES

Monday, November 14, Breakfast Program

Panel Presentation: Town Hall Background Report Authors

Dennis Hoffman, Director, Seidman Research Institute; Director, Office of the University Economist, Arizona State University

Dennis Hoffman is director of Arizona State University's Office of the University Economist, where he is responsible for projects that examine how ASU contributes to regional prosperity. Hoffman is also a professor of economics, a Dean's Council Distinguished Scholar, director of the L. William Seidman Research Institute, and faculty director of the Center for Competitiveness and Prosperity Research at the W. P. Carey School of Business.

Hoffman has received both teaching and research awards from ASU. Hoffman received the Distinguished Faculty Research Award in 1992 and has held the title of Dean's Council of 100 Distinguished Scholar since 1996.

Hoffman served as a trustee of the Arizona State Retirement Board from 2010-2016. Hoffman developed and maintains the ASU General Fund revenue forecasting model that has been used as the primary guide for budget development by the Governor's Budget Office for each year since 1983 – serving eight different Arizona governors over the period.

In 1997 Hoffman was named Arizona Professor of the Year by the Carnegie Foundation for his commitment to undergraduate education. Hoffman has published numerous academic articles and a book in the area of macroeconomics and econometrics. Hoffman is widely quoted in both print and broadcast media outlets for his expertise on economic and fiscal matters in Arizona and oversees research projects contracted between ASU and many Arizona businesses and governments in his role at the Seidman Institute.

Tom Rex, Associate Director, Center for Competitiveness and Prosperity Research; Manager of Research Initiatives, Office of the University Economist, Arizona State University

Tom Rex is the Associate Director of the Center for Competitiveness and Prosperity Research, a unit of the L. William Seidman Research Institute in the W. P. Carey School of Business at Arizona State University. Rex has worked at ASU since 1980, specializing in applied economic and demographic research with a geographic emphasis on Arizona and the metropolitan Phoenix area. Rex also has done considerable research on public finance.

Rex received his Bachelor of Business Administration from the University of Toledo and his Master of Business Administration from Arizona State University.

Ken Strobeck, Executive Director, League of Arizona Cities & Towns

Ken Strobeck is the Executive Director of the League of Arizona Cities and Towns, which is a advocacy and service organization for the 91 incorporated cities and towns in Arizona. Prior to coming to Arizona League in 2006, Strobeck served as the Executive Director of the League of Oregon Cities; Vice President, Public Affairs, for Conkling Fiskum & McCormick; State Representative in the Oregon Legislature for 6 years; AVP, Corporate Communications, Blue Cross Blue Shield of Oregon; Producer and News Director for TV news operations in Portland and Tucson. Strobeck has a BA in Journalism and Public Affairs from the University of Oregon.

Monday, November 14, Lunch Program

Keynote Speaker:

Kil Huh, Senior Director, State and Local Fiscal Health, Pew Charitable Trusts

Kil Huh leads Pew's work on state and local fiscal health and economic growth, which includes projects that seek to strengthen states' fiscal planning and budgeting and how they use tax incentives for economic development, track and analyze states' health care spending, and provide officials with analysis and insights on the financial conditions of America's largest cities.

As the project lead, Huh oversees Pew's work to inform state policy on a wide range of issues including state and local public sector retirement benefits, state tax systems, and housing finance. Huh also supervises a vigorous research portfolio that has contributed to federal and state legislation and has been cited widely in national media including, The New York Times, The Washington Post, The Wall Street Journal, and NPR. Huh has appeared as a guest on Fox Business News, CBS Nightly News, and both PBS's News Hour and Nightly Business Report.

Prior to joining Pew, Huh was most recently the director of policy and consulting at the Fannie Mae Foundation and previously manager of the foundation's state and local initiatives. Huh holds a B.S. in urban regional studies from Cornell University, a M.S. in urban planning from New York University and both a M.Phil. and a Ph.D. in urban planning from Columbia University.

Monday, November 14, Dinner Program

Keynote Speaker:

Marguerite Roza, Director, Edunomics Lab, McCourt School of Public Policy, Georgetown University

Marguerite Roza, Ph.D., is the Director of the Edunomics Lab and Research Professor at Georgetown University. Roza's research focuses on quantitative policy analysis, particularly in the area of education finance. Recent research traces the effects of fiscal policies at the federal, state, and district levels for their implications on resources at school and classroom levels. Her calculations of dollar implications and cost equivalent tradeoffs have prompted changes in education finance policy at all levels in the education system. Roza has led projects including the Finance and Productivity Initiative at CRPE and the Schools in Crisis Rapid Response Paper Series. More recently, Roza served as Senior Economic Advisor to the Bill & Melinda Gates Foundation. Roza's work has been published by Education Sector, the Brookings Institution, Public Budgeting and Finance, Education Next, and the Peabody Journal of Education. Roza is author of the highly regarded education finance book, Educational Economics: Where Do School Funds Go?

Roza earned a Ph.D. in Education from the University of Washington. Prior to that, Roza served as a Lieutenant in the U.S. Navy teaching thermodynamics at the Naval Nuclear Power School. Roza has a B.S. from Duke University and has studied at the London School of Economics and the University of Amsterdam. Roza and her husband, Scott, have four daughters.



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.

DISCUSSION QUESTIONS

109TH ARIZONA TOWN HALL

SESSION I - MONDAY MORNING – NOVEMBER 14

SETTING THE STAGE

1. What are the principal needs that the Arizona Government financing systems should address? How well are those needs being met today? How well is the system positioned to meet future needs?
2. How has the state's political and cultural history, changing demographics (including population growth), economic drivers and other factors shaped Arizona's current government financing system? How will these factors shape Arizona's government financing system in the future?
3. What should be the principal attributes of Arizona's state government finance system? Consider the guiding principles referenced in the background report, the amount Arizonans should reasonably expect to pay to support public programs and the proper distribution of tax burdens among businesses of all sizes and individuals.
4. How effective is Arizona's current government financing system? Consider the short and long term needs of Arizonans, the impact of economic cycles (especially downturns), deficits and whether the system incentivizes efficiency and effectiveness.

DISCUSSION QUESTIONS, Cont.

SESSION II - MONDAY AFTERNOON – NOVEMBER 14

LOCAL GOVERNMENTS, INFRASTRUCTURE AND NATURAL RESOURCES

1. In what ways do Arizona's state and local government financing systems work together? What, if any, changes should be made to allow these systems to work together effectively and efficiently?
2. To what extent does Arizona's government financing system adequately provide for infrastructure needs such as transportation, utilities, telecommunications and other public works? What changes, if any, need to be considered?
3. How effectively does Arizona's government financing system promote or support Arizona's natural resources, including land and water? What changes, if any, should be considered?

DISCUSSION QUESTIONS, Cont.

SESSION III - TUESDAY MORNING – NOVEMBER 15

EDUCATION, COMMERCE, HEALTH & SECURITY, OVERCOMING CHALLENGES

1. To what extent does Arizona's government financing system provide for the well-being of Arizonans? Specifically, consider:
 - a. Arizona's educational needs.
 - b. Arizona's health care system.
 - c. Arizona's criminal justice system.
 - d. Other programs such as human services.
2. Consider the interplay between Arizona's government finance systems and the economy. What is the impact of the national, state and local economies on Arizona's ability to generate state and local revenue? What is the impact of Arizona's government financing systems (both state and local) on the economy?
3. What are the greatest barriers to improving Arizona's government financing system to meet its future needs? How can these barriers best be overcome? Focus your discussion on implementing the recommendations from the previous sessions. Consider funding levels needed, constitutional and statutory limitations, political factors, the public will and any other limitations.

DISCUSSION QUESTIONS, Cont.

SESSION IV – TUESDAY AFTERNOON – NOVEMBER 15

SETTING PRIORITIES AND TAKING ACTION

1. Considering the discussions from the previous sessions, what actions should be taken that would have the most beneficial impact on Arizona's future? How should they be prioritized and when can they be implemented?

Consider which actions are realistically achievable, have the greatest return on investment, and are most likely to be accomplished. Also consider how actions and priorities may vary for urban, rural and tribal communities.

2. Who should lead the actions identified in Question 1? If the action requires changes to financing systems, funding or changes to the law, identify how the action will be accomplished.
3. What specific actions should individuals take, including each of us?

KEY POINTS FROM FUTURE LEADERS TOWN HALL ON “FINANCING ARIZONA’S FUTURE”

PRINCIPAL ATTRIBUTES AND GOALS OF ARIZONA’S GOVERNMENT FINANCING SYSTEM

- Focus on vertical equity and efficiency to ensure forward progress and equality.
- Provide a balance in the distribution based on our most pressing needs.
- Redistribute the tax burden based on ability to pay.
- Increase funding for education at all levels.
- Ensure that long-term tourists pay their share of taxes.

SUCCESS OF GOVERNMENT FINANCING SYSTEM IN MEETING SHORT AND LONG TERM NEEDS

- Emphasis has been on temporary fixes for permanent problems.
- Funds disbursed for education and public services are not adequate.
- Spending on correctional facilities is high compared to other priority needs.
- Rebalance funding to focus on education, infrastructure, the environment and healthcare.
- Continue support to preserve unique state resources.

STRENGTHENING AND IMPROVING ARIZONA’S GOVERNMENT FINANCING SYSTEM

- Use tax brackets as guidelines and make the tax system more understandable.
- Emphasize proportional distribution and transparency in the state budget.
- Consider some tax increases to fund our growing needs.
- Find and establish new industries to provide more revenue.
- Provide a mechanism for the people to give greater input and feedback.

MESSAGES FOR ARIZONA’S ELECTED LEADERS

- Increase funding for education to create financially viable communities.
- Be accountable for decisions and actions related to revenue and funding.
- Provide more oversight of how budgeted funds are used.
- Improve the accessibility of voting to increase citizen participation.
- Increase the information to the public on where the funding is going.

COMMITMENTS TO ACTION

- Contact local legislators to communicate our needs and interests.
- Educate ourselves on the government financing system.
- Keep up with pending legislation.
- Vote.
- Promote involvement in policy discussions in our communities.

“It’s the best way to not only inform but motivate students to get involved not only in the political process but the channels of government so that the government best represents them.”

– Caleb Webb, Cochise College, Sierra Vista Campus

"The conversations held at the Future Leaders Town Hall really resonates with the students. In a peer-to-peer environment where students don't hold back and feel comfortable speaking, students realize their potential to make big changes in the future of Arizona and feel empowered to enact change."

– Andi DeBellis, Student Activities Manager, Cochise College

FUTURE LEADERS TOWN HALL LOCATIONS:

Mesa Community College • Arizona State University
Arizona Western College - Parker Learning Center & San Luis Learning Center
Central Arizona College - Aravaipa Campus
Cochise College - Benson Center, Sierra Vista Campus & Willcox Center
South Mountain Community College • Yavapai College - Prescott Campus



"The Future Leaders Town Hall was a culmination of youth's perspective, voice, and comprehensive desire for change - all in one place. It was impactful being in a room where the discussion centered on such important concepts, like the financial structure of Arizona, which affect everyone."

– Christopher Frias, Student, Arizona State University

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DISTRICT ASSOCIATION



2400 W. Dunlap Ave., Suite 200 | Phoenix, AZ 85021
Phone: (602) 252-9600 | Fax: (602) 252-6189
www.aztownhall.org