

Budget aid or recovery killer: Debate over tax hike heats up

by [Mary Jo Pitzl](#) - Mar. 14, 2010 12:50 AM
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For the first time in a decade, Arizona voters in May will decide whether to raise the state sales tax. The outcome will decide the size and shape of government.

Proponents, most notably Republican Gov. Jan Brewer, say the state needs the temporary boost from the 1-cent-per-dollar increase to protect key state services from being crippled by budget cuts.

Opponents say a tax hike amid an economic recovery is akin to a kick in the knees.

These arguments played out for more than a year as the Legislature anguished over whether to send the question to the ballot.

Voters have two months to weigh the issue while the campaigns ramp up for the May 18 election.

The ballot proposes raising the state sales tax to 6.6 cents on the dollar for three years, beginning June 1.

When combined with county and local levies, the tab in many Arizona communities would top 9 cents on the dollar. Phoenix, at 9.3 cents, would have the second-highest sales tax among the 10 largest U.S. cities.

The money, estimated to raise about billion each year, would be \$1 earmarked for education, public safety and health and human services — though nothing would prevent the Legislature from reducing those programs' general-fund allotments as sales-tax dollars come in.

The Legislature provided the framework for the debate when it approved the 2011

budget Thursday.

If voters OK the tax increase, budget cuts billion, would be limited to \$1.1 including an end to health-care coverage for 47,000 children from low-income families, the abolition of state support for people with developmental disabilities, and an end to state-supported all-day kindergarten. Those programs are terminated, regardless of the 18-May outcome.

If voters reject the tax, the budget calls for an additional \$918 million in cuts. Sixty percent of the reductions are targeted at education, from kindergarten through universities. The state's prison system, health-care services, the courts and public safety are all in line for reductions if the sales-tax fails.

No one is painting the tax hike as the silver bullet for the state's budget troubles. If approved, it would resolve about a third of next year's billion deficit. And \$2.6 it does nothing to restore money for programs that already have been cut, such

as the state parks, highway rest stops and aid for homebound seniors.

"While it is a Band-Aid, it is one step toward solving this budget crisis without taking it out on the backs of education," said Barbara Chang, a teacher in the Tempe Elementary School District.

She teaches 30 students in a combined fourth- and fifth-grade class. Last year, she had 25 students. She expects her class size to increase next year as the budget squeeze continues, but she wonders how many more students she can take on.

"The whole problem will spiral downward," Chang said. "If we don't invest in education, it's the beginning of the end for the state."

But others say the state has to steel itself through tough times. Raising taxes is the easy way out, but it will hurt economic recovery in the long run.

"We stay within our means, and when times are tough, we get tough," said Bruce Mason, a member of the Red Mountain Tea Party in the East Valley. "You can't just keep running on your Visa card and your debit card." He, like other opponents, says the answer is simple: "Try making some cuts first."

The state has reduced spending by \$2.2 billion since January 2009. Even the most ardent budget hawks at the Capitol acknowledge that cuts alone can't solve the problem.

For example, in addition to cuts, the fiscal 2011 budget relies on fund sweeps, borrowing and the sales tax. The campaign is just beginning to emerge. Early voting begins April 22.

The Yes on 100 campaign is a coalition of education, business, public-safety and health-care groups. It will rely on the stories of Arizonans hit by the recession and will contrast current demands on government with a state checkbook for next year funded at 2004 levels.

Brewer, so far, has been the dominant voice arguing for a temporary tax increase. A long time fiscal conservative, she has staked her political fortune to the May 18 vote even as she faces a bevy of opponents in the Aug.

24 Republican primary.

"The decisions are tough, but doing the right thing often means doing the hard thing," Brewer wrote in the election's publicity pamphlet.

The opposition comes from a variety of smaller groups, with a simple message: Just say no.

State Sen. Thayer Verschoor, R-Gilbert, is chairman of the Ax the Tax Committee. A candidate for state treasurer, Verschoor said he doubts that the 1-cent boost — he refers to it as an 18 percent increase over the current 5.6-cent rate — would raise the

\$918 million it's projected to generate in fiscal 2011.

He, like other opponents, argues that this is the wrong time to raise taxes. A higher sales tax, he said, will discourage the very consumer spending needed to boost the economy and, as a consequence, state coffers.

Estimates vary on the impact of the tax hike because spending decisions vary wildly across the population.

A simple calculation that divides an billion in additional.estimated \$1 revenue against the state's 6.6 million population, including children, would suggest an extra \$150 from each person a year. But that doesn't account for non-resident spending in this state, not to mention business transactions from out-of-state companies, so the figure would likely be less.

Prop. 100 is not the only tax issue in the public debate. The election happens six weeks after Phoenix institutes a 2-cent-per-

dollar tax on groceries. And Prop. 100 will share ballot space in several Arizona communities, such as Gilbert and Tempe, that are proposing local sales-tax hikes.

Arizona voters last raised the state sales tax in 2000, approving a permanent 0.6 percent increase dedicated to education. That campaign was pushed by another Republican governor, Jane Hull.

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