

# Proposition 100 to Temporarily Raise the State Sales Tax from 5.5% to 6.5%

***Before you vote, we hope you will seek the answer to this question in prayer:  
What does God expect of us as members of the Body of Christ in Arizona regarding Proposition 100?***

*Early voting already has started on Proposition 100, with May 18 as the date for in-person voting. Thus, the Casa's Faith in Action Ministry has asked two Casa members--Paul Burgess (Emeritus Professor of Economics, ASU) and Margaret Snider (member of the Casa's Core Team for Valley Interfaith Project)--to present background and facts about Prop 100, as well as how our Catholic traditions relate to it.*

## **The Picture With and Without Extra Revenue From Prop 100**

Prop 100 proposes a temporary sales tax increase from 5.5% to 6.5% for three years. (Most economists agree the sales tax is not the "fairest" tax, but it is the only one on the ballot.) If Prop 100 does not pass, the state already has passed a "contingency" budget as to which services will be cut, and nearly all of the cuts will be to education, public safety, and health-welfare. To date, education and health-welfare already have taken substantial cuts over fiscal year 2008 levels. As shown below (based on data from Arizona's Joint Legislative Budget Committee & Governor's Office):

- Education has been cut by \$1.13 Billion to date, with another \$556 Million cut if Prop 100 is NO.
- Health-welfare has been cut by \$460 Million, with another \$204 Million cut if Prop 100 is NO.
- Public safety has not been cut yet, but will be cut by \$92 million if Prop 100 is NO.
- **If the vote on Prop 100 is NO, the cuts from FY 08 will amount to 29.4% for education and 25.7% for health-welfare (and 8.3% for public safety).**
- **If the vote is YES on Prop 100, then education and health-welfare still will have cuts from FY 08 of 18-20% (and public safety will have a small increase).**
- **A yes vote would mean that the monthly cost would be about \$8.33 for each \$10,000 of annual spending on taxable items.**

	<b>FY 08 Appropriation</b>	<b>Changes From FY 08 to FY 11</b>	<b>% Below FY 08 Yes Prop 100</b>	<b>Additional Cuts No Prop 100</b>	<b>% Below FY 08 No Prop 100</b>
<b>Education</b>	\$5.73 Billion	\$1.13 B CUT	19.70%	\$556 Million	29.40%
<b>Health-Welfare</b>	\$2.58 Billion	\$460 M CUT	17.80%	\$204 Million	25.70%
<b>Public Safety</b>	\$1.11 Billion	\$5 M INCREASE	0%	\$92 Million	8.30%

## **Our Catholic Teaching related to Proposition 100**

In their pastoral letter, ***Economic Justice for All***, our Catholic Bishops have stated the following framework as a guide when we vote:

·**Society** has a moral obligation, including governmental action where necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.

·**All people** have the right to life and to secure the basic necessities of life (e.g. food, clothing, shelter, education, health care, safe environment, economic security).

·**To “love our neighbor”** has an individual dimension, but it also requires a broader social commitment to the common good of our life together as a community.

The Bishops have further written in ***A Call to Faithful Citizenship: In the Catholic Tradition***, that responsible citizenship is a virtue and participation in the political process is a moral obligation.

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### **Background on Prop 100: How Did We Get Here?**

Three factors account for our state budget crisis. The largest economic downturn in Arizona since the Great Depression is one reason for the current budget crisis. State and local revenue collections have recorded unprecedented plunges as a result. Another major factor in the current budget crisis is that state policy makers chose to implement a long series of permanent tax cuts, based on temporary windfalls in revenue--starting in 1992 and continuing up to the Great Recession (amounting to about \$2.9 billion/year, adjusted for population and inflation, or most of the current budget deficit). And they did this without making any comparable reductions in permanent spending obligations. The result is that, even without the Great Recession (now in the early stages of a weak recovery), state policy makers have created a substantial “structural” deficit--meaning that current and projected spending levels on permanent state obligations substantially exceed current and projected revenue levels.

In addition to permanent tax cuts from temporary surpluses, policy makers chose to provide (according to estimates by the Arizona Department of Revenue) tax exemptions to certain business sectors, groups, or activities. These exemptions total about the same amount as all State General Fund spending combined. In other words, policy makers sent as much money out the “back door” in special tax exemptions as they sent out the “front door” in General Fund spending.

Our budget shortfall, of course, can be addressed by either cutting state spending, raising state revenue, or some combination of the two. That raises the question of whether Arizona is a “high” tax or a “high” spending state. To answer that question, we need to compare our tax collections and spending to our “ability to pay”. Assuming that our past history is a fair benchmark of how much we “should” collect and spend, we have historical evidence on these levels.

During the “Goldwater years” of the 70s and 80s and on to the mid-1990s, the size of state government did not grow faster than the growth in the Arizona economy, yet collections were sufficient to provide for existing service demands and invest to prepare for future growth. During the years from 1971 to 1995, spending and General Fund total collections (the total collections from Sales, Income, Property, and Miscellaneous taxes and fees) ranged from 4.5% to 5.5% of Arizona’s Personal Income (the broad measure of a state’s income used by economists and budget analysts). Currently, those collections have fallen by roughly one-third to an estimated 3-3.5% of Arizona’s Personal Income.

**Questions on Budget Data-Analysis:** Email Paul Burgess at [mishaboy1@cox.net](mailto:mishaboy1@cox.net).