

ARIZONA FEDERATION OF TAXPAYERS

Expanding economic growth and prosperity for all Arizonans

TAXPAYER ALERT

September 6, 2006

Analysis of 2006 Ballot Propositions--With Links for Taxpayer Activists

The following measures are likely to **LOWER** the cost of tax and regulatory burdens imposed on Arizonans by state and local government:

Proposition 207

Private Property Rights Protection Act

According to the summary of Prop 207 on the Arizona HOPE (HomeOwners Protection Effort) website, www.hopeforarizona.com, "Arizona HOPE will stop local governments from using eminent domain to take private property for private development in order to generate more tax revenue. The proposed initiative will define 'public use' in all eminent domain cases," ensuring that eminent domain is only used for things like roads, utilities and schools. "The initiative recognizes that many times so-called 'just' compensation is not truly just, and seeks to ensure that individuals displaced from their homes are relocated to an equivalent home in a decent and safe neighborhood."

Prop 207 will also make local governments provide just compensation to property owners for regulatory takings—situations in which government regulates land so heavily that the owner still holds title to the land, but the land may have lost most of its value. As Arizona HOPE explains, "The initiative will give property owners an opportunity to seek compensation when government changes the rules of the game, decreasing their property's fair market value."

At the same time, "The initiative does not require governments to compensate property owners 'for every zoning or land use decision they make.'" The proposed referendum does not apply to land use laws for the protection of public health and safety, and it applies only to the property directly affected by a land use regulation, and not to neighboring properties.

According to the Joint Legislative Budget Committee (JLBC), "Proposition 207 may increase the cost to state and local government to acquire private property for public use in some circumstances." However, JLBC notes that, "The proposition also prohibits the use of eminent domain for economic development. If state and local governments reduce their use of eminent domain as a result, their compensation costs may decline."

Arizona HOPE is looking for volunteers to help pass Prop 207, and wants to hear from Arizona home and business owners who have suffered from eminent domain abuse. To get involved, contact **Nathan Nascimento** at Arizona HOPE (HomeOwners Protection Effort), info@hopeforarizona.com. Or visit the website: www.hopeforarizona.com.

Proposition 101 Taxpayer Protection Act of 2006

The Arizona Legislature took two important measures this year to provide property tax relief to Arizona home and business owners. The first was the Omnibus Tax Relief bill, which included the temporary suspension (until 2008) of the \$200m county education equalization tax and a mandate that secondary taxes—future bonds, overrides, and other special district taxes—be placed on the ballot in November, instead of at low-turnout elections at other times of the year. The second measure was to place Prop 101 on the ballot.

Prop 101 will eliminate more than \$173m of excess taxing capacity by basing new constitutional property tax limits on actual tax collections in 2005. Contrary to the propaganda of local government lobbyists, Prop 101 will not result in budget cuts for counties, cities, or community colleges. Instead, Prop 101 will merely slow the rate of growth of spending for some jurisdictions. As the JLBC explains, Prop 101 will have the effect of “limiting the tax year 2006 maximum allowable levy growth to 8.3% compared to 21.6% under [current] law.” JLBC also notes that overall levy growth will be higher than 8.3 percent once new construction is included.

For comparison, note that 8.3 percent is much higher than the conservative standard for government growth--population plus inflation—which is growing at roughly five percent annually for the state as a whole. And 8.3 percent is significantly higher than the average annual growth in Arizona’s personal income over the past decade—7.1 percent. Even political “moderates” should be able to agree that government should not be allowed to grow more quickly than the income of the private economy.

To get involved, contact **Jay Kaprosy** at Yes on Proposition 101, yesonprop101@yahoo.com. Or visit the website: www.taxlimits101.com.

Proposition 300 Public Programs; Citizens

Proposition 300 will allow only citizens, legal residents, or other persons lawfully present in the United States to participate in the state’s Adult Education and Child Care programs. Proposition 300 will also allow only citizens, legal residents, or other persons lawfully present in the United States to be classified as in-state residents for university or community college tuition, or to receive state-funded financial assistance.

As Sen. Dean Martin explained in a recent letter, “Arizona is currently giving away millions of tax dollars as subsidies to illegal immigrants... U.S. citizens from other states attending Arizona schools have to pay the full cost of out-of-state tuition. However, citizens of foreign countries, who break the law to enter Arizona illegally, are given in-state tuition, subsidized 50 percent or more by Arizona taxpayers.”

To get involved, contact Rep. **Russell Pearce**, russellpearce@cableaz.com, or Sen. **Dean Martin**, Dean@VoteDeanMartin.com.

Proposition 103 **English as Official Language**

Proposition 103 will require that all official actions be conducted in English, with some exemptions, including actions related to the teaching of foreign languages, to federal requirements, and to law enforcement and emergency services. Parties injured by violations of Prop 103 will be able to file civil actions against governmental bodies that violate the law. Arizona’s state and local governments should save significant costs related to translation and to other official actions. Those cost savings may be offset somewhat by the costs of providing relief to injured parties who file civil actions.

To get involved, contact Rep. **Russell Pearce**, russellpearce@cableaz.com.

The following measures are likely to **INCREASE** the cost of tax and regulatory burdens imposed on Arizonans by state and local government:

Proposition 202 **Arizona Minimum Wage Act**

Prop 202 would impose a state minimum wage of \$6.75, greatly increasing regulatory and legal harassment of Arizona employers—including tens of thousands of small businesses—and doing nothing to help low-wage workers.

Harassment of Arizona Employers

The NO on 202 team is working to expose the fact that Prop 202 will lead to massive harassment of Arizona employers. According to NO on 202:

*Prop 202 would create a new, politically appointed “Commission” to oversee minimum wage and employment practices in Arizona. The “Commission” would have no term limits and wouldn’t be accountable to the legislative branch or to the voting public.

*Prop 202 would allow anyone—including illegal immigrants--to accuse someone of not paying the required minimum wage, posting the current wage at the place of employment, or any other rule or regulation created by the “Commission.” Prop 202 would allow labor unions and special interest groups to file complaints and sue on behalf of anyone, including illegal immigrants.

*Prop 202 would require homeowners in Arizona to keep specific payroll records for nannies, maids, elderly care professionals, and other domestic workers for at least four years. Any “missing” records found during an investigation means the homeowner is GUILTY of not paying the correct wage.

*Prop 202 would grant any labor union or special interest group the power to access employment records on employees’ behalf. If access is denied, a complaint can be filed against the employer with the “Commission.”

*Prop 200 would allow the “Commission” to have full access to all financial records of an employer, including healthcare records, social security numbers, and bank account information.

Prop 202 Would NOT Help Low-Wage Workers

In most Arizona labor markets, the minimum wage is irrelevant. The mean wage for all occupations in Arizona is \$16.80, and the median worker makes \$13.28. Even the mean wage for dishwashers is \$6.97, and the median is \$6.96. (And a lot of the folks who make less than \$6.75 make reported or unreported tip income.) Those workers receiving wages above \$6.75 would not be affected by the minimum wage. Those with wages below \$6.75 would risk becoming unemployed under a strictly-enforced minimum wage of \$6.75.

The equilibrium wage in an industry is ultimately determined by one thing: the marginal productivity of the worker. If the minimum wage is \$6.75 and a worker is not producing \$6.75 worth of goods and services for an employer, he will soon lose his job (or lose benefits, or get paid in cash in the black market).

The minimum wage does not contribute to high wages in an economy. High wages are created by high marginal productivity, which is caused by capital accumulation, new technologies, better education, greater industriousness in workers, and better management practices. Arizona farmworkers in the lowest tenth percentile make \$5.58 per hour—significantly higher than the \$5.15 federal minimum wage. They don’t make \$5.58 because of government policy. They make \$5.58 because that’s what employers in that industry think the marginal productivity of their labor is worth.

The legal and regulatory harassment of employers under Prop 202 would increase the costs of the minimum wage for tens of thousands of Arizona businesses, leading to more layoffs of low-wage workers and more statewide unemployment.

To get involved in opposing Prop 202, contact **Michelle Bolton** at michelle.bolton@nfib.org, or visit the NO on 202 website, www.noon202.com.

Proposition 203
First Things First for Arizona's Children Act

Prop 203 is the largest tax increase on the November ballot. It would increase tobacco taxes by 80 cents a pack, from \$1.18 to \$1.98, raising the average price of a pack of cigarettes from \$4.30 to \$5.10. Proponents hope to raise \$150m annually from the tax to support something called the "Early Childhood Development and Education Board." However, with tobacco consumption in steady decline, the revenues generated by the tax will probably be insufficient to support the new Board's spending initiatives, meaning that the Board will soon come to legislators asking for money from the General Fund. Further, tobacco taxes are already so high that the Prop 203 tax increase will likely result in widespread tax avoidance, as tobacco users increasingly purchase tobacco from sources other than those subject to state taxes: the Internet, Indian reservations, duty-free purchasing via Mexico, and interstate and international smuggling. Attempts to prevent tax avoidance will increase enforcement costs and decrease the net revenue generated by the tax. To read the Arizona Tax Research Foundation's analysis of Prop 203, go to <http://www.arizonatax.org/2006%20Ballot%20Measures/Proposition%20203%20analysis.pdf>

To get involved in opposing Prop 203, contact **Barry Aarons** at cduross@aaronsco.com.

Proposition 104
Municipal Debt; Capacity

Prop 104 would allow cities and towns to issue additional debt, up to 20 percent of taxable property values, for public safety and transportation facilities. Currently, Arizona taxing authorities are allowed to issue debt up to six percent of taxable property values, with the exception that cities and towns are allowed to issue additional debt up to 20 percent of taxable value for water, light, and sewer facilities, and to acquire land for the purposes of creating parks and open spaces. The new debt capacity under Prop 104 would allow total debt capacity for public safety and transportation facilities to increase to 26 percent of taxable value. Higher debt levels may lead to higher debt service, which comes out of secondary (uncapped) property taxes.

To get involved, contact **Jeff Greenspan** at Arizona Tax Reform, greenspj@yahoo.com.

Proposition 201
Smoke-Free Arizona Act

This is the more restrictive of the two smoking bans on the November ballot. Unlike Prop 206 (below), Prop 201 would include a ban on smoking in bars and a \$4.7m yearly tax increase through an additional tax of two cents per pack of cigarettes. A much bigger and more economically destructive tobacco tax is proposed by Proposition 203 (above).

Proposition 206 **Arizona Non-Smoker Protection Act**

This smoking ban proposition is less costly for business owners and tobacco consumers than Prop 201, because it would allow smoking in bars and does not include a tax increase.

To get involved, contact **Camilla Strongin** at the Arizona Non-Smoker Protection Committee, info@yesfor206.com. Or visit the website: www.yeson206.org

Proposition 106 **Conserving Arizona's Future**

The Arizona Tax Research Foundation (www.arizonatax.org) has come out in opposition to Prop 106. Some of ATRA's concerns are the following:

“For decades, ATRA has expressed concerns about earmarking revenues outside the appropriations process through what is commonly referred to as ‘ballot box budgeting.’ Conserving Arizona's Future is one of many in a long line of initiatives that have been placed before Arizona voters in an attempt to guarantee funding for a program or agency that receives annual funding from the Legislature.”

“Every interest group that receives annual state general fund appropriations would opt for guaranteed funding levels. However, earmarking revenues and creating dedicated funding mechanisms does significant damage to the state's ability to do comprehensive budgeting and handcuffs state policymakers' ability to readjust budget priorities over time.”

To read the Arizona Tax Research Foundation's full analysis of Prop 106, go to <http://www.arizonatax.org/Prop%20106%20-%20ATRA%20staff%20analysis.htm>

To read the JLBC's analysis of Prop 106: <http://www.azleg.gov/jlbc/06prop106fn.pdf>.

For more information on fighting Prop 106, contact **Rachel Aja** of Arizonans for Responsible Planning, raja@saveourtrust.org, or visit www.saveourtrust.org.

Proposition 204 **Humane Treatment of Farm Animals Act**

According to the Arizona Cattleman's Association, Prop 204 could increase the costs to Arizona livestock producers by \$60m annually, by greatly increasing regulatory harassment of producers.

To get involved in opposing Prop 204, contact **Basilio Aja** of the Arizona Cattleman's Association, baja@arizonabeef.org. Or visit www.Prop204.com.

Proposition 100
Bail; Undocumented Immigrants

Prop 101 would prohibit bail for persons charged with committing a Class 1, 2, 3, or 4 felony and who are in the United States illegally. According to the JLBC, the Arizona Association of Counties estimated the average daily cost of detainment at \$79 per person in 2005. To the extent that incarceration removes high-damage individuals from society, the increased costs of incarceration could be offset by lower costs to society in the way of crime.

Proposition 301
Methamphetamine; Probation Ineligibility

Under current law, persons who are convicted for the first or second time for personal possession or use of methamphetamine must be sentenced to probation, rather than incarceration. Prop 301 would allow judges to sentence those persons to incarceration. According to the JLBC, the annual cost of probation ranges from \$745 to \$3,300 per probationer, while the annual cost of incarceration in private prison is \$17,700 per inmate. To the extent that incarceration removes high-damage individuals from society, the increased costs of incarceration could be offset by lower costs to society in the way of crime.

Proposition 302
Legislative Salary Proposal

Prop 302 would increase the salaries of state legislators from \$24,000 to \$36,000. According to the JLBC, the change would increase General Fund expenditures by \$631,000 in FY 2007 and \$1,261,900.

The impact of the following measures on the cost of state and local government tax and regulatory burdens is **NEUTRAL** or **UNCERTAIN**:

Proposition 102

Standing; Federal Violation; Damages

Prop 102 would prohibit illegal aliens in Arizona from being awarded punitive damages by any Arizona court.

Proposition 105 State Trust Land Reform

To read the JLBC's analysis of Prop 105: <http://www.azleg.gov/jlbc/06prop105fn.pdf>
Read about the competing state land trust reform proposition, Prop 106, above.

Proposition 107 Protect Marriage Arizona

According to JLBC, Prop 107 is not projected to have a state cost. By preventing governments from awarding marriage benefits to employees with domestic partners, Prop 107 may prevent some additional expenditures.

Proposition 200 Arizona Voter Rewards Act

The money for the Arizona Voter Rewards Act comes from the unclaimed prize money of the Arizona Lottery. JLBC estimates the amount at approximately \$1.5m per fiscal year.

Proposition 205 Your Right to Vote by Mail Act

JLBC estimates that the state will save \$1.7 million in election years from not having to mail out sample ballots. Also, local governments may save money from reduced costs at polling stations. However, those savings may be offset by the cost to counties and local governments of mailing regular ballots to registered voters.