

# ARIZONA FEDERATION OF TAXPAYERS

*Expanding economic growth and prosperity for all Arizonans*

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## **TAXPAYER ALERT**

**October 17, 2006**

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

**Part II**--The following measures are likely to **INCREASE** the cost of tax, spending 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](mailto:michelle.bolton@nfib.org), or visit the NO on 202 website, [www.noon202.com](http://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](mailto: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](mailto: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](mailto:info@yesfor206.com). Or visit the website: [www.yeson206.org](http://www.yeson206.org)

## **Proposition 106**

### **Conserving Arizona's Future**

The Arizona Tax Research Foundation ([www.arizonatax.org](http://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](mailto:raja@saveourtrust.org), or visit [www.saveourtrust.org](http://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](mailto:baja@arizonabeef.org). Or visit [www.Prop204.com](http://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.