

## How Well Are Lawmakers Doing to Ensure Arizona's Revenue Streams Are Fair and Sufficient?

To create the skilled workforce and vibrant communities that Arizona will need for a strong economic future, we should strive for quality public schools in every neighborhood, affordable universities, and access to quality and affordable housing, child care and health care. The primary way we pay for these priorities is through our taxes.

When the legislature cuts taxes, (including through tax credits or more sales tax exemptions) they are reducing the amount of revenue the state has available to invest in these important priorities.

This guide summarizes the voting record of all current state senators and state representatives on some of the key legislation in 2019 in which lawmakers had a choice: secure the revenue Arizona needs for a strong future or continue down the path of underfunding important needs by passing more tax cuts.



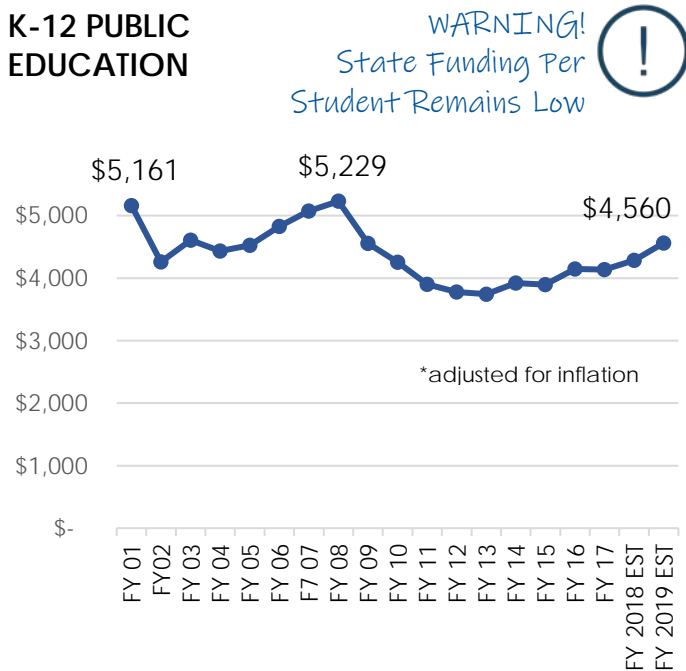
David Lujan  
Director, Arizona Center for Economic Progress

# Three Decades of Annual Tax Cuts are Jeopardizing Arizona's Future

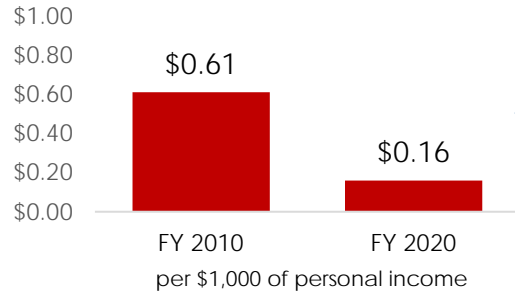
The state legislature has cut taxes every year but one since 1990. All the tax cuts combined total \$5.1 billion less in annual revenue to the state, when adjusted for inflation. The real impact can be seen in many areas of Arizona's state budget, such as K-12 education, community colleges, and universities that are critical to Arizona's future and economic growth. Today many state agencies are receiving less general fund revenue than before the great recession.

## EDUCATION FUNDING

### K-12 PUBLIC EDUCATION

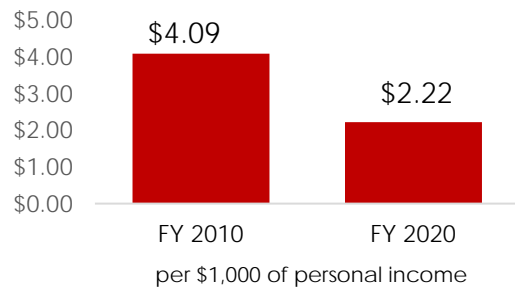


### COMMUNITY COLLEGES



74% Less

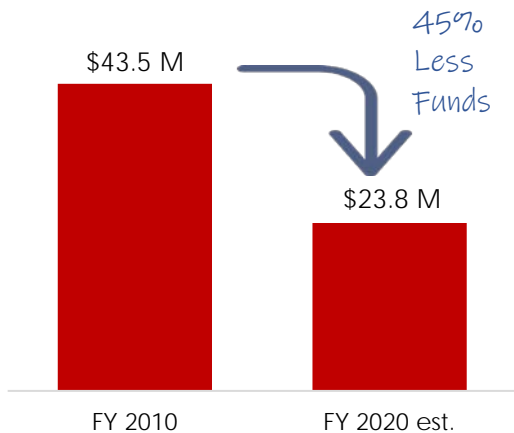
### UNIVERSITIES



46% Less

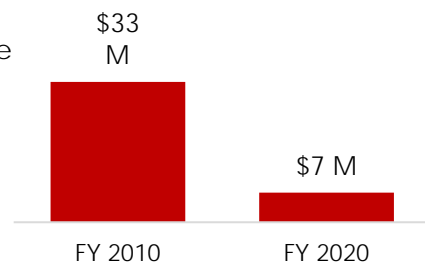
## HOUSING TRUST FUND

Housing affordability is a major concern for many families growing up in Arizona. As housing costs consume a growing share of household income, Arizonans will have less money to spend on priorities and other necessities, such as food, child care, education, medical needs and transportation. In Arizona, the Housing Trust Fund (HTF) is the only state resource devoted to addressing housing needs. HTF was funded by 55% of the sale of unclaimed property, such as stocks, saving accounts, or real estate abandoned by the owner. During the great recession the deposits were capped at \$2.5 million and unclaimed property sales have been diverted to fund the Department of Revenue. For the first time since the recession the legislature has appropriated monies to be deposited to HTF — one-time funds of \$15 million.



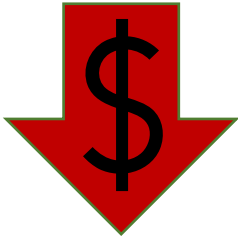
## CHILD CARE SUBSIDIES

For many Arizonans, having access to affordable, quality child care is the most significant challenge they face to joining the workforce or going back to school. In 2010, 18% (\$33 M) of state spending on child care subsidies came from the general fund. Today, only 3.7% (\$7 M) is general fund dollars. Total general fund child care dollars are down from FY 2010 by 79%— \$26 million (FY 2020).



79% less

# 2019 Key Bills



**SB1143, Income tax cuts for the year 2018** – Would redirect the increased revenue Arizona is expected to gain from conforming its tax code to the federal tax changes toward a \$157 million income tax cut for tax year 2018. 65% of the tax cuts in SB1143 would go to the wealthiest 20% of income earners in Arizona.

**Senate vote: Ayes: 16 Nays: 14. House vote: Ayes: 31 Nays: 29.**  
**Vetoed by Governor Ducey**



**HB2757, Permanent income tax cuts** – Redirects additional revenue Arizona otherwise would receive from conforming its tax code to the federal tax changes and from increased efforts to collect sales tax owed from out-of-state online retailers toward \$386 million in new, permanent tax cuts.

**Senate vote: Ayes: 16 Nays: 13. House vote: Ayes: 31 Nays: 29.**  
**Signed by Governor Ducey**

**SB1485, Phase-out of automatic growth of corporate private school tax credits** – Phases-out the automatic annual 20% growth of corporate private school tax credits. The impact on state revenues from the automatic growth of this tax credit has been evident. In 2007, the first year of the corporate private school tax credit program, the cap was \$10 million. In the current budget year, it is \$89 million. Without this phase-out, the cap would have reached \$267 million by 2025.

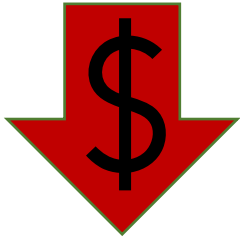
**Senate vote: Ayes: 30 Nays: 0. House vote: Ayes: 60 Nays: 0**  
**Signed by Governor Ducey**



**HB2275, Sales tax exemption for fertilizer/crop production tools** – Creates another special-interest loophole by exempting fertilizer and other crop production materials from Arizona's sales tax code reducing state general fund revenues by \$14.7 million annually. By reducing state sales tax revenue, it will also reduce revenues into the Classroom Site Fund which is used to fund teacher salaries and other important needs in Arizona's K-12 public schools, community colleges, and universities.

**Senate vote: Ayes: 17 Nays: 12. House vote: Ayes: 32 Nays: 26.**

**Signed by Governor Ducey**

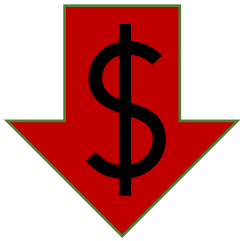


**SB1349 , Tax break for private school tuition** – Amends Arizona law to allow for tax free withdrawals from 529 college savings plans (which were originally intended to incentivize long-term saving for college) to pay for K-12 private school tuition. It layers a state income tax break on top of a recently passed federal income tax break for private school education. Nothing in the bill prevents families already planning to send a child to private K-12 school from depositing money in a 529 plan one

day to qualify for the tax break and withdrawing the very next day to pay tuition at a private school. The annual loss in general fund revenue is estimated at \$438,700 but that amount is expected to grow over time.

**Senate vote: Ayes: 16 Nays: 10 Not voting: 4. House vote: Ayes: 31 Nays: 28.**

**Signed by Governor Ducey**

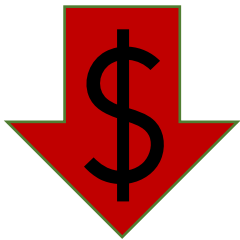


**HB2425, Expansion of inequitable public school tax credits** – Expands the uses of public school tax credits. According to the Joint Legislative Budget Committee staff, public schools which have fewer than 25% of their students from low-income families received an average of \$91 per student in public school tax credits in 2016. In contrast, schools which have more than 75% of their students from low-income families received an average of \$13 per student in public school tax credits. This legislation is expected to reduce state general fund revenues by \$6.2 million in

2019. Rather than expanding the inequitable tax credit program, a better approach would be to invest that revenue into all public schools so that all students have the same opportunities.

**Senate vote: Ayes: 19 Nays: 10. House vote: Ayes: 39 Nays: 20.**

**Signed by Governor Ducey**



**HB2359, Income tax charitable deductions (House only)** – Allows taxpayers to deduct charitable contributions without itemizing deductions on their state tax return reducing state general fund revenues by an estimated \$30 million annually. Arizona's tax code already has among the most generous tax incentives for charitable giving of any state in the nation, including two separate tax credits for individuals who make contributions to charitable organizations. Those two tax credits have grown by more than 700 percent over the past

decade. HB2359 originally passed the House of Representatives by a 38-21-1 vote as a stand-alone bill but in the State Senate was incorporated into HB2757 (see above) as part of the negotiated state budget deal.



**SB1366, Sales tax exemption for corporate data centers (Senate only)** – Would have expanded the sales tax exemption for data center equipment to include rented or leased equipment. Purchased equipment was exempted by the legislature in 2013. This bill would have reduced state general fund revenues between \$3 million and \$8.7 million annually. By reducing state sales tax revenue, it would also reduce revenues into the Classroom Site Fund which is used to fund teacher salaries and other important needs in Arizona's K-12 public

schools, community colleges, and universities.

**Senate vote: Ayes: 16 Nays: 14. Not voted on in House**

State Representative	SB1143	HB 2757	SB1485	HB 2275	SB 1349	HB 2425	HB 2359	SCORE
AZ Center for Economic Progress Position	★ = No	★ = No	★ = Yes	★ = No	★ = No	★ = No	★ = No	
Final Result	Vetoed	Passed	Passed	Passed	Passed	Passed	Passed House Only	
John Allen, LD 15 (Northeast Phoenix)			★					14%
Richard C. Andrade, LD 29 (W. Phoenix, Glendale)	★	★	★	★	★	★	★	100%
Nancy Barto, LD 15 (Northeast Phoenix)			★					14%
Leo Biasiucci, LD 5(La Paz and Mohave Counties)			★					14%
Walter Blackman, LD 6 (Sedona, Flagstaff)			★					14%
Isela Blanc, LD 26 (Tempe)	★	★	★	★	★	★	★	100%
Reginald Bolding, Jr., LD 27 (South Phoenix)	★	★	★	★	★	★		86%
Shawwna Bolick, LD 20 (Northwest Phoenix)			★					14%
Russell Bowers, LD 25 (Mesa)			★					14%
Kelli Butler, LD 28 (Central Phoenix)	★	★	★	★	★	★	★	100%
Noel Campbell, LD 1 (Anthem, Yavapai County)			★					14%
Andres Cano, LD 3(West Tucson)	★	★	★	★	★	★	★	100%
Frank Carroll, LD 22 (Surprise, Sun City West)			★					14%
César Chávez, LD 29 (West Phoenix and Glendale)	★	★	★	★	★	★		86%
Regina E. Cobb, LD 5 (La Paz and Mohave Counties)			★					14%
David L. Cook, LD 8 (Pinal County)			★					14%
Domingo DeGrazia, LD 10 (East and Central Pima County)	★	★	★	★	★	★	★	100%
Timothy M. Dunn, LD 13 (N. Yuma, W. Maricopa Counties)			★					14%
Kirsten Engel, LD 10 (East and Central Pima County)	★	★	★	★	★	★	★	100%
Mitzi Epstein, LD 18 (Northwest Mesa and South Tempe)	★	★	★	★	★	★	★	100%
Diego Espinoza, LD 19 (Avondale and Tolleson)	★	★	★	★	★		★	86%
Charlene R. Fernandez, LD 4 (S. Yuma, W. Pima Counties)	★	★	★	★	★	★	★	100%
John Fillmore, LD 16 (Apache Junction, E. Mesa)			★					14%
Mark Finchem, LD 11 (Marana, Oro Valley)			★					14%
Randall Friese, LD 9 (Midtown Tucson)	★	★	★	★	★	★	★	100%
Rosana Gabaldón, LD 2 (S Tucson, Santa Cruz County)	★	★	★	★	★	★	★	100%
Travis W. Grantham, LD 12 (Gilbert)			★					14%
Gail Griffin, LD 14 (Cochise and Greenlee Counties)								
Alma Hernandez, LD 3 (West Tucson)	★	★	★	NV	★		★	83%
Daniel Hernandez, Jr., LD 2 (S Tucson, Santa Cruz County)	★	★	★	NV	★			67%

State Representative	SB1143	HB 2757	SB1485	HB 2275	SB 1349	HB 2425	HB 2359	SCORE
AZ Center for Economic Progress Position	★ = No	★ = No	★ = Yes	★ = No	★ = No	★ = No	★ = No	
Final Result	Vetoed	Passed	Passed	Passed	Passed	Passed	Passed House Only	
Jennifer Jermaine, LD 18 (Northwest Mesa and South Tempe)	★	★	★	★	★			71%
John Kavanaugh, LD 23 (Scottsdale, Fountain Hills)			★					14%
Anthony T. Kern, LD 20 (Northwest Phoenix)			★					14%
Jay Lawrence, LD 23 (Scottsdale, Fountain Hills)			★					14%
Aaron Lieberman, LD 28 (Northeast Phoenix)	★	★	★	★	★	★	★	100%
Jennifer Longdon, LD 24 (Central and East Phoenix)	★	★	★	★	★		★	86%
Robert Meza, LD 30 (West Central Phoenix)	★	★	★	★	★	★	★	100%
Becky A. Nutt, LD 14 (Cochise and Greenlee County)			★					14%
Joanne Osborne, LD 13 (N. Yuma, W. Maricopa Counties)			★					14%
Jennifer Pawlik, LD 17 (Chandler and Sun Lakes)	★	★	★	★	★			71%
Kevin Payne, LD 21 (Peoria, and Sun City)			★					14%
Geraldine Peten, LD 4 (S. Yuma, W. Pima Counties)	★	★	★	★	★	★	★	100%
Warren Petersen, LD 12 (Gilbert)			★					14%
Steve Pierce, LD 1 (Anthem, Yavapai County)	*		★			*	*	25%
Pamela Powers Hannley, LD 9 (Midtown Tucson)	★	★	★	★	★	★	★	100%
Tony Rivero, LD 21 (Peoria, and Sun City)			★					14%
Bret Roberts, LD 11 (Marana, Oro Valley)			★					14%
Diego Rodriguez, LD 27 (South Phoenix)	★	★	★	★	★	★	★	100%
Athena Salman, LD 26 (Tempe)	★	★	★	★	★	★	★	100%
Amish Shah, LD 24 (Central and East Phoenix)	★	★	★	★	★			71%
Thomas Shope, Jr., LD 8 (Pinal County)			★					14%
Lorenzo Sierra, LD 19 (Avondale and Tolleson)	★	★	★	★	★			71%
Arlando Teller, LD 7 (Northeast Arizona)	★	★	★		★	★	★	86%
Raquel Terán, LD 30 (West Central Phoenix)	★	★	★	★	★	★	★	100%
Bob Thorpe, LD 6 (Sedona, Flagstaff)			★					14%
Ben Toma, LD 22 (Surprise, Sun City West)			★					14%
Kelly Townsend, LD 16 (Apache Junction, E. Mesa)			★					14%
Myron Tsosie, LD 7 (Northeast Arizona)	★	★	★	★	NV	NV	NV	100%
Michelle Udall, LD 25 (Mesa)			★					14%
Jeff Weninger, LD 17 (Chandler and Sun Lakes)			★					14%

\* Legislator not in office at time of vote.

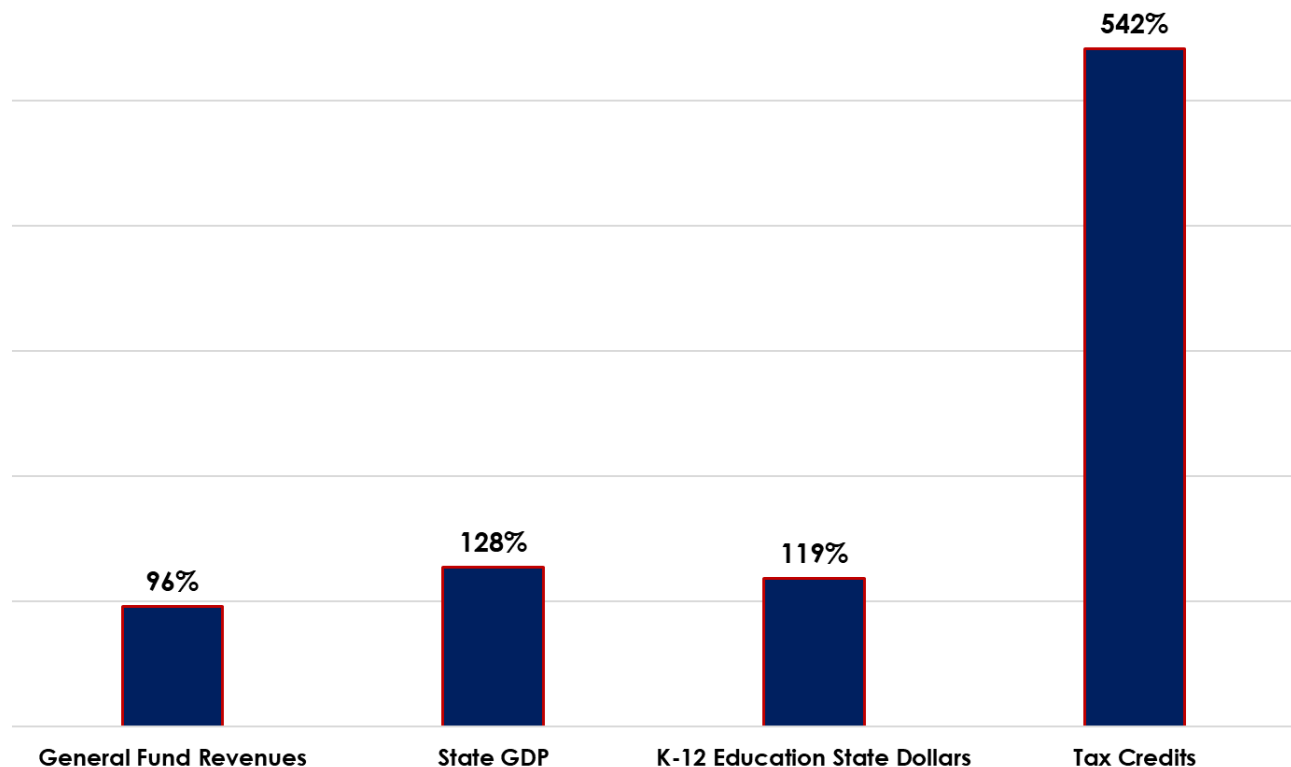
State Senator	SB1143	HB2757	SB1485	HB2275	SB 1349	HB2425	SB 1366	SCORE
AZ Center for Economic Progress Position	★ = No	★ = No	★=Yes	★ = No	★ = No	★ = No	★ = No	
Final Result	Vetoed	Passed	Passed	Passed	Passed	Passed	House Failed to Consider	
Sylvia Allen, LD 6 (Sedona, Flagstaff, Snowflake)			★					14%
Lela Alston, LD 24 (Central and East Phoenix)	★	★	★	★	★		★	86%
Sonny Borrelli, LD 5 (La Paz and Mohave Counties)			★					14%
Sean Bowie, LD 18 (Northwest Mesa and South Tempe)	★	★	★	★	★		★	86%
Paul Boyer, LD 20 (Northwest Phoenix)			★		NV			17%
David Bradley, LD 10 (East and Central Pima County)	★	★	★	★	★	★	★	100%
Kate Brophy McGee, LD 28 (Central Phoenix)	★		★				★	43%
Heather Carter, LD 15 (Northeast Phoenix)			★					14%
Lupe Contreras, LD 19 (Avondale and Tolleson)	★	NV	★	NV	★	NV	★	100%
Andrea Dalessandro, LD 2 (S Tucson, Santa Cruz County)	★	★	★	★	★	★	★	100%
Karen Fann, LD 1 (Anthem, Yavapai County)			★					14%
David C. Farnsworth, LD 16 (Apache Junction, E. Mesa)			★					14%
Eddie Farnsworth, LD 12 (Gilbert)			★					14%
Sally Ann Gonzales, LD 3 (West Tucson)	★	★	★	★	NV	★	★	100%
David Gowan, LD 14 (Cochise and Greenlee County)			★					14%
Rick Gray, LD 21 (Peoria, and Sun City)			★					14%
Sine Kerr, LD 13 (N. Yuma, W. Maricopa Counties)			★					14%
Vince Leach, LD 11 (Marana, Oro Valley)			★					14%
David Livingston, LD 22 (Surprise, Sun City West)			★					14%
Juan Mendez, LD 26 (Tempe)	★	★	★	★	★	★	★	100%
J.D. Mesnard, LD 17 (Chandler and Sun Lakes)		★	★					29%
Tony Navarrete, LD 30 (West Central Phoenix)	★	★	★	★	NV	★	★	100%
Lisa Otondo, LD 4 (S. Yuma, W. Pima Counties)	★	★	★	★	★	★	★	100%
Tyler Pace, LD 25 (Mesa)			★					14%
Jamescita Peshlakai, LD 7 (Northeast Arizona)	★	★	★	★	NV	★	★	100%
Frank Pratt, LD 8 (Pinal County)			★					14%
Martin Quezada, LD 29 (W. Phoenix, Glendale)	★	★	★	★	★	★	★	100%
Rebecca Rios, LD 27 (South Phoenix)	★	★	★	★	★	★	★	100%
Victoria Steele (Midtown Tucson)	★	★	★	★	★	★	★	100%
Michelle Ugenti- Rita (Scottsdale, Fountain Hills)			★					14%

## A Better Approach: Turning a Tax Credit Into a Grant Program

Tax credits cost the state budget \$644 million in fiscal year 2018 and have been growing fast. Once enacted, there is little accountability to ensure the state is getting the promised return-on-investment for the tax break and, even if the legislature wants to repeal an ineffective tax credit, the state constitution requires a 2/3 vote of the legislature to make it happen. In addition, tax credits do very little to help low-income Arizonans who generally have low state tax liability and are unable to take advantage of the tax savings provided by a credit.

We thank Senator Heather Carter for her work this session to transform her SB1172 from a tax credit into a grant program. Originally introduced as a tax credit program to reimburse family caregivers for expenses incurred in caring for a family member, Senator Carter transformed her legislation into a grant program as part of the state budget. As a result, \$500,000 was appropriated to the Department of Economic Security to award grants up to \$1,000 to Arizonans on a first-come, first-served basis for expenses incurred in caring for qualified family members.

### Tax Credits Are Growing Fast - Percent of Growth 1999-2019



Sources: Joint Legislative Budget Committee Staff, Appropriations Report FY 1999; House and Senate Budget Bills As Approved, 5/27/2019; Department of Revenue, Arizona Income Tax Credits Report, April 2019; US Bureau of Economic Analysis Gross Domestic Product by State, Fourth Quarter 2018.

