



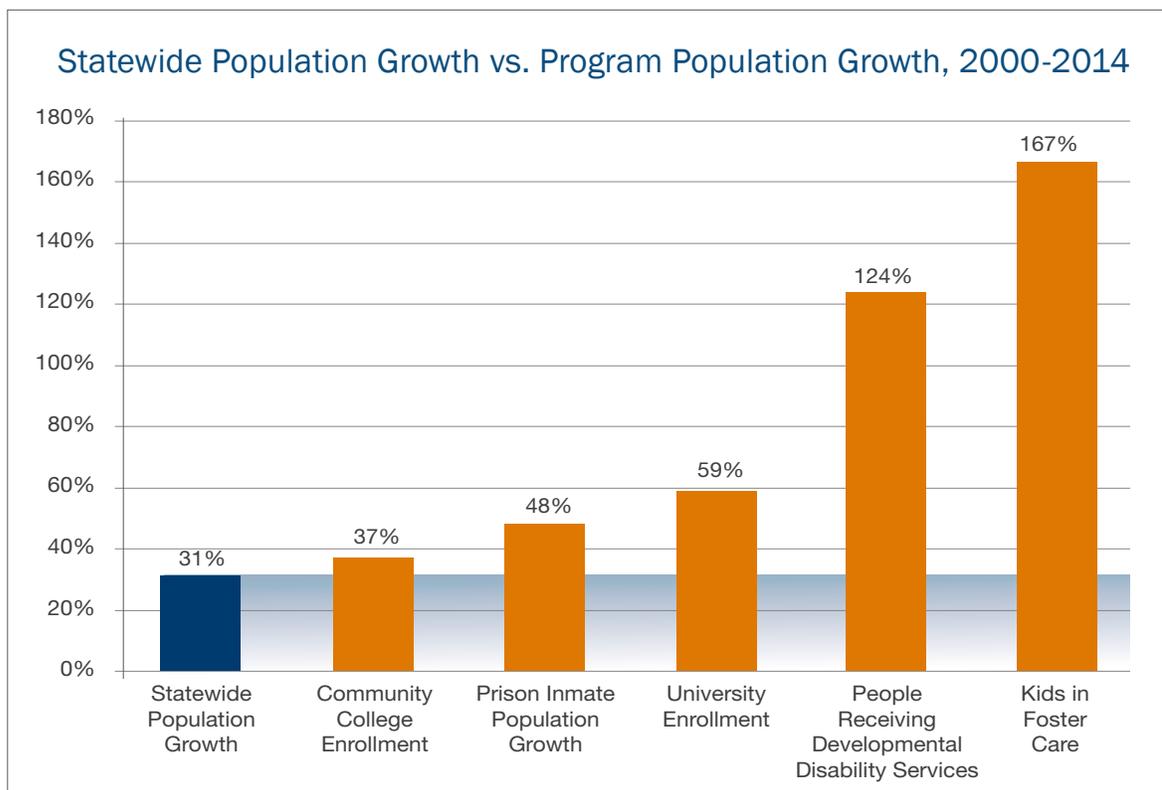
BUDGET AND TAXES

Why does state spending grow faster than the general population and inflation?

The populations and costs that shape state priorities are significantly different from the general population or general inflation. Any law or constitutional amendment that ties the complex state budget to a mathematical formula based on general population and inflation is like ordering pizza for five teenage boys based on the appetite of a senior citizen couple living in Sun City.

Over 20 states, including Arizona, have considered and rejected putting these TABOR formulas into their budget process. Only Colorado has adopted this so-called “taxpayer bill of rights.” It was such a disaster for the economy, schools, roads, healthcare, and public safety that Colorado voted to suspend it. State business leaders agree that TABOR led to slower job growth and delayed recovery from recessions.

Population: Many of the groups that drive the state budget grow far faster than the statewide population, including prison inmates, community college and university students, children in foster care, and children and adults participating in services for developmental disabilities.



Inflation: The mix of costs that go into measuring inflation is far different from the mix of costs that affect state spending. For instance, education—from kindergarten through post-secondary education—makes up 51 percent of Arizona’s budget, while education is only 3 percent of the cost that goes into determining the Consumer Price Index (CPI). Medical costs make up only 8 percent of the CPI, while AHCCCS/Medicaid health care costs make up 13 percent of state spending. On the other hand, food and beverages make up 15 percent of the CPI, while only a handful of state agencies, such as the prisons and the Arizona Pioneers Home, have food costs in their budget.

