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Opinion: Lawmakers Reckless With Arizona's Budget

By Robert Robb

From the political notebook:

- The topline numbers on the state budget are ugly enough. In all, the Legislature authorized \$1.3 billion more in spending than it anticipates receiving in revenue next year.

Even if you assume that the state should be financing buildings, next year's budget has about an \$800 million deficit between same-year revenues and operating expenditures.

The budget details are even uglier.

In the last round of budget woes, one of the Republican leaders made the sensible observation that when you are in a hole, the first thing to do is to stop digging.

Well, the Democrats were in charge of this budget. And they called in the steam shovels.

This budget commits the state to take over the school districts' so-called excess utilities costs beginning in 2010. That's a new spending commitment of \$60 million a year.

It also breaks the bargain made with the business community and the voters when the new education sales tax was adopted.

At the time, state law permitted school districts to increase property taxes without voter approval to cover overruns in utility costs. The Arizona Tax Research Association had documented how this provision was being abused.

So, the ballot measure approved by voters called for the excess utilities provision to be repealed after 2009. The idea was that, as funding was increased from the sales tax, school districts would be-

gin to absorb the utility costs they had been underbudgeting. They were given eight years to do so.

Rather than responsibly beginning to phase out reliance on additional property taxes for these expenses, school districts chose to play chicken with the deadline. And with the Democrats in charge of the budget, they won.

This budget also commits the state to extend the career-ladder program for higher teacher salaries statewide. That will cost a cool \$230 million a year.

The education sales tax was intended to fund increased teacher salaries statewide. However, a small group of districts already was participating in the career-ladder program, so those teachers have two pots of money to draw from. The districts left out of the career-ladder program have sued over the discrepancy.

This budget commits to extend the career-ladder program to all school districts. It says that is contingent on the Legislature appropriating the money for it. However, the state has been sued before for not funding what appears to be a commitment.

So, the state is in at least an \$800 million hole, and Democrats, along with a handful of Republican enablers, approved nearly \$300 million in new spending programs.

- Wait, it gets worse. The Legislature also authorized the universities to issue a billion dollars in bonds for building construction and renovation. The bonds will supposedly be financed by expanding the Lottery.

Good luck with that bet. Lottery revenues to the state are down by nearly 8 percent this year. The Rockefeller Institute reports that lottery revenues have declined in 23 states across the country. Where they are showing increases are in

states that use video-lottery terminals, which remain prohibited in Arizona.

The Legislature also permitted government bonds to be issued to build a theme park in Eloy.

Government finance is interconnected. Problems with some bonds create a cloud over the entire market.

The market for government debt in Arizona is about to enter some rocky terrain.

- All in all, this was the most fiscally irresponsible session of the Arizona Legislature I've ever seen. And given that I've been watching for over 30 years now, that's saying a lot.
- The Goldwater Institute has sued to nullify the renewable-energy mandate the Arizona Corporation Commission adopted and the consumer surcharge imposed to fund it.

The reaction will predictably divide along the lines of whether people think such a mandate is a good idea or not. The institute, however, is making a process point. Such a mandate is beyond the authority of the commission.

The commission is supposed to act as a check on the monopoly pricing power of electric utilities.

The commissioners don't have any authority actually to manage the utilities, and determining energy mixes is as fundamental a business decision for an electrical utility as there is. And they certainly don't have the authority, in essence, to levy a tax to subsidize the energy mix they prefer.

Under Arizona's system of government, such a mandate would have to come from the Legislature, which declined to impose one just this last session.