

March 30, 2023

The Honorable Katie Hobbs  
Governor of the State of Arizona  
1700 W. Washington St. #230  
Phoenix, AZ. 85007

**Re: Senate Bill 1577 (SB1577) Veto Request**

Dear Governor Hobbs,

The Arizona Center for Economic Progress (AZCenter) at Children's Action Alliance is a leader in advancing policies that create fairer tax codes that raise the revenue needed to invest in education, affordable housing, health care, infrastructure, and other supports needed to build thriving communities and better economic opportunities for all Arizonans. The AZCenter works with advocates, policymakers, and communities to connect the dots between the inequities in the state economy and solutions to create a fair and socially just Arizona.

**The AZCenter is opposed to SB1577. If this bill receives final passage and is submitted to your office, we request you VETO the measure.** The AZCenter opposes SB1577 because it will automatically reduce state resources based on projected revenues and expenditures with no oversight by the legislature. The tax cuts required would take precedence over any other priorities such as increasing funding for K-12 public schools, economic development and job training, and state highways.

- The legislature just lowered individual income taxes creating the lowest flat tax in the country, but the full effect of that tax cut is not yet known. It would be very problematic to enact another significant, permanent tax change before we have sufficient data to measure the true impact of the flat tax.
- These measures are a one-way path; they reduce taxes when there is a surplus, but there is no mechanism to maintain baseline spending when there is a shortfall. Were either of these measures to pass, the next time the state experiences a budget deficit, it will require 2/3 of each chamber to approve the revenue increase necessary to provide essential services. This concept heavily depends on accepting budget cuts as the only way to solve all future funding problems.
- There is no mechanism to hold cities harmless in the event of an income tax reduction. The revenue would be lost without any discussion or input from municipal leaders.
- Cities and towns could be forced to absorb significant revenue cuts during a recession or economic downturn, precisely when residents rely most heavily on core government services.

For the reasons stated above, I respectfully urge that you **VETO SB1577**.

Sincerely,



Kelley Murphy (Apr 3, 2023 10:23 PDT)

Kelley Murphy, CEO  
Children's Action Alliance  
The Arizona Center for Economic Progress