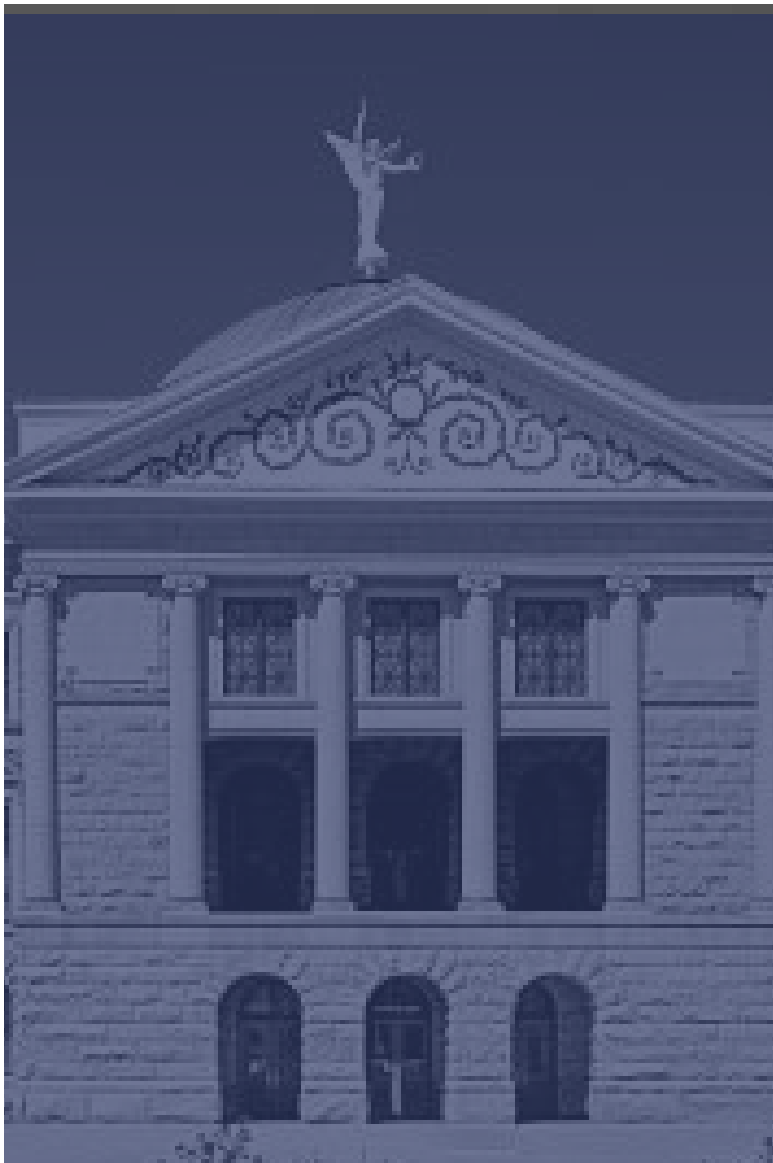




THE ARIZONA CENTER
—FOR ECONOMIC PROGRESS—

2022 Issues Guide

Taxes | Economic Well-Being | Education



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Economic Well-Being Guide

The Arizona Center for Economic Progress believes everyone should have guaranteed access to the basics, like food, housing, education, and health care to reach their full potential. Unfortunately, too many Arizonans have struggled to afford those basic needs as elected officials continue to cut taxes and create more tax breaks for the wealthiest households and corporations.

Before casting your vote this election, use this guide to make informed decisions, and elect leaders who advocate for equitable economic policies and a budget that puts people and their needs first.

2022 TAXES GUIDE

Arizona's tax code is upside-down. Instead of asking corporations and the wealthy to pay what they owe, the lowest-income households pay twice what the top 1 percent pays as a share of their income. This is unjust and withholds the revenue that Arizona needs to provide quality education, ensure access to health care, and make housing affordable for more residents.

Arizona's lowest income households pay a greater portion of their income in taxes than all other households

Percent of income paid in taxes with 2.5% flat tax fully phased in

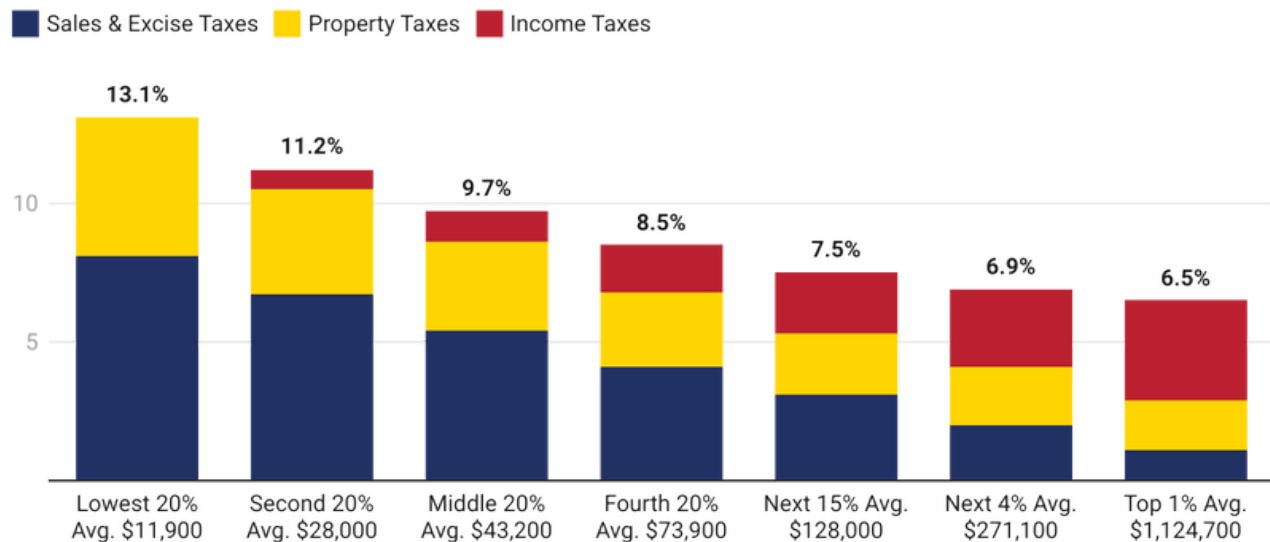
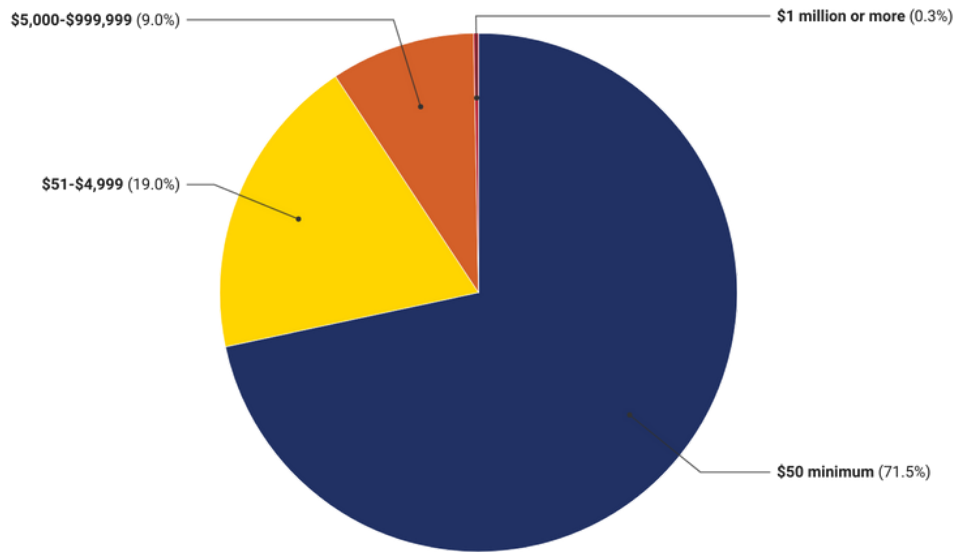


Chart: Arizona Center for Economic Progress • Source: Institute on Taxation and Economic Policy • Created with Datawrapper

While elected leaders have continued to cut taxes year after year—creating more tax breaks for the wealthiest households and corporations—Arizonans are demanding long-term, overdue, and necessary investments to create an economy that works for everyone. Instead of another round of giveaways, Arizona should be looking toward its future and making sure there is enough revenue to pay for important priorities.

Most corporations in Arizona only owe \$50 per year in taxes

Distribution of corporations by level of tax liability



Liability is before credits are applied

Chart: Arizona Center for Economic Progress • Source: Arizona Department of Revenue, FY 21 Annual Report • Created with Datawrapper

WHERE AZ CENTER STANDS:

The Arizona Center for Economic Progress fights for a tax code where everyone pays what they owe. By creating a progressive tax structure, Arizona could make desperately needed investments in communities and services that have been sidelined. Elected officials can take steps toward tax and economic justice by rejecting new tax cuts, credits, and exemptions.

HERE IS HOW THE NEXT GOVERNOR AND STATE LEGISLATURE CAN ACCOMPLISH THIS:

Increase taxes paid as a share of income for higher-income households and adopt a more graduated income tax structure (repeal the flat tax!)

Those that earn less should not pay a greater share of their income in taxes than the wealthiest Arizonans. Yet that's the opposite of what the 2.5% "flat tax" accomplished when it was passed into law in 2021, with 60 percent of the benefits going to the top 5 percent of households (those making over \$248,000 annually), and 80 percent of the benefits going to white households. Arizona's elected officials should re-institute progressive tax brackets that require wealthy households to pay a greater share of their income.

Increase the minimum corporate tax

For years, elected officials have slanted Arizona's tax system in favor of wealthy corporations. Today, more than 7 in 10 corporations in Arizona owe only \$50 in taxes annually (before credits). This has resulted in growing carryforward balances (tax refund IOUs to corporations) that threaten state revenues for years to come. If individuals pay taxes through their paychecks and/or at the register, corporations should do the same.

No new credits for the wealthy and corporations, and institute stronger oversight and accountability for all tax credits

In addition to reducing tax rates for corporations and the wealthy, Arizona has also significantly expanded tax credits which offset tax bills (or even refunds). Yet, issues with tax credits include a lack of accountability, poorly targeting, uncertainty of their effectiveness, long-term (unintended) impacts, and competition with other state programs for resources. Arizona's elected officials should refrain from enacting new credits for the wealthy and corporations and institute real accountability and oversight of existing tax credits.



2022 EDUCATION GUIDE

Arizonans strongly agree that well-resourced educational opportunities—from early childhood to beyond high school—should be a top priority for state government. Yet for years, Arizona’s schools and students have not been given the support they need. The result has been a shortage of qualified teachers due to very low pay, deep backlogs of school repairs, and unnecessary financial barriers for Arizonans to attend college or university.

Arizona continues to lag behind other states and DC in K-12 public education funding (per pupil)

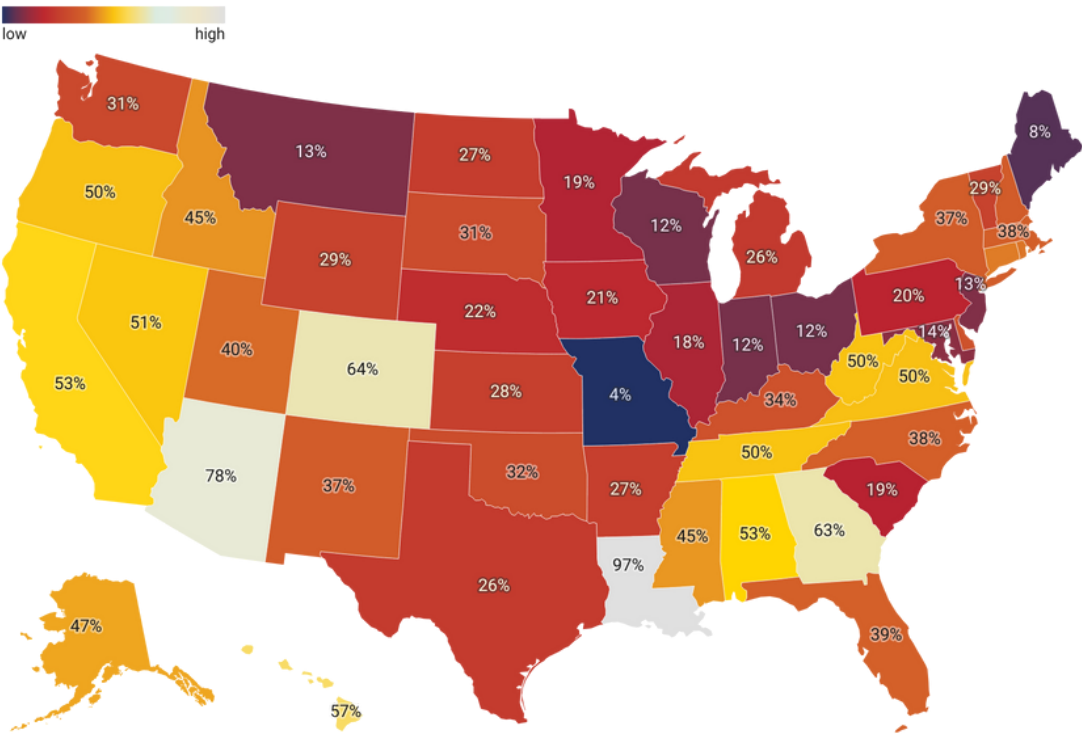
2014	2015	2016	2017	2018	2019	2020
49th	49th	49th	48th	48th	49th	49th

Rank among U.S. states and the District of Columbia.
Table: Arizona Center for Economic Progress • Source: U.S. Census Bureau, Public Elementary-Secondary Education Finance Reports, FY2015 to FY2021 • Created with Datawrapper

Rather than making choices that put Arizona’s students first, elected leaders continue to funnel state resources to private schools and corporations, instead of raising the revenue needed to make these long-overdue changes.

Arizona students had second-largest tuition increase in the past decade

Average change in higher education tuition, adjusted for inflation (2008-2019), by state



Map: Arizona Center for Economic Progress • Source: Center on Budget and Policy Priorities • Created with Datawrapper

WHERE AZ CENTER STANDS:

For too long, Arizona students have gone unsupported by the Governor and State Legislature. Decade-old cuts to funding have created obstacles for teachers, administrators, and parents. The best way to ensure long-term prosperity is to protect dedicated revenue streams that allow taxpayers to invest in everything needed to provide students with quality education.

HERE IS HOW THE NEXT GOVERNOR AND STATE LEGISLATURE CAN ACCOMPLISH THIS:

Permanently eliminate the spending cap for K-12 schools

Despite some increases in funding for K-12 public education in Arizona, a constitutional spending cap (known as the Aggregate Expenditure Limit, or AEL) continues to threaten school districts across the state. When total state funding for education exceeds the AEL, schools cannot spend what they have budgeted, and are then forced to make drastic, immediate cuts. While allocating money to schools requires only a simple majority of the legislature, two-thirds must vote to raise the spending cap if those funds exceed the AEL. Unless the spending cap is permanently addressed, funding for public schools will always be jeopardized.

Increase the school funding formula to direct more state aid funds to students experiencing poverty

Today, the decade-old education formulas have failed to improve education outcomes and meet the unique needs of schools servicing students experiencing concentrated poverty. A fully funded opportunity weight would allow Arizona schools to create across-the-board interventions, hire well-trained, high equality educators and support service staff, increase small group tutoring, and additional technical and behavioral resources targeted for schools with higher shares of students experiencing poverty.

Increase funding for the financial aid trust fund and expand state-sponsored financial aid for non-traditional students

Arizona can use state resources to restore crucial financial aid funds for low-income students attending public colleges and universities through the Arizona Financial Aid Trust. Instead of the legislature depositing only \$10 million dollars annually, the state can restore the full \$45 million dollars that is statutorily required and create new dedicated funding sources to assist non-traditional and returning students pursuing higher education with more opportunities to graduate with less debt.

2022 ECONOMIC WELL-BEING GUIDE

Far too many Arizonans have struggled with affording the basics: like food, shelter, utilities, health care, or transportation. Today, **more than 4 in 10** Arizona households report difficulty paying for usual household expenses, the highest recorded since 2020. This share is much higher for American Indian, Hispanic, or Black households or households with children.

Share of Arizona households with difficulty paying for usual household expenses now exceeds 2020 levels

Share of households where it has been somewhat or very difficult to pay for usual household expenses in the last 7 days



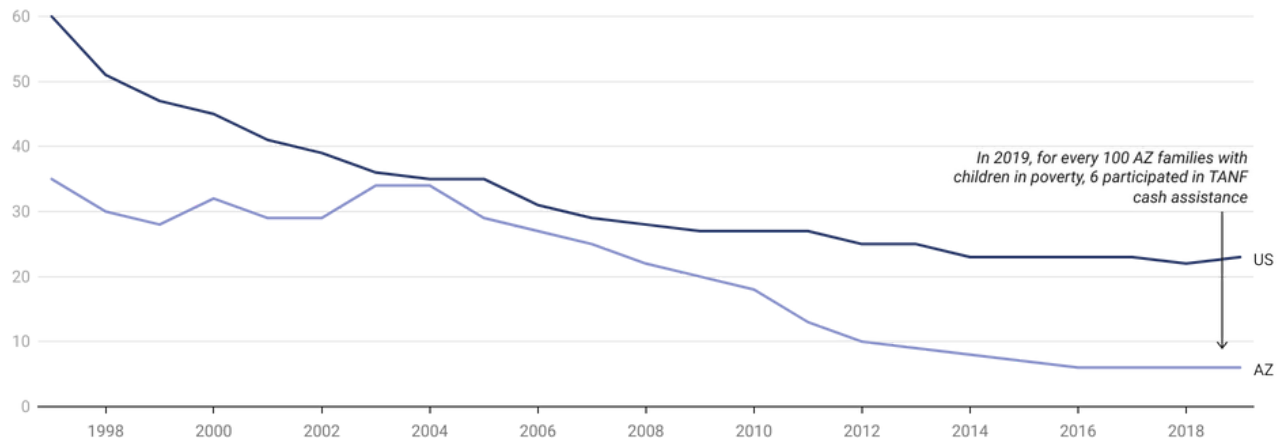
Date reflects final day of (13-day) survey collection period

Chart: Arizona Center for Economic Progress • Source: U.S. Census Bureau, Household Pulse Survey • Created with Datawrapper

As elected officials in Arizona tout a growth of jobs and business, **more than 1 in 7** Arizona children experienced poverty in 2020, well above the national average. Yet, these officials have chosen not to address barriers to access vital safety net programs intended to help families get by. For example, only 11 percent of unemployed people in Arizona participate in unemployment insurance, and only 6 percent of families in poverty participate in the state's cash assistance program. Elected officials need to start using state resources to improve the economic well-being of all Arizonans.

Reach of TANF cash assistance in Arizona has steadily declined, now a fraction of US average

Number of families receiving TANF benefits for every 100 families with children in poverty ("TANF-to-poverty ratio")



Source: CBPP analysis of poverty data from the Census' Current Population Survey and TANF caseload data from the U.S. Department of Health and Human Services and (since September 2006) caseload data collected from state agencies.

Chart: Arizona Center for Economic Progress • Source: Center on Budget and Policy Priorities • Created with Datawrapper

WHERE AZ CENTER STANDS:

We want Arizonans to have guaranteed access to the basics, like food, housing, and paid leave for everyone. Having the basics, the essential elements of human well-being, allows Arizonans to reach their full potential, improves living standards, and shores up the state's economy. We will continue to advocate for policy change and new programs that help more Arizonans manage rising costs.

HERE IS HOW THE NEXT GOVERNOR AND STATE LEGISLATURE CAN ACCOMPLISH THIS:

Stabilize rent now and in the long-term –

To help those struggling to afford and stay in their homes today, Arizona should increase the amount and availability of rental assistance and improve protections for tenants in state law. In the long run, more housing units should be built through large and ongoing investments into the state Housing Trust Fund and incentivizing local governments to address unnecessary restrictions that suppress how much housing can be built. Arizona should also change state law to re-empower local governments to pass affordable housing ordinances.

Increase access to meals for children in school –

When household income is under strain, adequate and nutritious food is often deprioritized in family budgets. Evidence has shown that children experiencing food insecurity are less likely to learn in school. To help address this issue, Arizona's elected officials can direct more resources to school meals so more children can get the food they need without stigmatizing fees or shaming.

Improve access to and adequacy of safety net programs –

For years, Arizona has erected and maintained barriers to programs intended to improve economic well-being such as Unemployment Insurance and Temporary Assistance for Needy Families program. As a result, Arizona has amongst the lowest benefit levels and strictest eligibility requirements when compared to other states for these programs. Elected officials should eliminate these barriers so that more workers and families can access these important financial supports.

Enact statewide Paid Family and Medical Leave –

As the pandemic vividly showed, too many Arizona workers had to choose between their economic well-being and their health or the health of a loved one. According to a recent survey, only 1 in 4 Arizona workers have access to paid family leave, and only slightly more have access to extended medical leave. Arizona can be a leader in supporting families and the workforce by enacting a comprehensive Paid Family and Medical Leave social insurance program, guaranteeing at least 24 weeks of leave for all workers.





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