

Legislative Majority Budget Proposal Comparison w/ Executive's 5-Point Plan

#1 Reform budget process with focus on longer-term needs and resources

- **Legislative plan** would apply a spending freeze at \$10.2 billion, the FY09 budget enacted June 2008, for 3 years starting in FY10, with the spending cap lifted after FY12.

- At an anticipated spending level of \$8.2 billion in FY10, the **Legislative plan's** spending cap leaves \$2 billion in budget capacity for baseline spending to grow to ensure the state is not out of alignment with federal stimulus requirements.

- **Executive's 5 Point Plan (SPP)** calls for a budget package that returns the state to structural balance. With permanent spending more than \$3 billion out of alignment with ongoing revenues, instituting a spending freeze at the enacted FY09 level ensures spending will not grow beyond that point, while also ensuring that there is enough budget capacity to accommodate baseline spending in health & welfare and education programs and stay in compliance with federal stimulus requirements.

#2 Improve Prop. 105, the Voter Protection Act

- **Legislative plan** would suspend Prop. 105 for 3 years through a referral to the ballot, the duration of any temporary sales tax increase.

- **Executive's SPP** calls for flexibility during extraordinary times of crisis, identifying Prop. 105 as the linchpin for doing so. **Executive's SPP seeks** to spare core state services from bearing brunt of budget reductions.

#3 Further spending cuts, reduce General Fund by \$1 billion

- **Legislative plan** adopts the June 26 budget negotiated with the Executive during June 2009. Package includes more than \$1 billion in spending reductions.

- **Executive's SPP** calls for significant ongoing spending reductions to close \$3 billion structural deficit, acknowledging federal stimulus is insufficient to close the deficit.

#4 Institute Tax Reform to attract business and more jobs

- **Legislative plan** calls for \$400M in permanent income tax reductions, split evenly between Individual and Corporate income tax, beginning in FY12 (Tax Year 2011)
- Corporate Tax rate would fall to approximately 4.9%; Top Individual Rate falls to 4.2%; change in corporate rate would move Arizona from 23rd most competitive state to 7th.
- **Executive's SPP** asserts Arizona must grow way out of crisis, stating tax reductions must be provided to facilitate economic recovery and job creation.

#5 Temporary Tax Increase - \$1 billion in revenue to bridge gap in budget

- Legislative plan** refers 3-year sales tax increase to the ballot, with a 1-cent tax in 2010, .75-cent tax in 2011, and .5-cent tax in 2012, which raises more than \$2.2 billion in revenue
- **Executive's SPP** calls for a \$3 billion revenue enhancement to complement the other components of the 5PP. Wants the referral for Nov. 2009, which the Legislative plan is designed to meet.