



News Release

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Budget Produced by Arizona Senate Highlights Lack of Leadership

Reminiscent of last year, Senate budget fails to seriously address financial crisis

Phoenix, AZ – The Arizona Free Enterprise Club, a pro-economic growth advocacy group, today blasted the Arizona Senate budget package as an inadequate and irresponsible attempt to address the state’s fiscal crisis.

“It’s like the movie *Groundhog Day*,” said Steve Voeller, president of the Club, referring to last year’s Senate budget which Voeller characterized as deserving only three votes. **“Once again, because of the Senate’s lack of leadership, we have a budget that should make even the most liberal senators blush.”**

The state faces a \$2.2 billion budget deficit. The outlook for fiscal year 2009 exacerbates the crisis and will put pressure on tax increases. According to the Joint Legislative Budget Committee, projected revenues for 2009 are about \$9.3 billion. Projected baseline spending is \$11.1 billion. This means that the fiscal year 2010 carry-forward shortfall could be between \$1.5 and \$2 billion.

“Is there no shame? Where’s the outrage among responsible parties that a budget that doesn’t balance, plunges us further into debt, and drives us closer to the edge of a cliff is the best the Senate could come up with?”

“Kicking the can down the road for others to deal with does not exactly exude leadership.”

Arizona faces one of the most serious budget crises in the country. As a percentage of the budget, Arizona has the largest deficit in the country. Furthermore,

Arizona's 2007 personal income growth of 3.4 percent was the lowest in the country, so the Senate's over-reliance on a quick economic turnaround lacks merit.

Adding to these significant problems is the fact that some of the tactics employed to paper-over the problems this year will not be available next year, further hamstringing lawmakers and increasing the pressure to raise taxes.

Some states, led by both Democrats and Republicans, are making tough choices and cutting back their budgets to deal with tough economic times. California Gov. Schwarzenegger has proposed a 10 percent across-the-board cut. Connecticut Gov. Rell is cutting \$125 million to address only a \$150 million deficit. Gov. Rell's budget cuts account for 83 percent of the deficit.

In contrast, the Arizona Senate cuts \$347 million from a \$2.2 billion deficit, thereby addressing a paltry 16 percent of the problem. The Senate also plans to borrow \$907 million, including a \$330 million K-12 rollover (moves two payments into FY10), which is on top of the \$270 million the state already owes from the same rollover accounting trick last year. Therefore, the state would be on the hook for \$600 million just to remain three payments behind.

The Senate package also includes \$1 billion in construction bonding for university buildings. This debt is on top of the \$907 million K-12 buildings and rollovers. The bonds would be backed by an expansion of the state lottery.

“Maybe it's a sign of the apocalypse that in a sour economy, with a budget riddled with debt, we would encourage gambling to increase state spending.”

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