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**ARIZONA TAX RESEARCH ASSOCIATION**

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## **Steyer's "Clean Energy" Initiative is Bad for Taxpayers**

### **Another wealthy out-of-stater bankrolling a bad idea in Arizona**

In 2000, a multi-millionaire from Texas decided to use Arizona as his personal Guinea pig to advance a statewide ballot initiative that would have devastated Arizona's public finance system. The 2000 initiative (Prop 107) would have eliminated Arizona's personal and corporate income tax without any replacement revenue. Fortunately, a constitutional infirmity removed that measure from the ballot. 2018 brings another example of Arizona's vulnerable initiative process when it is used to develop complicated public policy through the control of a single, wealthy individual. This year's threat comes courtesy of California billionaire and political activist Tom Steyer, who has targeted Arizona to push a constitutional amendment that advances his political and business interests in renewable energy. Like Prop 107, the Arizona Tax Research Association (ATRA) strongly opposes Tom Steyer's meddling with Arizona policymaking.

Dubbed the "Clean Energy for a Healthy Arizona Amendment," this measure will require affected Arizona utilities provide at least 50% of their annual retail sales of electricity from renewable energy sources by 2030. The initiative will have a profound impact on the capital investment and production costs for Arizona utilities which will require significant rate increases on customers.

### **Steyer Initiative will have major public finance/tax consequences**

The Steyer initiative will impact Arizona's public finance system significantly—both in the taxes public utilities pay to state and local government as well as increased costs for utilities for Arizona governments.

Arizona State University's Seidman Research Institute analyzed the economic and tax implications of the Steyer initiative and found both to be devastating. Seidman estimates the following economic impacts from 2018 through 2030:

- \$8.6 billion loss in Gross State Product
- Up to 67,423 job years of employment lost
- \$2.9 billion loss in disposable personal income

In addition to providing businesses and homeowners with reliable energy, Arizona's public utilities are major taxpayers that provide significant funding for state and local governments. Seidman estimates state and local governments and Arizona taxpayers will be hit with the following revenue losses through 2030 if the initiative passes:

- \$657 million loss in total state and local taxes
- \$389 million loss in state taxes
- \$190 million loss in property taxes (\$96 million for K-12 schools)

At the state level these revenue losses will undoubtedly lead to pressure to raise sales, income, or property taxes in order to avoid significant reductions to K-12 schools, universities, health care, and other state funded programs.

At the local level, the loss in property tax revenue will likely result in a combination of budget cuts and increased property tax rates on homeowners and businesses. In rural Arizona, the impacts could be particularly pronounced in communities where existing power plants may be forced to close.

### **Increased utility costs will lead to further tax increases**

In addition to significantly increasing utility costs on Arizona homeowners and businesses, the Steyer initiative will also drive up utility costs for state and local governments. Utility costs for K-12 schools are estimated to double by 2030. In the APS service territory alone, the cost to K-12 budgets are estimated to climb \$50 million annually by 2030. With budgets limited by state law, these increases will come at the expense of other priorities like teacher pay and student-teacher ratios. Utility increases for other local governments like counties, cities and community colleges could easily result in tax increases— further aggravating the economic damage of the initiative.

In encouraging Arizonans to reject the Steyer Initiative, ATRA President Kevin McCarthy said, “The on-going effort to diversify our energy portfolio in Arizona should not be advanced in isolation of its impact on the Arizona economy, Arizona taxpayers, and Arizona local governments. This is an extraordinarily irresponsible effort that should be rejected by all Arizonans.”