

**ATRA Press Release, 9-3-2020**

### **Prop 208 Doesn't Deliver Accountability, Dedicated or Stable Revenues**

The teachers union's proposed 77.8% marginal income tax increase will devastate small businesses, ruin Arizona's reputation as business friendly, and knee-cap our struggling economy. Instead of helping Arizona small businesses as they tread water during a pandemic, Prop 208's Portland-based funders are throwing them an anvil.

To make matters worse, this tax increase doesn't achieve what schools *actually* need. K-12 education advocates have long called for *dedicated* funding they can put in base salaries. They rightfully ask for *stability* in funding, meaning less subject to volatile shocks so they can depend on it. Finally, schools need accountability: money that taxpayers know will be used to improve public education. Prop 208 manages to go 0-3 on these features. Not dedicated, not stable, not accountable.

Don't just take my word for it. There's not one responsible K-12 group supporting it. Not the school boards association, the business officials, superintendents, or charter school advocates.

In their first ad (where they amazingly never use the word 'tax') the Yes side argues the measure has "strict accountability," hoping no enterprising reporter asks them what they mean. The measure has nothing in it the average person would describe as 'accountability'. Unlike Arizona's sales tax for education in Prop 301, which demands that a portion of the money be used to reward performance, Prop 208 has ZERO accountability measures. Voters want new money tied to education outcomes and performance. New dollars should make our schools better. You won't find any of that in Prop 208.

When the State Legislature and the Governor committed to a 20% pay increase for teachers, one of the key components was that the money be *dedicated* to the K-12 funding formula. This way district budget offices could place the money in base pay. Arizona's economy managed to do well enough to fund increases for inflation and student count growth on top of \$650 million for teacher pay increases. None of the money from Prop 208 will go towards formula funding. Because this money comes from a single revenue source, it will likely result in small bonuses being paid out at the end of the semester.

Schools justifiably do not want to have their budgets whipsawed. Teachers want *stable* funding. Prop 208 is a tax on the most volatile portion of the income tax; it's where business profits and capital gains live. In the first full year of the recession this tax source dropped 32%! This tax bracket actually declined in revenues in four out seven years after 2006! How can schools budget with this unstable revenue source when it grows 20% in one year and declines 5% in the next? It's no wonder you won't find this tax policy in any other state— it's an irresponsible way to fund schools.

You'll notice the Yes on Prop 208 campaign is light on details. They don't want you to know it's a massive tax increase that crushes Arizona employers. They don't want you to know it's not what schools have been asking for. They *do know* that after a bit of education, it's easy to see Prop 208 doesn't deliver for Arizona taxpayers or for improving public education.

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