

“Arizona’s Sales Tax Referendum Town Hall: A Demonstration of Civil Dialogue and Discussion”

“Arizona’s Sales Tax Referendum Town Hall: A Demonstration of Civil Dialogue and Discussion” brought together about 100 people on May 6, 2010, at the A.E. England Building at Civic Space Park in downtown Phoenix. The goal was to aid in public understanding of the implications of the sales tax vote on Arizona’s budget, and more importantly to demonstrate how an issue such as taxes can be discussed in a civil and respectful way. The forum was nonpartisan; no particular outcome was intended nor was agreement necessarily sought. The format was designed to promote thoughtful conversations and give people the opportunity to voice diverging perspectives, listen and be listened to, and better understand each other’s points of view.

Project Civil Discourse is a special initiative of the Arizona Humanities Council working in collaboration with more than 20 organizations from around the state to provide opportunities for the public to participate in trainings, forums, and special events that share, model, and provide insight on collaborative problem-solving. The program goal is to share widely proven skills that can enhance and improve debate and discussion about important issues that affect our future.

Project Civil Discourse and the following organizations sponsored the Sales Tax Referendum Town Hall:

- Arizona Association for Conflict Resolution
- Arizona Association of Facilitators
- Arizona Consumers Council
- Arizona Democratic Party
- Arizona Foundation for Legal Services & Education
- Arizona Humanities Council
- Arizona Libertarian Party
- Arizona Republican Party
- Arizona State University Center for Civic Education and Leadership
- Arizona State University College of Public Programs
- Arizona State University Sandra Day O’Connor College of Law, Lodestar
Dispute Resolution Program
- Arizona Town Hall
- HandsOn Greater Phoenix
- International Association for Public Participation
- Kids Voting Arizona
- Maricopa Community Colleges Center for Civic Participation
- Maricopa County Association of Family Mediators
- Morrison Institute for Public Policy
- O’Connor House Project

Online registration was open to the public; therefore, participants did not necessarily constitute a representative sample of Arizona citizens. The perspectives summarized in this report are those of the individuals who chose to attend. Partner organizations and the co-sponsoring political parties sent invitations to their mailing lists, and the event was

publicized through the Arizona Capitol Times and press releases to media outlets. About an equal number of men and women participated, representing Anthem, Carefree, Chandler, Eager, Glendale, Gold Canyon, Mesa, Parker, Payson, Peoria, Phoenix, Scottsdale, Star Valley, Sun City West, Sun Lakes, and Tempe. Participants voiced a wide range of perspectives. Some indicated affiliation with the Democratic, Libertarian or Republican parties; some identified themselves as independent; and some did not specify. Several high school students affiliated with Kids Voting Arizona participated.

The evening began with welcoming remarks by Bruce Meyerson, Arizona Humanities Council and Founding Member, Project Civil Discourse; Don Bivens, Arizona Democratic Party Chairman; Michael Kielsky, Arizona Libertarian Party Chairman; and Randy Pullen, Arizona Republican Party Chairman. Peter Burns, President, Burns & Associates, Inc., then gave a non-partisan presentation, “The One Cents Sales Tax: Where It Came From... What It Means.” Mr. Burns has more than 25 years of experience in public policy, with specialties in the areas of finance, forecasting, administration, operations, strategic planning, and legislation. During his public policy career, Mr. Burns has been a senior advisor for three governors and has served as a state budget director, the director of a statewide in-house management consulting office, the chief research economist for a legislative body, and a tax manager for a FORTUNE 500 corporation.

Participants were assigned to small round tables, with a trained facilitator and reporter at each table. The facilitator used a discussion guide to encourage consideration of a range of issues. A participant handout included the text of the ballot question and objective background information on the referendum and the state budget, as well as guidelines for a civil discussion. The facilitator was charged with not only promoting a robust discussion but also encouraging everyone at the table to participate and voice their perspectives. A reporter at each table took notes of key comments and suggestions. Following the discussions, reporters presented one highlight from each table’s discussion to the whole group.

Discussion Questions

1. There are viewpoints in favor of and against the proposed sales tax increase, which would raise the State of Arizona sales tax by 1% for three years. What are your thoughts about the different perspectives, giving particular consideration to the types of services that the state government should provide its citizens?
2. Regardless of the outcome of the May 18th referendum, the task of planning for Arizona’s long-term financial needs remains. What actions might Arizona citizens, elected officials, business leaders, and others take to meet the state’s future financial needs?

Highlights of the Conversations

Two major points of consensus emerged during the discussions. First, regardless of opinions about Proposition 100, there was widespread recognition that Arizona's finances are in "dire straits" and even if the sales tax referendum passes, a "catastrophic" budget crisis will continue for years to come." Second, participants with widely varying political perspectives expressed a very strong lack of trust in the state's political leaders.

What Services Should Government Provide?

There was general agreement that the people of Arizona should:

- Articulate our values as a state and the essential elements of healthy communities;
- Identify the areas of focus that are most important to our economic viability;
- Decide what services we want our government to provide to its citizens; and
- Determine how to financially support these priorities and services.

Participants enthusiastically endorsed the importance of talking, listening, and learning from one another about these issues, recognizing that people come from different perspectives that inform their positions. Overall, there was a shared belief that "common ground" can be found. One participant said, "If we agree, we can celebrate. Where we disagree we can learn from each other," and another, "For the greater good, we need to think about what unites rather than what divides."

Perspectives on what constitutes basic needs, infrastructure, and services varied. Most said that education and public safety are indispensable, although viewpoints on the appropriate scope of education funding differed. Many identified health services as a necessary basic service, especially for children, while some did not view access to health care as a right. Some noted the importance of social services, the judiciary, adult and juvenile corrections, environmental protection, and economic development.

There was robust dialogue about striking an appropriate balance between the state's obligation to fund and provide services, and the responsibility of individuals to take care of their own needs and those of their neighbors through charitable contributions and volunteer services. Some said that an important aspect of achieving balance is funding services such as parks that provide important benefits to individuals and communities, although they may not be economically self-sustaining. Others said that any non-basic services provided by the government should be self-funding and not cause an increased burden on all taxpayers for services that benefit only some people.

Some said that Arizona citizens are unaccustomed, unwilling, and sometimes unable to pay for state services. A few believed that recipients of state services are disconnected from the concerns of taxpayers; others noted that service recipients in fact pay taxes.

Some people said that we must take responsibility for the mindset of overconsumption that has driven our individual decisions and the decisions made by our institutions and governments. As individuals, and as a state, we need to change our values so that we no longer live beyond our means.

A few people argued against any taxation, characterizing taxes as “immoral,” “theft,” and “anti-American.” A small minority said that the purpose of government should be limited solely to protecting individual rights and that is not the case now.

Education is Essential

Among state-funded services, education by far received the most “air time” in the conversations. The discussion about public education led some groups to consider how economic and demographic differences factor into public policy priorities and decisions. Some noted that as the quality of public education declines, families with greater economic resources are placing children in private schools. There was concern that families without children in public schools may be less aware of the needs and concerns of lower income citizens. Others expressed greater confidence that most people are willing to support educational quality. One person said, “Just because I’m retired doesn’t mean that I don’t think education is important. It is a civic and a moral obligation to see that the next generations are educated.”

The two key concerns were the importance of an educated workforce and a strong public K-12 system.

Educated Workforce

There was a strong belief that education is a critical foundation that must be supported to build healthy communities and a strong economic future. Conversations focused on the impact of public education on two aspects of the emerging global economy: (1) Arizona’s economic development prospects and (2) the degree to which our children are prepared to compete for jobs.

There was widespread agreement about the importance of promoting an educated workforce in order to compete in a global economy and strengthen Arizona’s future revenue streams. A number talked about the connection between a strong public education system and attracting high-tech companies to the state, noting that companies seek both a well-educated employee pool and good schools for their employees’ children. One person said, “Perception matters—if companies perceive that Arizona is near the bottom in funding education, they won’t locate here.” Another said, “Google couldn’t find the talent to support their Tempe office. If we don’t have good jobs, we’re not going to support good people.”

There were concerns that inadequate funding for education will create a knowledge deficit in Arizona and that tuition hikes at community colleges and universities make it difficult for many students to afford higher education. Some worried that cutting funds for Advanced Placement tests would negatively affect students’ ability to obtain college credits for accelerated high school courses.

Some said that Arizona’s long-term prosperity is negatively impacted by the “brain drain” when young people with college degrees leave because of limited job opportunities in Arizona.

Strong Public K-12 System

There was discussion about the fact that Arizona’s expenditure per pupil for K-12 public education is near the bottom of national rankings, yet the state is slightly higher in terms

of educational attainment. Some said that this demonstrates Arizona's history of efficient delivery of K-12 education and there is no room to cut funding without sacrificing quality. Many worried that decreased funding will result in high-quality teachers relocating to other states with better teaching conditions and larger investments in education. A few said the low achievement rankings indicate systemic problems; "Throwing more money at a broken system will do no good for Arizona's students and future workers." Others were less convinced about efficiency, saying that teacher salaries were frozen or cut while school administrative expenses remained high.

Many participants mentioned that music, art, and sports are highly vulnerable to cuts when budgets are tight, and this is a serious concern because such activities are "vital connection points" that promote positive social engagement with the school and the community. In contrast, other participants felt that funds for such activities benefit only a small percentage of students.

Some suggested offsetting the cost of extracurricular activities by fees, for example, "pay for play" in sports. Others noted that families are taxed to provide extracurricular activities now, for example, a \$100 fee to participate on a sports team. Lower income families are unable to afford these extra expenses. Some suggested tapping companies and other organizations to provide funding.

Many urged greater volunteer involvement to fill voids created by budget cuts, including opportunities for high school students to provide volunteer assistance to younger students. However, others pointed out that increased use of volunteers in schools and libraries would cost jobs.

Yes or No on the Sales Tax Referendum?

A large majority of participants said that given our current economic reality, Arizona should pass Proposition 100 in order to meet the State's existing fiduciary obligations. Most said that there doesn't seem to be any other solution to the immediate problem. Some said the sales tax increase is a better option than property or income tax increases because it is consumer driven and therefore less of a burden than a general tax increase. However, a few worried that a sales tax increase would disproportionately impact lower-income people.

Proponents were clear that there will still be a deficit and this is only a temporary fix, not a long-term solution. Some believed that the sales tax increase will cost jobs, but should nonetheless be implemented to fund necessary services, especially education. Many said their support is based on concern about larger class sizes and cuts to school programs. Some described the current cuts as "draconian" and said additional cuts would be "educational malpractice." There was a perception that schools would be hit particularly hard in rural Arizona.

Many viewed the three-year sales tax increase as an investment. "I think of the tax as an investment in our future with our most precious resource—our children. As such, the tax will benefit us immensely down the road." Some noted that Arizona must maintain funding in certain areas or lose federal matching dollars.

The minority of participants who opposed passage of Proposition 100 said that a higher sales tax would negatively affect business owners through decreased profit margins and

customers through higher costs. Some said the state must reduce expenditures, and not enacting a temporary sales tax increase would force the state to make cuts now instead of later.

Legislators: Please Listen!

A pervasive theme in discussions about Proposition 100 was a lack of confidence in Arizona's legislature and a call for transparency. Many worried about whether additional sales tax revenues would be used responsibly and effectively. Although the words used ranged from "concern" to "distrust," there was widespread agreement that legislators need to listen to the people more than they have to date, and that citizens need to hold the legislature accountable for their decision-making processes and actions.

Concerns expressed by participants included:

- The legislature is using "a lot of tricks" to meet its financial requirements.
- We want to know exactly where our funds are going to be spent because there is not much trust in our elected leadership.
- The state continues to make financial decisions that do not seem to be based on accurate revenue projections.
- The legislature is taking funds from what are supposed to be "designated" funding sources and placing them in the General Fund.
- When funds are designated for particular programs, our leaders do not have flexibility to reallocate funds when circumstances change.
- The government did not cut costs in non-valued services deeply enough, and to hide this lack of action, it is now asking for increased taxes on those services that the government knows are highly valued by citizens: schools and safety. "This feels manipulative."
- The state should not be eliminating revenue sources such as photo radar cameras just because it is the politically popular thing to do.

Given the current financial crisis and the two-thirds majority requirement to raise taxes, many participants said that elected leaders should not consider any tax cuts at this time. However, others want legislators to consider tax cuts designed to stimulate the state's economy.

Quite a few people said that Arizona citizens must use the November election to bring more skillful legislators into state government; core changes are necessary and we need new leaders to make these changes. Some said the noncompetitive nature of our legislative districts creates structural impediments to electing leaders who will work across party lines and consider compromise solutions instead of insisting on pledges such as "no new taxes" even when the state is in desperate need of additional revenue. Participants at one table urged all legislators to take a "civility pledge." Some believed that years of tax cuts created the current budget crisis. One table said they were "appalled at legislators' slavery to the ideology of tax cuts."

Some said we are at a point in time when we must think differently about how we use the party system for electing our leaders, and some urged elimination or revision of term limits as a means to improve the competence of legislators. There was also a discussion about issues raised by the O'Connor House Project such as open primaries, a lieutenant governor, and Arizona's campaign finance laws ("Clean Elections").

Because revenues generated by Proposition 100 would be temporary, participants strongly urged the legislature to develop long-term solutions.

Redesigning the Tax and Revenue System

Many participants said that the current financial crisis resulted in part from the structure of our tax and revenue system, and we have an opportunity to consider new ways to address the state's fiscal responsibilities. One group said, "Everyone needs to be more responsible, proactive, and creative in our thinking and actions."

There was strong support for revising Arizona's tax code to broaden the revenue base and to eliminate the dramatic highs and lows in revenues and expenditures. One group characterized the proposed temporary sales tax increase as "a silo response to a structural problem." Many advocated repealing Proposition 105, adopted by voters in 1992, which requires a two-thirds majority to raise taxes.

Participants urged a collaborative, non-partisan approach to change and favored more diversified and stable revenue sources, with transparent decision-making and appropriate long-term planning.

Perspectives on taxes included:

- The current system relies too heavily on income from growth-related sources and sales taxes.
- Property taxes are a relatively stable revenue source and should be increased.
- Raise personal income taxes; Arizona has a low overall tax rate relative to other states.
- Implement luxury taxes.
- Reverse previously enacted tax reductions; reductions no longer make sense in light of the impact of the recession on tourism and construction.
- Better prepare for the cyclical nature of our economy by strengthening the rainy day fund so that the cuts and layoffs are less drastic when recessions occur.
- Eliminate the program that redirects funds to private schools in the form of tuition tax credits at the expense of public education.
- Eliminate unfunded mandates.

Opinions on economic development included:

- Develop policies that help diversify the economy by encouraging growth in knowledge-based industries, high-tech industries, sciences, medical research, "green" industries, and alternative energy. "Arizona's economy cannot rely on building houses in the desert."

- Stabilize the regulatory environment.
- Do more to attract corporate headquarters. However, without fixing immigration, schools, and basic services, Arizona cannot attract corporations without giving tax breaks, which increases the revenue deficit.
- Improve and manage Arizona's reputation as a good place to live and do business.

Some said that in addition to being volatile, sales taxes are regressive, resulting in a disproportionate impact on people with lower incomes and vulnerable populations. However, others called for a permanent sales tax increase.

There were divergent opinions on corporate tax breaks: some wanted to implement new tax cuts targeted for businesses to jump-start the economy, while others urged reductions in corporate tax incentives.

Many felt that reforms are needed to increase accountability. The projected benefit of each allocation should be quantified, measured, and reported to voters. All areas of government, including education, should be assessed to determine whether operations are designed in ways that incentivize efficiency. The state should encourage more competition to lower costs and improve services, and apply better urban planning and growth control, especially in fringe areas, to reduce municipal and infrastructure costs.

Several people identified the need for school finance reform, saying that funds should be distributed more equitably and perhaps some of the school districts should be consolidated. They acknowledged that this is a difficult discussion because no one wants to give up autonomy, but said the concept of local control is antiquated and not relevant to the way we live now.

Alternative Revenue Sources and Cost Control

Many participants said that we are at a point in time when we must think differently about how we obtain revenue for essential functions and develop base economic industries for Arizona. The days of an economy based on cattle, construction, or growth are behind us, and we must now decide what and who we want to be as a state.

Ideas for new sources of revenue included:

- Requiring more frequent renewal of drivers' licenses.
- Increasing user fees.
- Leasing state parks for operation by independent entities (although concern was expressed that higher fees would limit access to people with lower incomes).
- Increasing the minimum retirement age for state employees.

There was some discussion about toll roads, but most said that this solution would not work in Arizona because of the high number of roads that are federally funded and the lack of a viable public transit system.

Some advocated controlling costs by privatizing as many functions as possible, such as highway rest stops, education, health care, and prisons, and said research should be conducted on approaches that have worked well in other states. Some felt that

privatization would encourage choice and better quality, but there were concerns about abuse and too much emphasis on profit. Some also were concerned that past efforts to privatize schools disproportionately benefited the wealthy and hurt families who could not afford private school tuition.

Some would like to change the way the criminal justice system operates, for example reducing prison populations by eliminating the “three strikes and you’re out” policy and mandatory minimum sentences. One participant said that the state should legalize all victimless crimes, such as drugs, prostitution, and gambling.

Increased Civic Engagement

Many participants said that people should get more involved in the political process, become informed about the issues, communicate with legislators, and organize to make changes. Some urged instruction in civics and critical thinking, as well as voter education to increase civic awareness and participation. Others said it’s hard for citizens to track bills and be active, knowledgeable citizens. Some expressed frustration that the media is more focused on drama and partisanship than issues.

Some urged the government to involve citizens and businesses in the discussion about how to fix revenue and expense gaps. “We want to be involved, we think we can help.” There was a perception that government leaders don’t discuss the issues calmly and with insight, but rather “blow everything out of proportion to make the news.”

Feedback on the Process

Representative comments offered by participants at the end of the event included:

- The format of the dialogue was great, although it didn’t seem that many people changed their viewpoints after the discussion. But, the goal was to understand each other, not to change each other’s minds.
- I liked adults talking in a friendly way, with spirit, to air our positions.
- I liked the process because I heard from points of views that I don’t have access to very often.
- I like to hear from others. I felt that I was heard and I heard others, and people didn’t need to agree to feel heard and included in the process.
- I heard and got a chance to understand where other people are coming from. Thinking about other points of view was helpful to me.
- I’m concerned about what happens now that we’ve finished this discussion. How will it be used? What will come out of it?
- “Discourse” depends on divergent viewpoints, and our table grouping was too homogenous to produce these. A simple movement after introductions might have achieved this in the room.
- Make “political party” mandatory information during sign-up, with a disclaimer explaining that it will be used strictly in balancing the tables for the purpose of discussion.

- Recruit five or six state legislators to come and participate next time. They should hear what’s being said! [Editor’s Note: One legislator participated in this event.]
- I’m glad I came.
- I liked the process because it was an opportunity to share ideas. It was a wonderful open dialogue.
- Participating in this kind of forum should be a requirement for high school graduation.
- Project Civil Discourse should partner with social media organizations to include more young people and “techie.”
- This process should be expanded to neighborhoods to include more people and provide easy access to more locations.

Steering Committee Members

Susan Bulfinch, *Arizona Association for Conflict Resolution*

Shari Capra, *O’Connor House Project*

Leslie Kyman Cooper, *Arizona Consumers Council*

Sharon Flanagan-Hyde, *Flanagan-Hyde Solutions, LLC*

Julie Gavin, *Arizona Humanities Council*

Rex Gulbranson, *Arizona Humanities Council*

Art Hinshaw, *Lodestar Dispute Resolution Program, Sandra Day O’Connor College of Law, Arizona State University*

Tara Jackson, *Arizona Town Hall*

Jennifer Johnson, *Arizona Democratic Party*

Michael Kielsky, *Arizona Libertarian Party*

Bruce Meyerson, *Arizona Humanities Council*

Alberto Olivas, *Maricopa Community Colleges Center for Civic Participation*

Matthew Roberts, *Arizona Republican Party*

Monica Stigler, *Morrison Institute for Public Policy, Arizona State University*

Barbara Sutton, *Jackson Financial Services*

Brenda Thomson, *Arizona Humanities Council*

Nancy Welch, *Morrison Institute for Public Policy, Arizona State University*

Sue Yale, *Arizona Humanities Council*

Moderator

Bruce Meyerson, *Arizona Humanities Council*

Facilitators and Reporters

Barbara L. Beatty, *Dispute Solutions*

Mary Bianco, *Arizona Association for Conflict Resolution*

Carol Blackman, *U.S. Equal Employment Opportunity Commission, Phoenix District Office*

Regina Blakely, *Strategic Collaboration Group*

Sheila Brennemann, *Central Arizona Project*

Susan Bulfinch, *Arizona Association for Conflict Resolution*

Molly Castelazo, *Castelazo Marketing Ltd.*

Carrie Cohill, *Arizona Association of Facilitators*

JoRita DeFrancesco, *Central Arizona College and Mesa Community College*

Debra Duerr, *International Association for Public Participation*

Richard Fincher, *Workplace Resolutions, LLC*

Ruth Franklin, *Mediator*

Art Hinshaw, *Lodestar Dispute Resolution Program, Sandra Day O'Connor College of Law, Arizona State University*

Tara Jackson, *Arizona Town Hall*

Irene Jacobs, *Consultant*

Kate Kunberger, *Consultant*

Elizabeth Larson, *School of Geographical Sciences and Urban Planning, Arizona State University*

Jaleh Najafi, *Attorney*

Alisa Oyler, *Partners in Participation, LLC*

Marilyn Oyler, *Partners in Participation, LLC*

Mary L. Pierce, *Flashpoint Consulting*

Patricia Powers-Zermeño, *Arizona Department of Transportation*

Terri Sue Rossi, *Central Arizona Project*

Marty Rozelle, *The Rozelle Group*

Rustin Silverstein, *Steptoe & Johnson, LLP*

Monica Stigler, *Morrison Institute for Public Policy, Arizona State University*

Nancy Van Pelt, *Certified Professional Facilitator*

Deanna Villanueva-Saucedo, *Maricopa Community Colleges Center for Civic Participation and Mesa Public Schools*

Nancy Welch, *Morrison Institute for Public Policy, Arizona State University*