

2009 Legislative Agenda for Arizona Business

In 2006, Arizona was second in the nation for job creation. We are now 48th. Challenging economic conditions have caused many companies to shrink their operations, delay capital investments, and cut jobs. Arizona businesses in all sectors and industries are feeling the results of the credit crunch, stock market decline, and overall economic slowdown. Out of these trying circumstances, the statewide business community has come together to identify policy solutions that will help reinvigorate the economy, retain existing jobs, and spur new job creation. We see opportunities to address structural issues and position Arizona to come out of the downturn stronger than ever. By creating a more competitive tax and regulatory environment, improving access to health care, strengthening infrastructure, and ensuring ample and affordable energy supplies, Arizona can once again become a top-choice business location.

As chambers of commerce and business associations, we collectively represent the majority of employers throughout the state. Our members range from the small mom-and-pop businesses that form the cornerstone of local communities to major global corporations that employ tens of thousands of Arizonans. From Prescott to Phoenix to Yuma, we have identified areas where we agree that state government can advance legislative solutions to improve the economy and help us get back to creating quality jobs for Arizona residents.

Balancing the state budget is the single most critical obligation facing our legislature and Governor. With a projected \$1.2 billion deficit for fiscal year 2009 and a \$2.2 to \$3.0 billion deficit for fiscal year 2010, Arizona now ranks first in the nation for the size of its deficit as a percent of the total state budget. While it is not our role to make line-item recommendations on how to close the deficit, we are here to offer guidance on how the legislature can evaluate expenditure cuts and other options for balancing the budget. During this extraordinary time, it is important to analyze which government programs and functions should be scaled back, eliminated, or privatized. Other critical services must remain in place to protect vulnerable populations, draw down federal matching funds, or help the state attract new businesses. These decisions should be directed towards helping Arizona become a more competitive business location in the global economy - the type of place that attracts new private investment, fosters entrepreneurship and innovation, and provides a variety of career opportunities.

The business community looks forward to working with new leadership in both the state legislature and the Governor's office to tackle our state's existing challenges and to set the stage for a more prosperous future. We invite you to join with us as we build a stronger Arizona.

Create a Structurally Balanced Budget

Closing the state's budget deficit is an extraordinarily difficult task by any measure. It is, however, the primary Constitutional obligation of our state legislature and Governor to create a balanced budget. We have outlined some guidelines that can serve as a starting point as our legislature evaluates where to reduce spending. Throughout the legislative session, the business community will work in partnership with state government to identify solutions to the current deficit and to put policies in place that will position Arizona for a more prosperous future.

- Recognize that bold and immediate action is required to resolve the Arizona's budget deficit and prevent serious, prolonged economic harm. Insist that the budget be balanced in a way that does not depend on the use of accounting gimmicks or excessive debt.
- Encourage significant expenditure reductions to all non-essential programs and activities.
- Establish a schedule of review for all budgetary funding formulas.
- Oppose budget proposals that would reduce the state's economic development capacity, impair the state's ability to bring in tourism money, or shift costs to the private sector through reductions in funding for the Arizona Health Care Cost Containment System (AHCCCS).
- Oppose efforts to reduce state shared revenues.
- Oppose efforts to balance the state's general fund by sweeping dedicated funds that were collected from specific taxpayers for targeted purposes.
- Reform the initiative process to increase transparency, prevent abuses, and prevent further limitations on the legislature's and Governor's ability to set the state budget.

Support a Globally Competitive Tax Structure

The tax structure differentiates competitive business locations that attract new and growing investments from those that continue to lag behind. Arizona must maintain its good standing in those areas of tax policy where it compares favorably to other locations. At the same time, our state must continue to make progress on tax policies, such as the business property tax, where it is among the worst in the nation. When evaluating changes to our tax system, maintaining our existing employer base should be the first priority. Encouraging job creation and attracting new businesses in diverse industries should also weigh heavily into the analysis.

- Advance tax policies that encourage job creation, attract capital investment, and facilitate Arizona's ability to attract and retain businesses in diverse industries.
- Support legislation to prevent the reinstatement of the state equalization property tax.
- Resist efforts to resolve the budget shortfall by repealing or suspending productive tax policies that are critical to Arizona's competitiveness or by increasing individual or corporate income or insurance premium taxes.

Encourage Regulatory Accountability

State agencies should always conduct careful cost-benefit analyses before enacting new regulations that add costs to business. In these challenging economic times, it is all the more critical that the state proceed with great caution when considering new regulations. Unfortunately, many state agencies and boards are moving forward with onerous and costly new rules and regulations as though the economy were booming. For some businesses, the costs of complying with these new regulations mean further, difficult cost cuts will have to be made in other areas of their operations. It is time to put the brakes on new regulations and give the economy time to recover.

- Oppose new government regulations that would impede business innovation or efficiency. To that end, enact a temporary moratorium on all new agency rulemakings that are not required by federal law or necessary for public health and safety until the economy recovers.
- Ensure that state agency rules and policies are consistent with statute and legislative intent by re-establishing the legislative Administrative Rules Oversight Committee (AROC).
- Oppose legislation that would create unnecessary and costly new obligations for business, limit the freedom to contract, or increase litigation under the guise of consumer protection.

Maintain a Flexible, Readily Available, and Competitive Workforce

Qualified and dedicated employees form the backbone of all successful companies. Facilitating higher academic achievement for all Arizona students and protecting well-established workplace rights are critical for maintaining productive work environments and meeting the demands of the marketplace.

- Continuously improve education at all levels so that students have the necessary skills for success in the global economy.
- Oppose state or federal legislation that would deny employees the right to a secret ballot before union representation is imposed upon them.

Ensure Ample and Affordable Energy Supplies

Manufacturers and other businesses depend on having an uninterrupted supply of power at a reasonable cost. Arizona is poised to become a national, possibly even global, leader in renewable energies. The state government should take action to facilitate the expansion of renewable energy rather than putting costly mandates and regulations into place. By enabling energy producers to bring new projects online without delays or unnecessary extra costs, the state can better ensure that businesses will have the power they need now and well into the future.

- Make certain that any system put forward by any level of government to address climate change does not transfer wealth out of Arizona or artificially increase costs for energy producers or consumers. To that end, any involvement in the Western Climate Initiative (WCI) should involve full stakeholder participation including the state legislature, the Arizona Corporation Commission, and the business community.
- Remove barriers and incentivize, rather than mandate, the expansion of renewable energy so that Arizona can become a leader in this emerging industry.

Improve Access to and Affordability of Health Care Statewide

Businesses need healthy and productive employees. Employer-sponsored health insurance continues to play a critical role in our nation's and our state's system of paying for health care services. Escalating health care costs negatively impact Arizona's competitiveness as a business location. We propose several complementary approaches to bringing down health care costs so that more businesses are able to provide health benefits to their employees. With 1.2 million Arizonans lacking any form of health insurance, it is critical that the legislature take action to make coverage more affordable.

All Arizonans should have ready access to health care when they need it. These recommendations will make Arizona a more attractive place to study and practice medicine, thereby alleviating current statewide shortages of primary care physicians, specialists, nurses, and other medical professionals.

- Eliminate government cost shifting to the private sector by ensuring that the state allocates appropriate funding for the Arizona Health Care Cost Containment System (AHCCCS).
- Reform the medical malpractice system to curb lawsuit abuse and reduce the costs of litigation in order to attract more health care professionals to Arizona and bring down the costs of health care.
- Support efforts to train and recruit physicians, nurses, and other health care professionals in both rural and urban areas of the state. Create and expand education training programs and hospital residencies.
- Support the development of a fiscally sound health insurance program for individuals who are unable to obtain insurance through the private market.
- Oppose new benefit mandates, and encourage a review of existing mandates.

Secure Adequate Funding for Statewide Transportation Needs

Despite the current economic slowdown, forecasts indicate that Arizona's population will continue to grow for decades to come. The state should not abandon efforts to build and maintain critical transportation infrastructure. Throughout the state, facilities still need to be built so that the economy can keep moving.

- Accelerate the pace of statewide highway and road construction to facilitate commerce and reduce congestion.
- Ensure that dedicated transportation funds are used only for transportation projects, airport facilities, and waterways.
- Advocate for a federal highway bill that provides Arizona with a fair share of funds for roads, highways, rail, and other transportation needs.

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