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ARIZONA TAX RESEARCH ASSOCIATION

Argument against Proposition 203 *Tobacco Tax Initiative*

The Arizona Tax Research Association (ATRA), Arizona's only statewide taxpayer organization, opposes Proposition 203. The effort on the part of special interest groups to use the initiative process to receive guaranteed and permanent funding for their programs is bad public policy and should be rejected.

Arizona's state budget problems have been well documented over the last decade. The challenge state policymakers face developing an annual budget is significant. The budgeting process has been complicated by the effect of previous initiatives that earmark funding to special interests and tie up revenues that would otherwise be used to fund our K-12 schools, universities or other state programs. Further, earmarked funding escapes the annual scrutiny of the budget process.

Proposition 203 earmarks the new revenue directly to an appointed board who will exercise sole authority to appropriate the monies to "regional partnership councils."

The proponents suggest that their dramatic tax increase will raise roughly \$150 million to fund new programs. What they do not disclose is the negative impact this huge tax increase will have on existing programs that currently receive funding from existing tobacco tax collections. The following recipients of tobacco tax revenues will most assuredly see real losses in funding: State General Fund; Corrections Fund; Health Care for Medically Needy; Health Education and Research for tobacco prevention. In fact, State General Fund revenues from tobacco taxes have declined 20 percent since Arizona's first major tobacco tax increase in 1994.

If successful, Proposition 203 will propel Arizona tobacco taxes to the fourth highest in the nation. At a tax rate of \$1.98 per pack, the incentive for smokers to evade this tax through purchases on the Internet or the black market will increase substantially and lead to further declines in **taxable** cigarette sales.

ATRA urges you to VOTE NO on Proposition 203!