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Shortsighted Cuts Cost State \$54 Million in Lost '09 Revenue

Protecting Agency Would Have Paid For Itself and the 21st Century Fund – Twice

PHOENIX – A top Brewer Administration official estimates that deep cuts to the Department of Revenue as a result of the budget enacted in January hindered the state's ability to collect taxes and actually cost Arizona \$54 million in lost revenue for FY 2009.

The lost revenue could have paid for the \$9.5 million in cuts to the agency and the state's \$22.5 million investment in the 21st Century Fund – twice. Gov. Jan Brewer and the Legislature completely eliminated the state's investment in the fund – which supports Science Foundation Arizona – from the budget signed into law on Jan. 31.

Revenue Department Director Gale Garriott, a member of Brewer's cabinet, told the House Appropriations Committee that the budget cuts – which forced the department to contract by nearly a third – has cost the state \$54 million in lost revenue for FY 2009. The same cuts will cost the state an estimated \$125 million in lost revenue for FY 2010, Garriott said. [Source: Garriott Testimony, March 10, 2009]

The cuts hinder the state's tax enforcement efforts, and ultimately limit the agency's ability to collect much-needed revenue.

"Cuts to the Revenue Department were fiscally imprudent and inefficient, and will cost far more than \$54 million. It will cost Arizonans jobs," said Enrique Lopezlira, an economist with the Arizona Economic Council. "Retaining the state's auditors and tax collectors would have paid for one of the great job creation engines in our state. In the long run, creating more high-quality jobs means more revenue."

The state's tax collection agency downsized from 950 employees to only 650 employees, Garriott said. The state terminated 114 Audit Division employees and 94 Collections Division employees. [Source: Garriott Testimony, March 10, 2009]

The Arizona Economic Council is an independent, non-partisan, non-profit organization aimed to promote ideas to create jobs, strengthen our economy and educate Arizonans about the economic issues facing our state.

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