

# Arizona

## Federal Policies Have Cost Arizona \$2.2 Billion over the Past Four Years

### Federal Policies Affect Arizona Revenue and Spending Levels, 2002-2005

*Cost to  
Arizona*

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$115 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$1.1 billion
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$91 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$1.1 billion
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$160 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$346 million)
<b>TOTAL COST</b> (net of fiscal relief), 2002-2005:		<b>\$2.2 billion</b>

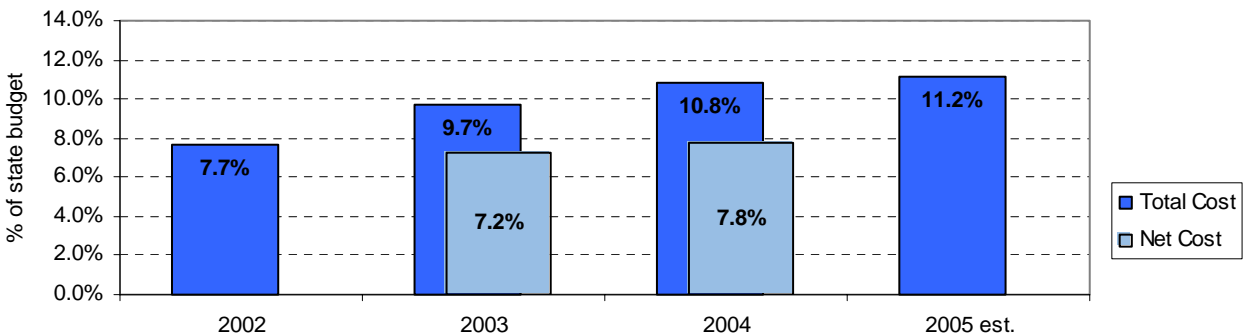
### Arizona Has Been More Affected by Federal Policies than Most States

*Ranking among 50  
states plus D.C.*

➤	Total cost as percent of General Fund budget (2002-2005):	<b>9.9%</b>	<b>17<sup>th</sup></b>
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	<b>8.6%</b>	<b>19<sup>th</sup></b>

Arizona has been affected heavily by federal policy in part because the state relies greatly on sales tax revenue. Also, Arizona is one of the poorest states in the nation; poor states tend to have greater needs for a variety of government services and less ability to raise their own funds to pay for those services, so they are hit harder by adverse federal policies.

### Net Cost of Federal Policy to Arizona as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.