

VOTING GUIDE TO ARIZONA BALLOT PROPOSITIONS

November 6, 2018
General Election

INTRODUCTION

This voting guide is intended to educate interested voters about the ballot propositions on the November 2018 General Election ballot in Arizona.

Nothing in this document should be construed as an endorsement or opposition to any particular ballot proposition.

Rather, diligent care was taken to objectively describe each ballot proposition and to provide the typical arguments used by proponents and opponents, respectively.

In the unlikely event there is a discrepancy between the actual ballot proposition and the information contained herein, the actual ballot language shall take precedence.

BALLOT PROPOSITIONS IN ARIZONA

Under the Arizona Constitution, the Arizona Legislature and residents have the right to place propositions on the General Election ballot in order to make changes to either the Arizona Constitution or Arizona Revised Statutes.

A legislative referral is a ballot proposition that has been placed on the ballot by the Arizona Legislature. Unlike other legislation, a referral does not go to the Governor for approval or veto. Rather, if both the Arizona House and Senate enact the legislation, by a majority in both chambers, the measure is placed on the ballot.

An initiative gives residents the same right as the Arizona Legislature to place an issue on the ballot, provided that the residents collect enough valid signatures from registered voters to qualify. For the 2018 election cycle, statutory measures require 150,642 valid signatures. In contrast, a

constitutional amendment has a higher standard of 225,963 valid signatures.

Lastly, a referendum is the method by which residents may challenge a new law, before it goes into effect, by gathering signatures from registered voters to place the issue on the ballot. Those seeking the referendum must file enough valid signatures (75,321 for the 2018 election cycle) with the Secretary of State within 90 days of when the Legislature adjourns.

IMPORTANT DATES

Voter registration closes on October 9th (at midnight).

Vote by Mail begins on October 10th.

Mail Vote by Mail ballot by October 31st.

General Election is November 6th.

PROPOSITION 125

Yes No

PUBLIC RETIREMENT SYSTEMS

Article 29, section 1 of the Arizona Constitution provides that public retirement system benefits shall not be diminished or impaired. The Arizona Supreme Court has determined that this constitutional provision prohibits decreasing a future permanent benefit increase for certain existing retired public employees.

Proposition 125 would amend the Arizona Constitution to create an exception to the current prohibition against diminishing or impairing public retirement system benefits by allowing for certain adjustments to the Corrections Officer Retirement Plan that are contained in Senate Bill 1442 (a separate piece of legislation already passed by the Legislature and signed by the Governor in 2017, and not subject to voter approval) and to the Elected Officials' Retirement Plan that are contained in House Bill 2545 (a separate piece of legislation already passed by the Legislature and signed by the Governor in 2018, and not subject to voter approval).

If Proposition 125 is enacted by the voters:

1. Senate Bill 1442 would replace the current permanent benefit increase with a new compounding Cost-of-Living Adjustment (COLA) for retired corrections officer members and survivors of retired corrections officer members who were hired before July 1, 2018.

2. House Bill 2545 would replace the current permanent benefit increase with a new compounding COLA for retired elected official members and survivors of retired elected official members.

3. For both retirement plans:

a. The COLA would be based on the average annual percentage change in the metropolitan Phoenix-Mesa consumer price index, with the immediately preceding year as the base year for making the determination. The adjustment could not exceed two percent of the retired member's or survivor's base benefit each year.

b. COLA payments would be made on July 1 each year. The COLA would be prorated in the first year of a member's retirement.

c. The actuary would be required to include the projected cost of providing the COLA in the calculation of normal cost and accrued liability for each retirement plan.

[Analysis provided by the Arizona Legislative Council.]

PROONENTS OF PROPOSITION 125

Proponents assert that the measure, which is similar to the pension reform measures approved in the 2016 elections, will shore up the Public Safety, Correction and Elected Officials retirement funds. If enacted, the measure will save local governments and supporting taxpayers an estimated \$275 million in escalating public pension costs. Prop. 125 helps these plans recover and protects thousands of retirees by replacing a convoluted pension formula that is contingent upon market returns with a guaranteed, simple cost-of-living-increase that ensures retirees' pensions are protected from inflation. This, in turn, decreases the amount local governments and state agencies must pay to protect the public pension system's ability to provide the benefits our public retirees were promised and have earned. These proposals are bipartisan and supported by the governor, public employee associations, local governments and business associations alike.

OPPONENTS OF PROPOSITION 125

Opponents assert that the Arizona Legislature should not be proposing changes to retirement programs, as such undermine the benefits that retirees are entitled to. Approval of the measure may have an adverse impact on recruitment and retention of state and local law enforcement if retirement benefits are reduced or perceived as being reduced.

PROPOSITION 126

Yes No

THE PROTECT ARIZONA TAXPAYERS ACT

Proposition 126 would amend the Constitution of Arizona to prohibit this state and any city, town, county or other political subdivision of this state from imposing any new or increasing any existing transaction-based fee, assessment or tax, including a transaction privilege (sales) tax, on any service performed in this state. The Proposition specifies that a city's charter could not allow the city to violate this prohibition. Proposition 126 would not repeal or nullify any tax, fee or other assessment in effect before 2018.

If Proposition 126 is enacted and subsequently challenged in court, and if the Attorney General does not defend the measure, any resident of this state would have legal standing to become involved in the litigation. A court would be required to award payment of fees and expenses to the resident if the resident prevailed in the litigation.

[Analysis provided by the Arizona Legislative Council.]

OPONENTS OF PROPOSITION 126

Proponents assert that Arizona does not currently impose a sales tax on services, such as childcare, haircuts, dry cleaning, banking, accounting, real estate transactions and healthcare, among others. As the threat for identifying new revenue sources is always present, the measure proactively protects low and middle-income families from expanded and regressive taxes by prohibiting the taxation of services. As no current tax on services exists,

proponents argue that the measure has no financial impact. Arizona's business friendly environment produces jobs by attracting companies that would otherwise stay in other tax heavy states.

OPPONENTS OF PROPOSITION 126

Opponents assert that while few actually advocate for broad taxation of services, the measure would prevent the consideration of select services, even at a modest rate. The measure eliminates options for a revenue source to address critical needs, such as education, public safety and infrastructure. As demand for public services continues to increase, if approved, the measure will effectively force increases in other taxes to compensate the permanent prohibition of a service tax.

PROPOSITION 127	
<input type="checkbox"/> Yes	<input type="checkbox"/> No

CLEAN ENERGY FOR A HEALTHY ARIZONA

Proposition 127 would amend the Arizona Constitution to require utility companies that produce electricity and that are regulated by the Arizona Corporation Commission (which do not include Salt River Project or other governmental utilities) to sell increasing amounts of renewable energy from specific types of renewable energy resources beginning in 2020, as follows:

1. A renewable energy resource would be defined as an energy resource that is replaced rapidly by a natural, ongoing process and would not include nuclear power, natural gas, coal, oil, municipal solid waste combustion or trees that are larger than 12 inches in diameter. Eligible renewable energy resources would be limited to resources such as solar, water, wind, geothermal and biomass/organic matter resources.
2. Each utility company would be required to meet an annual renewable energy requirement by sourcing a portion of the company's annual retail electricity sales from eligible renewable energy resources. The Arizona Corporation Commission currently requires at least 8% of the amount of retail electricity sold by a utility

company to come from eligible renewable energy resources, increasing to 15% in 2025. Proposition 127 would instead require at least 12% to come from eligible renewable energy resources in 2020, increasing to at least 50% in 2030.

3. Each utility company would also be required to meet an annual distributed renewable energy requirement by sourcing a portion of the company's annual retail electricity sales from renewable energy that is located on a utility customer's premises. Beginning in 2020, at least 3% of the amount of retail electricity sold by a utility company would be required to come from distributed renewable energy resources, increasing to at least 10% in 2030. Distributed renewable energy produced to meet this requirement would count toward the annual renewable energy requirement.

4. A utility company would meet the renewable energy requirements by using renewable energy credits as a way to track the amount of electric power derived from a specific renewable energy resource or a conventional energy resource displaced by an energy resource that is produced on a customer's premises. A utility company would be able to use:

a. A renewable energy credit acquired in any year to meet its annual renewable energy requirement.

b. A distributed renewable energy credit acquired in any year to meet its annual distributed renewable energy requirement.

5. A utility company would only be allowed to use a renewable energy credit or distributed renewable energy credit once and would not be allowed to use the credit for a different regulatory requirement.

6. Not later than December 31, 2019, the Arizona Corporation Commission would be required to adopt any rules that may be necessary to fully implement the measure.

7. Each utility company would be required to annually provide to the Arizona Corporation Commission a detailed compliance and implementation plan.

[Analysis provided by the Arizona Legislative Council.]

PROONENTS OF PROPOSITION 127

Proponents assert that despite Arizona's climate, only six percent of our energy comes from solar power. Arizona has fallen behind other states in the use of solar energy. Reducing air and water pollution caused by conventional sources of energy will have a positive impact in reducing the rate of asthma attacks, heart disease, lung disease, among other ailments, as identified by a recent study issued by the U.S. Department of Energy. Solar power is affordable and among the least expensive energy options in Arizona, as the cost of solar plants has decreased by 86% since 2010. Increasing the use of renewable energy will reduce rates for utility customers by more than \$4 billion, as solar and wind projects are providing energy as low as 2.3 cents per kilowatt hour, compared to 4 to 8 cents per kilowatt hour for fossil fuel.

OPPONENTS OF PROPOSITION 126

Opponents assert that California electricity is 50% more expensive, as compared to Arizona, due to a similar renewable energy mandate enacted in that state. Experts believe that electricity rates will double under the proposed measure, with an average increase of \$1,200 per year. Concerns about the potential closure of the Palo Verde Nuclear Generating Station have been raised, jeopardizing over 3,000 jobs, as nuclear power is not considered a renewable energy source under the proposed proposition. In addition, there are concerns about adverse economic impacts, due to increasing electricity costs and the impacts on the business community. The measure requires 20 percent of utilities' renewable generation come from rooftop solar, which is the most expensive and least efficient form of solar. By enshrining the new renewable energy mandates through the initiative process, policymakers will have no flexibility to adjust for market conditions or the specific needs of our state.

Department of Education that is funded by state tax dollars to provide educational options for qualified Arizona students. A parent may opt to remove a student from the public school system (district and charter schools) and use monies in an ESA to obtain alternative educational services for the student, including private school education, educational therapies, educational aides, braille translation services and tutoring services.

Under current law, students with disabilities, students in foster care, students living on an Indian reservation, students in failing or underperforming school districts, students with a parent who is on active military duty or was killed in the line of duty, students with a parent who is legally blind, deaf or hard of hearing and students with a brother or sister who is a current or former ESA recipient are qualified to receive ESAs.

Proposition 305 refers to the voters the provisions of Senate Bill 1431, which was enacted by the Legislature, signed by the Governor and referred to the voters in 2017. Senate Bill 1431 contains amendments to the laws governing the current ESA program established in Arizona in 2011. If approved by the voters, Proposition 305 would:

1. Subject to the annual growth cap described in paragraph 2 below, phase in the expansion of the current ESA eligibility requirements so that, beginning with the 2020-2021 school year, any student who is eligible to attend kindergarten or who is attending kindergarten through grade 12 in a public school in Arizona would be eligible to receive an ESA. However, a student currently attending a private school would remain ineligible to receive an ESA unless the student already qualifies under current law due to displacement or disability.
2. Allow the number of new ESAs to continue to increase by one-half of one percent of the total public school enrollment in this state each year through the 2021-2022 school year. Beginning July 1, 2022, the number of ESAs could not exceed the total number of ESAs approved for the 2021-2022 school year. Under current law, there is no permanent limit on the number of ESAs that can be approved.

PROPOSITION 305
 Yes No

PHASED-IN EXPANSION OF EMPOWERMENT SCHOLARSHIPS

An empowerment scholarship account (ESA) is an account administered by the Arizona

3. Generally require that a student in grades 3 through 12 who receives an ESA and who pays full-time tuition at a private school take an annual test or assessment. The annual test or assessment requirement would not apply to a student who is identified as having a disability. The results of the test or assessment would be reported to the parent of the student and, in addition, a private school that enrolls two or more students who receive ESAs would make the aggregate test scores for all students available to the public.
4. Increase the amount of an ESA for low-income students, including students in foster care, from the current 90% of the public school per-student funding calculation to 100% of the public school per-student funding calculation. The public school per-student funding calculation would be required to account for whether the student was previously attending a school district or charter school, except that the funding level for any student receiving an ESA on or before June 30, 2017 could not be reduced.
5. Create a blanket prohibition against a student accepting a school tuition organization scholarship during the same time the student is enrolled in an ESA. Under current law, the prohibition against accepting a school tuition organization scholarship applies only in the same year a parent signs an ESA agreement.
6. Allow any private or nonprofit entity to act on behalf of a student in the ESA application process.
7. Require the Arizona Department of Education to publish an annual policy handbook for ESA applicants and participants and to post a monthly update on the Department's website containing the following information related to ESAs:
 - a. Purchases and expenditures made with ESA monies, reported in a manner that does not violate the personal privacy of any student or family and that includes only aggregate data.

- b. The number of enrolled students, separately categorized by eligibility.
- c. Any other information or data that may be pertinent to promoting transparency and accountability of the ESA program.

[Analysis provided by the Arizona Legislative Council.]

PROONENTS OF PROPOSITION 305

Proponents of Prop. 305 assert that Arizona leads the nation in school choice for K-12 students with over 50% of students attending schools outside of their designated school district. Not all students thrive in the same academic environment or program. Accordingly, ESAs, as proposed under the measure, will allow parents to make the best educational decision for their children by mitigating the financial barriers that can limit a parent's decision.

OPPONENTS OF PROPOSITION 305

Opponents of Prop. 305 assert that an expansion of ESAs will remove resources from public schools and redistribute to private education. ESAs have no meaningful or consistent oversight to ensure that the funds are used for approved educational expenses. With limited eligibility criteria, the ESA expansion will be used by wealthy families to subsidize the cost of private education, as resources for public schools are reduced for the remaining students.

PROPOSITION 306
 Yes No

CITIZENS CLEAN ELECTIONS ACT

Under Proposition 306, the following changes to the Citizens Clean Elections Act (the voluntary system of public funding of election campaigns for candidates for statewide and state legislative offices) are made:

1. A participating candidate would be prohibited from making a direct or indirect payment from the candidate's campaign account to:

- a. A political party.
- b. A private tax-exempt organization that is eligible to engage in activities to influence the outcome of a candidate election.

2. The Citizens Clean Elections Commission would be required to follow the rulemaking requirements of the administrative procedures act to adopt the rules for carrying out the Citizens Clean Elections Act, except as currently provided by law. The administrative procedures act generally requires public notice, an opportunity for public comment and approval from the Governor's Regulatory Review Council (whose duty is to review and approve or reject proposed rules) or the Attorney General before a proposed rule becomes final.

[Analysis provided by the Arizona Legislative Council.]

PROONENTS OF PROPOSITION 306

Proponents of Prop. 306 assert that publicly funded candidates should not be allowed to transfer taxpayer funds, intended for participating individual campaigns, to political parties and independent expenditure committees. The measure is intended to close an unintended loophole in the Clean Elections program, which was originally designed to enable candidates with limited access to financial support to be competitive in state related political campaigns.

OPPONENTS OF PROPOSITION 306

Opponents of Prop. 306 assert that the measure is an attempt to weaken the Clean Elections program by limiting the independence of the non-partisan Citizens Clean Elections Commission by removing rulemaking and enforcement authority over campaign finance law from the Commission to a partisan entity in which the Governor would make all of the appointments. In contrast, the current appointment process for the commission composition provides for alternating appointments by top Republican and Democratic elected officials.

Register to vote on-line at:
www.servicearizona.com/webapp/evoter/

GOODMAN SCHWARTZ PUBLIC AFFAIRS

Established in 2000, Goodman Schwartz Public Affairs has represented the government relations and public affairs interests of more than 200 clients since our inception.

Our clients range from those ranked among the Fortune 100 listings to local not-for-profit organizations.

Based on our prior experience in state, regional and local government, the firm successfully integrates all aspects of government relations and public affairs into a coordinated effort to work with elected and senior appointed officials and other related stakeholders.

Developing stakeholder support for a proposed public policy is critical to creating a political environment in which government officials can make decisions that are favorable to our client interests.

As a firm, we believe that policy decisions can be successfully managed to prevent adverse impacts.

By proactively contributing to the development of public policy decisions, we strategically position our clients to help guide the debate, as opposed to reacting to the situation after all critical judgements have been made.

Depending on the objectives of the client, we work to position our clients as a recognized leader and resource in their given public policy area by raising their prominence through increased visibility among policymakers.

GOODMAN SCHWARTZ
PUBLIC AFFAIRS

3200 NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85012

(602) 277-0911 OFFICE
(602) 277-3506 FACSIMILE
WWW.GOODMANSCHWARTZ.COM