

Arizona

From 2002 to 2008, Arizona's spending increased the most in the debt service (164%), parks and recreation (112%), welfare (98%), and health (77%) categories. These increases each ranked among the top eight in the nation in terms of percentage. The spending categories that saw the least growth were corrections (+39%), salaries and wages (+32%), and hospitals (-3%). The state's overall general and total spending increases of 65% each ranked third-highest among the states, and its 76% increase in direct spending, over which the legislature has the most control, was the second-highest in the country.

Arizona's total tax revenue growth of 62% ranked seventh-greatest for the period, and its total overall revenue growth of 60% ranked 12th. Corporate income taxes were the fastest growing tax revenue category, increasing 127% and ranking 20th-highest. Personal income tax revenue also saw significant growth, increasing 63% and ranking ninth-highest.

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	734,167	19	1,023,683	25	-6	39%	17
Education	6,326,736	43	9,408,525	46	-3	49%	14
Government Administration	522,310	40	767,263	41	-1	47%	17
Health	913,302	21	1,620,620	12	+9	77%	5
Highways	1,679,641	28	2,367,086	26	+2	41%	12
Hospitals	73,430	49	71,539	49	0	-3%	40
Interest on Debt	185,777	50	490,912	43	+7	164%	2
Natural Resources	203,588	44	321,173	41	+3	58%	7
Parks and Recreation	62,661	36	132,563	28	+8	112%	8
Police Protection	166,831	32	273,533	27	+5	64%	9
Public Welfare	3,998,137	41	7,927,027	30	+11	98%	3
Salaries and Wages	2,539,720	45	3,343,240	49	-4	32%	27
Direct Expenditures	9,832,069	49	17,327,014	46	+3	76%	2
General Expenditures	16,734,370	47	27,568,941	41	+6	65%	3
Total Expenditures	18,606,630	47	30,778,930	42	+5	65%	3

Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	2,090,645	39	3,408,576	40	-1	63%	9
General Sales Tax ²	4,283,681	9	6,433,468	9	0	50%	7
Corporate Income Tax ³	346,280	28	784,511	33	-5	127%	20
Total Taxes	8,477,321	40	13,705,901	39	+1	62%	7
Total Revenue	17,297,726	44	27,697,541	43	+1	60%	12

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Arizona’s population increased by 19%. This yields a “baseline” growth of 39% for the period. The figure below compares the difference in Arizona’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

