Morrison Institute for Public Policy
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Understanding Arizona's Propositions: Prop 301

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Proposition 301 – Sweeping the Land Conservation Fund

Proposition 301 asks Arizonans to sweep the outstanding balance in the Land Conservation Fund, often referred to as Growing Smarter, to help balance the state budget for the fiscal year that began on July 1.[i]

The Joint Legislative Budget Committee – or JLBC, the budget staff for the Legislature – estimates successful passage of the proposition would result in more than $123 million swept into the General Fund.[ii] However, JLBC notes that the cities of Phoenix and Scottsdale, as well as Coconino County, already have applied to purchase State Trust Land parcels. This could either result in the cities' applications coming to a halt if the process is not finished prior to the fund sweep, or it could result in decreasing the fund balance by up to $50 million if the purchases are completed in time.[iii]

This proposition was referred to voters by the Legislature because the Land Conservation Fund was established via the ballot in 1998, and as a result of another successful voter initiative to limit legislative interference, is legally "protected" from legislative modification. In other words, in order to sweep the funds and end the program, the Legislature must receive voter permission.

Legislators passed and the governor signed a budget for this current fiscal year presuming voters would say "yes" to both this and Proposition 302, which seeks to sweep another dedicated fund that provides for early education and health. While other state funds were subject to transfers and sweeps over the last two years, the Land Conservation Fund's designation as "voter protected" meant it could not be swept either in FY2009 or FY2010, which ended June 30.

The Land Conservation Fund receives an annual appropriation of $20 million from the General Fund. This appropriation is scheduled to cease in the current fiscal year, FY2011.[iv] The fund is used to support a program administered by the Arizona State Parks Board to award grants for purchase or lease of State Trust land that the Arizona State Land Department has identified as suitable for conservation.[v] The resulting profits of the purchase are deposited into the State Land Trust Fund, which provides financial benefit for public education.

The Conservation Acquisition Board, established in statute, provides recommendations on grants from the fund. Additionally, the fund can only pay up to 50% of the appraised value of the property, obligating the other partner for the remaining cost.[vi]

Eligible grantees include state agencies, counties, incorporated cities or towns, school districts, special districts and nonprofit organizations. In FY2009, the fund awarded $9.35 million for the Phoenix Sonoran Preserve, McDowell Sonoran Preserve and the Valencia Archaeological site in Pima County.[vii]

Yes on Proposition 301?

Proponents of the ballot measure first and foremost point to the current budget crisis. The state has made permanent spending reductions in excess of $2 billion since FY2008[viii] from a variety of program areas including health, human services and education. The State Parks Board no longer receives any General Fund money as a result of budget decisions made to bring the General Fund into balance.

> *"If passed, Proposition 301 will plug a $124 million hole in the current state budget. Failure will result in further reductions in the programs that receive state support: K-12 schools, universities, low income health care, and prison spending."*
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> *- Kevin McCarthy, ATRA president*
> *- Lori Daniels, ATRA board member*
>
> Source: Secretary of State's Office

Legislative leaders and the governor claim the state no longer has the money necessary to provide for all the programs it has funded in the past. Prioritizing in unprecedented, tough economic times is an argument made frequently in favor of sweeping and ending the Land Conservation Fund program.

Furthermore, federal mandates, when coupled with voter-protected programs, lock away a large portion of the state General Fund. In 2008, for example, voter-protected allocations were estimated at more than one-third of the total General Fund budget.[ix] Voter authorization for the fund sweep, according to proponents, is necessary to begin bringing spending in line with expenses.

Additionally, proponents note that the fund's $20 million allocation was set to cease after FY2011 anyway. Therefore, the sweep is simply ending a sun-setting program one year early in transferring unused funds to meet a critical budget deficit. If Proposition 301 does not pass, a $123 million hole opens up in the current-year budget.

No on Proposition 301?

In *The Arizona We Want,* a recent Gallup survey of Arizonans asking residents to identify what they value about the state, the study found "the state's natural beauty and open spaces are seen by citizens as our greatest asset."

> *"By diverting dollars from this fund, the Legislature hurts both conservation efforts and education – dollars from the Fund go into the Trust where the primary beneficiary is public education. Our budget crisis will someday pass, but the negative impact to a child's education can have a long lasting detrimental legacy and our lands can be lost forever."*
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> *- Dr. Bonnie F. Saunders*
> *president, League of Women Voters of Arizona*
> *- Dr. Barbara Klein*
> *1st vice-president, League of Women Voters of Arizona*
>
> Source: Secretary of State's Office

When participants were asked to rate a variety of quality of life components, 47% rated "beauty or physical setting" as "very good."

Additionally, participants were asked to choose one of six options for spending of private and tax dollars to build Arizona's infrastructure. "Implement policies that balance population growth with preserving open space and recreational

opportunities" was identified by 21.5% of respondents as the most single important best use, behind only adopting a water management plan. Supporters, many of whom include conservation groups, note that if the Land Conservation Fund is eliminated the lone state fund available for the purchase of land for preservation goes away permanently.

Opponents also cite the fund's cost-effectiveness, noting the successful grantee is required to provide 50% of any purchase expense, at a minimum. Additionally, they note, Proposition 302 – the proposed transfer of money designated for early education and health – has a provision that funds will be accounted for separately and used for purposes similar to the existing fund.[x] There is no such protection in Prop 301 for Land Conservation Fund dollars.

Opponents say elimination of the Land Conservation Fund, even a year early, will negatively impact both preservation of open space and funding for public education – another budget item that has been significantly impacted by the recession and budget deficit.

Just as proponents of the measure note the severity of Arizona's budget crisis, opponents of Proposition 301 point out that even if this money is swept and the program disappears, the budget crisis is not solved. JLBC recently updated estimates of the budget deficit for the current fiscal year and noted that if both this and the early education/health funds are swept, there is still a possible revenue shortfall of more than $360 million. Additionally, JLBC estimates a budget deficit of $1.4 billion in fiscal year 2012.[xi]

Critics of the measure argue that not only will a key priority program approved by voters be eliminated, but that elimination will not lead to stable fiscal footing for the state.

The Bottom Line

A "yes" vote would transfer the remaining balance of the Land Conservation Fund, estimated at $123 million, to the General Fund. This would result in the elimination of the grant program to preserve land near urban areas.

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[i] JLBC Draft Analysis. http://www.azleg.gov/alispdfs/Council/2010BallotMeasures/AdoptedHCR2002.pdf
[ii] JLBC. *Fiscal Impact of Legislatively Referred Ballot Measures.* http://www.azleg.gov/jlbc/ballotpropsumm301-302.pdf
[iii] *Ibid.*
[iv] *Ibid.*
[v] Arizona State Parks Board. *FY 2009 Annual Report for Grants Program*
[vi] A.R.S 41-511.23
[vii] *Ibid.*
[viii] JLBC. *Budget Background Presentation. June, 23, 2010.* http://www.azleg.gov/jlbc/budgetbackground.pdf
[ix] Morrison Institute. *What If Arizona Defined "Dire Straits" and "Temporary" Today?* http://morrisoninstitute.asu.edu/publications-reports/special-reports/2010-what-if-...-a-special-report-on-arizonas-budget-crisis/2010-what-if-...-arizona-defined-dire-straits-and-temporary-today
[x] Prop 302 sweeps an outstanding fund balance as does 301. However, 302 differs in that the early education funding is an ongoing tax, so the future revenues are also redirected.
[xi] http://www.azleg.gov/jlbc/revenuebudgetupdate.pdf

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