

Structurally Unbalanced: Cyclical and Structural Deficits in Arizona

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- **At the start of Fiscal Year 2011, Arizona faced a total deficit of roughly \$3.4 billion which included a \$2.1 billion “structural” deficit**
- **Arizona’s “cyclical” deficit entails 12 percent of stable expenditures while the structural component accounts for 21 percent of (stable) expenditures**
- **Arizona’s structural deficit is roughly the combined size of the budgets for higher education and protection and safety, primarily corrections, but including other agencies such as the Department of Public Safety**
- **Arizona’s structural deficit is fully twice as large as California’s in percentage terms**
- **A \$1.7 billion cyclical surplus in Arizona evaporated in just two years yielding a \$1.1 billion shortfall in 2009**
- **Over a 17-year period, cumulative tax cuts—adjusted for inflation, population growth and per capita income growth—totaled \$2.9 billion in Arizona**
- **General fund expenditures as a share of state personal income fell 32 percent between the spending peak of 1992 and the spending trough of 2010**
- **To deal with these facts, Arizona leaders need to improve the quality of fiscal policymaking by steadily working to broaden, balance, and diversify their revenue bases while improving the long-haul fit of taxing and spending**

Source: Brookings Mountain West / Morrison Institute / ASU