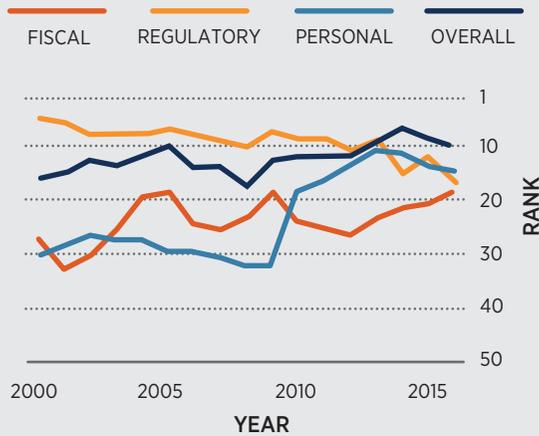


ARIZONA

2016 RANK
9th



POLICY RECOMMENDATIONS

- **Fiscal:** Provide an easy procedure for small groups of neighborhoods to incorporate new municipalities, either out of unincorporated areas or out of existing cities. Keep state aid to localities at a low level to allow local jurisdictions to provide different levels and mixes of public goods according to the desires of their residents.
- **Regulatory:** Provide for full competition in telecommunications and cable, allowing different wireline and wireless companies to attract customers without service mandates, price controls, or local franchising exactions.
- **Personal:** Legalize for-profit casinos and card games.



Population, 2017
7,016,270

Net Migration Rate
18.9%



State Taxes, Percent of Personal Income, FY 2017
4.88%

Local Taxes, Percent of Personal Income, FY 2015
3.75%

Partisan Lean, 2016
R +3.2



Real Per Capita Personal Income, 2016, in 2009 \$
\$38,265

Real Personal Income Growth, CAGR, 2000-15
3.1%

ANALYSIS

Arizona has moved up in the overall rankings over the last two decades, improving considerably on personal freedom while maintaining above average performance on economic freedom. It has lost ground consistently on regulatory policy but is still ranked in the top 20.

Fiscal policy has typically been more of a problem than regulatory policy, but the two have converged over the years. State and local taxes are 8.7 percent of adjusted personal income, well below average. Although local taxes are around the national average, state-level taxes are reasonably low. The state depends heavily on sales taxes, permitting generally low individual and business income taxes. Arizona has very little scope for choice among local jurisdictions. Although municipalities are more important than counties, there are only 91 municipalities in the whole state. Debt and government consumption are below average, and government employment is a lot better than average, at only 11.2 percent of the private sector.

On regulatory policy, Arizona is laudably one of the best in the country in terms of anti-cronyism. In most industries, business entry and prices are quite liberalized and occupational licensing has ratcheted up substantially over time. There are no certificate-of-need laws for hospital construction or movers. The right-to-work law probably attracts manufacturing businesses, but the state has done little to promote competition in telecommunica-

tions and cable. It has a higher-than-federal minimum wage that has risen significantly because of Proposition 206, passed by popular vote in 2016. That law meant a rise from \$8.05 per hour to \$10 per hour, with subsequent increases to \$10.50 per hour in 2018, \$11 per hour in 2019, and \$12 per hour in 2020. It also has an E-Verify mandate. Although land-use regulation tightened in the 1990s and early 2000s, a regulatory taking initiative may have curbed its growth a little since 2006.

Arizona's personal freedom improvements are due to growing gun rights ("constitutional carry" passed in 2009-10); a medical marijuana law; school vouchers (passed in 2011-12); declining victimless crime arrests; the abolition of its sodomy law, due to Supreme Court decision in *Lawrence v. Texas*; the judicial legalization of same-sex marriage; and liberalizing its wine shipment laws. On the other side of the ledger, incarceration rates are still quite high, climbing relatively consistently until reaching their peak in 2014 and then moving down slightly after that. Arizona's cigarette taxes are higher than average, and smoking bans have become comprehensive and airtight. (The latter, like the state's minimum wage, is explained in part by the ballot initiative, which really does result in some observable "tyranny of the majority.") Not much change has been observed in alcohol freedom, where the state is better than average, or gambling freedom, where the state is worse than average.