

## Gov. Brewer set to call back Legislature

by *Mary Jo Pitzl* - Nov. 3, 2009 12:00 AM  
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GRAND CANYON - Gov. Jan Brewer said she expects to call the Legislature back to work later this month to cut about one-third of the \$1.75 billion budget deficit.

But she said budget cuts alone will not do the job, and she pressed her argument for an immediate source of new revenue.

Speaking to participants at the Arizona Town Hall, Brewer cautioned against launching Arizona into unproven territory when it comes to finding new sources of revenue.

"I'm not about to design and build an experimental tax policy for Arizona," she said.

Tax reform - the focus of this Town Hall, a twice-yearly event aimed at tackling issues important to Arizona - must be done right, the Republican governor said.

"What if, for Arizona, the theory is flawed?" she asked.

What if the state picks the wrong time to try

something new, she asked, such as a flat tax or a value-added tax on goods and services?

After her speech, Brewer said she was not dismissing any ideas in her quest to find more money to fund state services. But now is not the time for experiments, she said.

The governor is working with House and Senate leaders on a special session that would carve one-third out of the budget deficit. She estimated the session would be called for the second or third week of November, depending on how negotiations go with legislative leaders.

Brewer said solutions that can generate money quickly are needed. Since March, she has advocated for a temporary increase in the state sales tax, but lawmakers have resisted.

Brewer told the more than 100 participants of the Town Hall that she is hopeful they can deliver tax-policy recommendations that can be put to work immediately. To give them a sense of the enormity of the state's budget crisis, she motioned to a window that overlooks the South Rim of the Grand Canyon.

"If you step to the edge of that canyon, you will get a sense of how deep and vast

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Arizona's fiscal situation is," Brewer said.

Her comments were followed by observations from two former members of the California Legislature, who identified a host of issues that they say contribute to that state's budget crisis.

California faced a \$24 billion deficit for the current fiscal year, plunging the state into one of its most contentious legislative sessions ever.

Jim Brulte, former Republican leader in the California Senate, said members of his party were loathe to raise taxes to deal with the deficit and Democrats were opposed to cutting programs.

Lawmakers then resorted to what Brulte called the worst solution of all: borrowing.

Joe Nation, a former Democratic member of the California Assembly and now a Stanford University professor, said many public officials overlook the interest costs of borrowing, a kind of "financial illiteracy" that deepens budget crises.

Nation also said state governments should not be overly reliant on a single revenue source. California gets more than half of its general-fund dollars from the personal

income tax; in Arizona, the state sales tax provides more than half of the state's revenue.

"If you're overly reliant on something - boy, you better tighten your seat belt," he said.

Brulte said lawmakers need to be clear-eyed as they deal with huge deficits.

"If you paper over this problem, you'll be back here next year," Brulte said. "And in California, we're running out of paper."

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