2022 BALLOT GUIDE

Common Sense Institute Arizona

Proposition #209: Predatory Debt Collection Protection

STATEWIDE

Proposes to reduce maximum interest rates on medical debt from 10% to 3% annually, increase the amount of assets exempt from debt collection, annually adjust exemptions for inflation beginning 2024, and reduce the amount of disposable earnings subject to garnishment.

- For some borrowers, lower interest rates would generate savings on medical-related debt. For example, a borrower with a $10,000 loan at a rate under current law of 11% would save approximately $800 under the caps created by Prop 209.
- For some borrowers, lower interest rates would generate savings on medical-related debt. For example, a borrower with a $10,000 loan at a rate under current law of 11% would save approximately $800 under the caps created by Prop 209.
- While hospitals are legally required to provide services regardless of ability to pay, the law may encourage private healthcare providers to require up-front payment, raise other non-capped fees, or more carefully select clients for ability to pay.

To provide additional clarity and limit the potential for broader harm to consumer lending and cosmetic and primary healthcare markets, voters should consider the possible unintended consequences of this initiative:

- It is unclear what scope the interest rate cap is intended to have. For example, does the cap apply to cosmetic procedures, as well as traditional medical care? Does the cap apply to any debt incurred from the purchase of medical services, or just new personal loans intended to cover healthcare costs? What impact could this have on consumers ability to use personal credit cards to purchase medical services?
- Historically, statutory rate limits intended to protect consumers have other unintended impacts on lending markets that voters should consider. For example, unregulated fees and other charges may increase to offset the lost interest income, and lenders may be more selective about which consumers can borrow to reduce risk.

Full Report: *https://commonsenseinstituteaz.org/prop-310-sales-tax-for-fire-district*

Proposition #310: A Sales Tax for Fire District Funding

STATEWIDE

Proposes a statewide 0.1-cent sales tax for 20 years starting in 2023 to be collected into the Fire District Safety Fund. Money from this fund would be distributed monthly to the state fire districts based on the district's property valuation. If passed, a sales tax increase would:

- Generate a cumulative $5.4 billion in additional fire district tax revenue.
- Reduce statewide employment by 2,500 jobs in 2023, increasing to 3,800 fewer jobs in 2042 when the tax is scheduled to end. If allowed to expire, job losses would be recovered in the following years.
- Reduce residential personal income by a cumulative $8.55 billion, or $693 million in 2042 alone.
- In order to be economically efficient, CSI estimates that the additional funding would have to – for example – reduce annual economic damage due to wildfire in Arizona by about 9.5%. While this is an achievable target given the volume of revenue generated, it is unclear whether this could be achieved without deliberate distribution and use of the money.

Fire district oversight is provided by a local district-only board with limited statewide or external oversight. The general lack of oversight in this governance structure raises concerns about whether the funds will go towards resolving equipment shortages or lowering response time. To help improve outcomes, policymakers should ask fire districts to:

- Ensure new revenues from the initiative are used to reduce existing liabilities and close existing resource gaps.
- Plan for the expiration of the Act and sales tax by including a sunset clause or an extension.
- Target revenues in a manner consistent with the Acts legislative intent statement.
- Require separate accounting for the new statewide revenues in annual district financial statements.

Full Report: *https://commonsenseinstituteaz.org/prop-209-limit-on-healthcare-debt*

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For full analysis, please visit www.commonsenseinstituteaz.org