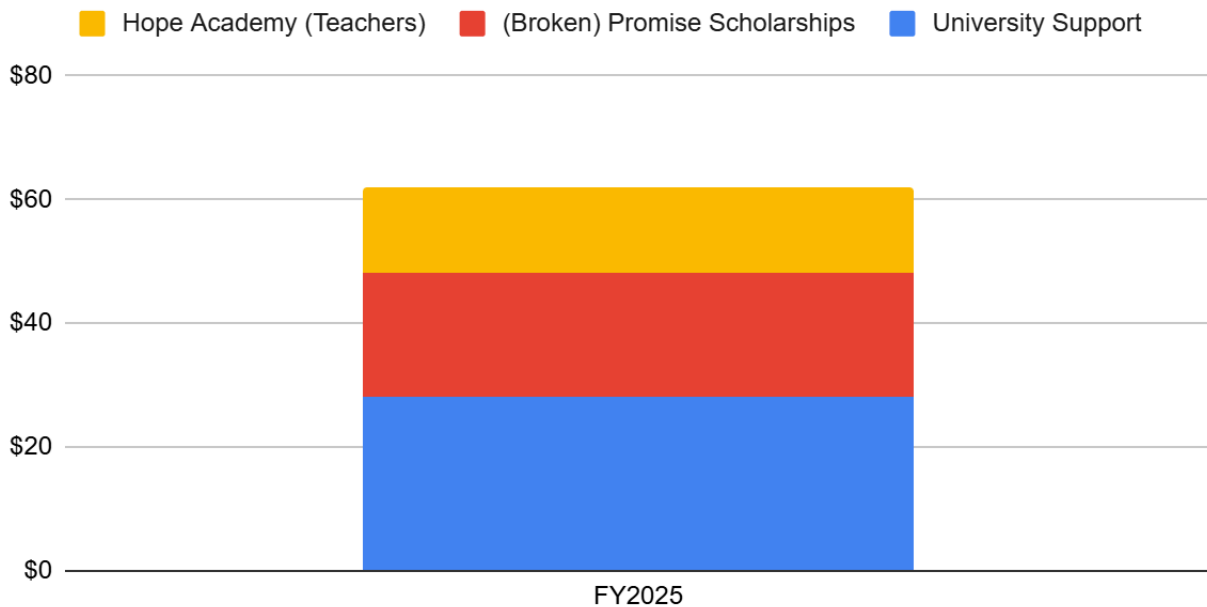


Impact of the Flat Tax: ASU Surcharge, Lost Financial Aid, Lost Future Teachers, Larger Classes

FY2025 State General Fund Cuts to Universities

Millions of Dollars



During Gov. Doug Ducey’s Administration, the legislature replaced Arizona’s progressive income tax with a 2.5% flat tax, which GCI has deemed as [Pizza v. Porsches](#) to emphasize how [70% of the benefits went to households with incomes above \\$200,000](#)—some of whom received enough to buy a new Porsche annually, while most taxpayers only received enough to take the family out for pizza.

[The Flat Tax’s \\$2 billion annual cost](#) has real consequences—and was a prime contributor to the budget deficit and cuts made this legislative session.

Arizona State University announced this week that it [will impose a \\$350 surcharge on students](#) next semester, effectively taking the tax dollars that would have been paid by wealthier taxpayers and making students pay instead. At the University of Arizona, [which already had significant internal financial management problems](#), the costs are being borne by students in a different way.

A recent [public report](#) noted that while student enrollment has risen, the number of faculty has declined, increasing class sizes.

As GCI noted in January, [without the Flat Tax, there would have been no need for cuts](#). Universal Empowerment Scholarship Account (ESA) vouchers have added an additional cost burden making the situation worse, as the Universal ESA vouchers fund an estimated [80% of students who have never attended district or charter schools](#).

Because universities are not formula funded, they are often targeted by lawmakers when cuts are made, and this time was no exception. K-12 education is funded per enrolled student and guaranteed at least a modest positive adjustment, even if less than inflation, Medicaid has a significant Federal match for the state investment, and in the absence of significant criminal justice reform the state's hands are tied (pun intended) when it comes to addressing carceral costs. That makes universities a prime target for cuts.

This year's FY25 budget included the following cuts to universities:

1. A 3.45% cut to each of the three universities. Collectively this cut amounted to \$28 million.
2. The budget also eliminated \$20 million that funded the **Promise Program**, a guaranteed scholarship program for eligible Arizona residents that covers tuition and fees at Arizona's public universities. This now becomes an unfunded mandate that the universities must cover.
3. Despite a statewide teacher shortage, it discontinued \$14 million to fund the **Arizona Teachers Academy**, which provided a tuition-free means for students entering teaching.

Explore the [GCI state budget challenge](#) where you can evaluate choices made and explore alternatives from the GCI website.

About

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