



February 21, 2024

The Honorable Ben Toma
Speaker
Arizona House of Representatives

The Honorable Lupe Contreras
Minority Leader
Arizona House of Representatives

The Honorable Leo Biasiucci
Majority Leader
Arizona House of Representatives

The Honorable Oscar De Los Santos
Assistant Minority Leader
Arizona House of Representatives

Re: Oppose SCR 1007/HCR 2011 Firearms; Contracts; Prohibited Practices

Dear Speaker Toma, Leader Biasiucci, Leader Conteras, Assistant Leader De Los Santos:

On behalf of the National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, we urge you to oppose Senate Concurrent Resolution 1007, which has been transmitted to the House, and House Concurrent Resolution 2011, a similar bill. These resolutions, if approved, would forbid public entities from entering into most contracting activities with companies that might engage in certain environmental, social, and governance (ESG) practices, specifically Second Amendment issues.

Arizona policymakers have a long history of supporting low taxes, limited government, and free market solutions that have helped distinguish Arizona from neighboring states. These concurrent resolutions, however, could harm Arizona's free enterprise-oriented traditions by injecting politics into borrowing decisions and could potentially harm Arizona taxpayers in the form of higher borrowing costs. The legislation could also open the door to more micromanagement of state and local employee pension funds, and with it diminished returns for the Arizona State Retirement System that taxpayers could eventually have to make whole.

This scenario is not speculation. In September 2021, Texas passed legislation barring local governments from borrowing from financial institutions with certain ESG policies. A study conducted by Daniel Garrett of the Wharton School of the University of Pennsylvania, and Ivan Ivanov of the Federal Reserve Bank of Chicago, entitled "How US anti-ESG laws raise borrowing costs for public finance,"¹ found that the Texas laws resulted in at least five financial institutions leaving the municipal bond market, thus raising borrowing costs. The paper found, "This increase in yields translates to an additional US\$300 million to US\$500 million in

¹<https://www.unpri.org/academic-blogs/how-us-anti-esg-laws-raise-borrowing-costs-for-public-finance/11330.article>



borrowing costs on the US\$31.8 billion in municipal bond issuance during the first eight months following enactment of the laws.”

Should this legislation pass, and the issue be put before Arizona voters, some Arizonans may believe the proposal would protect their Second Amendment rights. In reality, taxpayers’ rights could suffer, and, by extension, the rights of firearms owners and the businesses that serve them. Higher borrowing costs for counties and other entities could translate into upward pressure on property taxes, leaving Arizonans with less money in their pockets to purchase firearms, ammunition, or range time. Meanwhile, gun stores, ranges, and other businesses would face higher burdens as well.

Furthermore, passage of this legislation could open the door for follow-on proposals that would more heavily micromanage the investment decisions of taxpayer-backed pension funds for Arizona state and local government employees. Should those proposals become law, the prospect of diminished returns for the retirement system would loom larger, and with it, the unpleasant possibility that taxpayers would be on the hook for bigger liabilities.

Arizona lawmakers should carefully examine the implications of SCR 1007/HCR 2011 and the harm they could cause taxpayers. Arizona does not need to replicate the disastrous policies of other states’ lawmakers with its own set of ideological mandates. Injecting political views into state and local contracting decisions ultimately takes the focus off the fiduciary responsibilities that Arizona officials have to the citizens who pay government’s bills. Accordingly, we reiterate our caution against a rush to pass SCR 1007 or HCR 2011. Thank you for your consideration.

Sincerely,

Grant Carlson
Policy and Government Affairs Manager
National Taxpayers Union

cc: Members of the Arizona State House of Representatives