



The Utah Taxpayer

A Publication of the Utah Taxpayers Association

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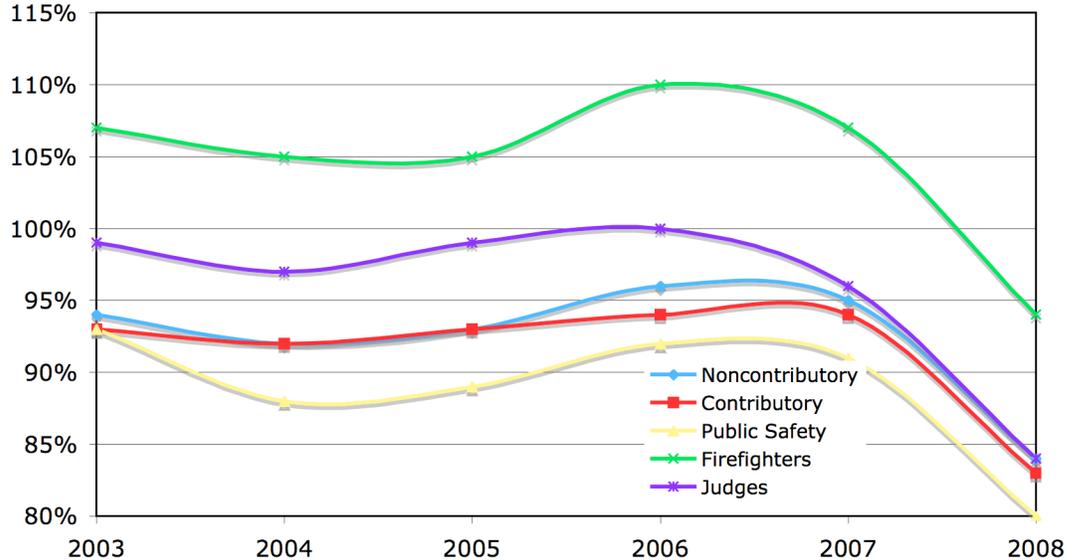
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Utah Retirement Systems Take A Hit; Taxpayer Contributions May Have to Increase

Financially, 2008 was a bad year for just about everyone. The Dow Jones Industrial Average decreased 34%, and the S&P 500 decreased 37%. NASDAQ was down 41%. In 2008, the Utah Retirement System, the defined benefit pension program for state and local government employees, experienced a -22.3% rate of return. The impact on taxpayers in future years could be substantial since taxpayers fund the nearly all of the system.

The Utah Retirement System consists of six retirement funds. The funding ratio – the ratio of actuarial value of assets to the actuarial value of liabilities – decreased from 95% in 2007 to 84% in 2008 for the largest of the six funds. The other five funds experienced similar declines as shown in the following graph

Funding Ratios, Utah Retirement Systems



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Mark Your Calendars For June 26th For The
TEED OFF ON TAXES GOLF TOURNAMENT

“Teed Off on Taxes” Golf Tournament: Friday, June 26th, 2009 at The Eaglewood Golf Course in North Salt Lake. Ole in one prizes in clued Harley Davidson motorcycle, other skill prizes galore, and tons of raffle prizes at lunch.

Registration and sponsorship information is available at www.utahtaxpayers.org
 To reserve your spot call 801-972-8814, or email fallon@utahtaxpayers.org
 You can now register your foursome online at www.utahtaxpayers.org

31st Annual Taxes Now Conference is now online
 A recording of the recently held taxes now conference will be online at www.utahtaxpayers.org. The conference was packed with information on several key tax and spending issues. There will also be a full report of the conference in the June Newsletter.

Utah is one of the few states in which government employee retirement is funded largely by taxpayers. In 2008, Utah state and local government employee retirement plans received \$641 million from taxpayers. Unfortunately, this fact is rarely mentioned when salaries for Utah state and local government employees, including teachers, are compared to salaries of government employees in other states, the vast majority of whom rely heavily on contributions by employees.

During good economic times, most increases in URS assets come from investment income. In 2006, interest income for the Noncontributory fund was \$2 billion while taxpayer contribution was \$440 million. This prompted some state employee representatives to argue that taxpayers were only contributing a small portion to the total fund. However, interest income is generated from existing investments which were created almost entirely by taxpayer contributions in the first place.

The following table summarizes the six funds administered by the Utah Retirement Systems.

In future years, taxpayer contribution rates (column 3 in table above) may have to be increased to increase funding ratios.

Fund	Taxpayer Contribution	Taxpayer Contribution Rate	Actuarial Value of Assets	Funding Ratio
Noncontributory	\$522.7 million	14.22%	\$15.3 billion	84%
Contributory	\$11.0 million	9.73%	\$1.00 billion	83%
Public Safety	\$93.9 million	Up to 35.71%	\$1.94 billion	80%
Firefighters	\$10.2 million	Fire ins. tax	\$735.2 million	94%
Judges	\$3.8 million	13.51%	\$121.1 million	84%
Gov/Legislators	N/A	N/A	N/A	106%

Source: Utah Retirement Systems Comprehensive Annual Financial Report

In 2008, Utah state and local government employee retirement plans received \$641 million from taxpayers.



My Corner – Howard Stephenson Do Americans understand basic economics

I am continually amazed at how little the average elected official and citizen knows about basic economics. If they had even a rudimentary understanding of how free markets work, elected officials might finally learn how to actually make good on their intentions, instead of exacerbating the very problems they are trying to solve.

City Councils Saving the Masses from Payday Lenders

The latest examples come from Logan and Salt Lake City, where the City Councils have adopted ordinances limiting the number of payday lenders in their communities. Logan’s 13 existing payday lenders can remain, but new ones can only come in when the density exceeds 10,000 residents per payday lender. Since Logan has fewer than 50,000 residents, this density ordinance effectively prohibits any new payday lenders from setting up shop for at least decades.

Salt Lake’s payday lender ordinance is similar to Logan’s, although it measures density in terms of area rather than population. In this case, payday lenders can be no closer than 1/2 mile apart.

The City Councils in Logan and Salt Lake hope that limiting the number of payday loan shops will limit citizen’s use of them, and therefore the so-called abuse they inflict on unsuspecting citizens. Ridiculous as their goal may be, their ordinances will do nothing to accomplish it. These lenders exist because people want to use them. They want to use them, because they can save money on, bounced check fees when their paycheck is denied and they have written checks that will each incur a \$25 bank charge plus a \$25 merchant fee.

Nobody talks about the savings payday lenders enable through avoiding such fees; they only complain about people who misuse payday loans for frivolous purposes without the ability to pay the money back. Funny that these city councils don’t regulate bounced check fees, or credit card charges. How about limiting gasoline prices, or rent increases? Truly, socialism is alive and well in Utah local governments.

Logan City Council Member Jay A. Monson explained that limiting the number of payday lenders in his city will limit the use of them. Nothing could be further from truth. If new suppliers can’t open to meet the demand, the existing ones will simply continue in business with less competition

Quote of the Month #1

“I think that there is probably a special place in hell reserved for politicians who betray our nation's most helpless children for the benefit of a sullen and recalcitrant teacher's union.”

Ouch!

Source: Megan McCardle in her blog, “Asymmetrical Information,” published by *The Atlantic Monthly*

They want to use them, because they can save money on, bounced check fees when their paycheck is denied and they have written checks that will each incur a \$25 bank charge plus a \$25 merchant fee.

than the market could bear. Without the threat of competition from new payday lenders willing to offer better terms, the existing lenders can, and likely will, raise their rates even higher. That's how monopolists behave, and both the Logan and Salt Lake City ordinances merely create local monopolies.

Mr. Monson suggested that the lenders know they are not sinless, because not one payday lender showed up to oppose the city council's new ordinance. I can tell you, if the existing payday lenders in Logan had been required to comment, they would have said something like this: "Please Mr. Councilmember, don't throw me in that briar patch!"

If members of these city councils are really serious about curbing the high interest rates charged by payday lenders, individual council members should start their own payday lending businesses and offer short term loans with terms they believe would find favorable to those seeking the money. My guess is first, that council members really aren't that interested in solving the problem. Second, if they really are that interested, they may find the lower interest does not offset the higher risk of default and they can't stay in business; otherwise competitors would have already been offering the lower terms.

The College Student Tax

Economic illiteracy isn't limited to Logan and Salt Lake, though. The Provo Daily Herald recently ran an editorial suggesting Provo and Orem at least consider a new tax on college students. On so many levels, the college student tax is patently absurd.

One of the first principles of tax policy is to avoid regressive taxes. That is, it's best to avoid taxing those least able to pay the tax. It doesn't take too much research to discover that college students have a negative income. News reports are replete with the tremendous debt burdens the average college student graduates with. In other

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Budget Hearing Dates for School Districts & Cities						
School District	Public Hearing	Time	Tax Hike	Pay raises	COLA	Health Costs
ALPINE	6/16	6:00 p.m.	No	0.74%, \$1.4M	0%	5.65%
BEAVER						
BOX ELDER	6/17	6:30 p.m.	No	\$500,000	0%	0%
CACHE	6/18	5:30 p.m.	No	\$1,065,000	-4.20%	0%
CANYONS						
CARBON						
DAGGETT						
DAVIS	6/18	6:00 p.m.	No	\$742,000		9.11%
DUCHESNE						
EMERY						
GARFIELD						
GRAND						
GRANITE	6/16	7:30 p.m.	No	1.5% for teachers	0%	3%
IRON						
JORDAN						
JUAB						
KANE						
LOGAN						
MILLARD	6/11	6:00 p.m.	No	1.36%	0%	1.16%
MORGAN						
MURRAY						
NEBO						
NORTH SANPETE						
NORTH SUMMIT						
OGDEN	6/10	6:00 p.m.	No	0%	0%	15%
PARK CITY						
PIUTE						
PROVO						
RICH						
SALT LAKE	6/2	7:00 p.m.	Yes	\$1,207,000	0%	0%
SAN JUAN						
SEVIER	6/18	6:00 p.m.	No	\$277,000	0%	4.30%
SOUTH SANPETE						
SOUTH SUMMIT						
TINTIC						
TOOELE						
UINTAH						
WASATCH						
WASHINGTON						
WAYNE						
WEBER	6/10	6:00 p.m.	No	\$2,200,000	0%	0%
City	Public Hearing	Time	Tax/Fee Hike	Pay Raises/Merit	COLA	Health Costs
Salt Lake City						
West Valley			No	0%		6%
Provo	6/2	7:00 p.m.	No			6%
West Jordan						
Sandy	5/19	7:05 p.m.	No	0%		8.50%
Orem						
St. George						
Layton	6/18	7:00 p.m.	No			
Taylorsville	5/20	6:30 p.m.	No	0%		13%
South Jordan	6/2	6:00 p.m.	Yes	0%		10%
Logan	6/16	6:00 p.m.	Yes 8/4/09			
Murray	6/2	6:40 p.m.	No	0%		3.75%
Bountiful	6/9	7:00 p.m.	No	0%		0%
Draper	6/2		No	0%		10%
Tremonton						
Perry						
Brigham City						
Centerville	6/2	7:00 p.m.	No	2.50%		2%
Midvale						
Murray						
Lindon						
Payson						

Check www.utahtaxpayers.org for updates

words, the term “starving student” may be an exaggeration, but it does communicate the typical student’s situation.

A separate tax on college students is absurd for other reasons as well. To claim that college students don’t pay the taxes to support the services they consume ignores reality. While college students don’t normally own their own home, they still pay property taxes. Their rent includes the property tax on the apartments and homes they rent. While landlords may write the property tax payment check, it is the renter who provides the funds for the check.

Similarly, Provo and Orem have many, many retail stores that cater specifically to BYU and UVU students, including the Quicksilver outlet on University Parkway, the FedEx-Kinkos at Brigham’s Landing, not to mention the plethora of jewelry stores that dot both cities. And in every one of these stores, BYU and UVU students are filling Provo and Orem coffers with additional sales tax revenue.

If Provo and Orem don’t want these students paying sales taxes and enabling landlords to pay property taxes, perhaps they should just ban those pesky college students from their cities altogether.

Transparency Website Online

Utah taxpayers have a new tool to hold state government accountable. Thanks to the Utah Legislature and Senator Wayne Niederhauser, sponsor of the transparency in government spending legislation, Utah now has the nation’s best transparency website, transparent.utah.gov.

With this new website, anyone can see how Utah spends every taxpayer dollar. From reimbursements to out of state travel to paid leave, transparent.utah.gov lets everyone see the state’s check register. With this powerful tool, taxpayers can easily look for waste, fraud and abuse in state spending, thereby restrain the growth in state government.

As more people scrutinize how the state is spending taxpayer dollars, taxpayers will be better protected. Already Utah’s transparency website has shown its merit. Just three days after the website went live, data from transparent.utah.gov showed that Utah has spent nearly a quarter of a million dollars on [bottled water](#).

Despite fierce opposition from local governments when transparency in government was first enacted by the Legislature, Utah’s cities, counties, school districts, transit districts, etc. will be providing their finances online within the next two years.

As local governments come online, taxpayers will have tremendous resources to review proposed budgets, prepare for Truth-in-Taxation hearings, and hold their local leaders accountable.

The tools are coming online, and your Taxpayers Association is watching carefully. Let’s all get out there and protect taxpayer dollars.

UTOPIA to call on member cities’ sales tax pledges

In 2009 UTOPIA, Utah’s largest municipal telecom system, will begin to draw on sales taxes pledged by UTOPIA’s member cities, despite vehement and repeated statements by UTOPIA representatives that the sales tax pledges would never be called. Now taxpayers in cities that joined UTOPIA will face property tax hikes to pay for the services those sales taxes were supposed to support.

When UTOPIA was first formed, full member cities pledged to back UTOPIA’s bonds with their own sales tax dollars. If UTOPIA was unable to make the bond payments out of business revenue, they would draw on the member cities’ sales tax pledges. The cities would then have to replenish their sales tax pledges in the coming year.

Your Taxpayers Association warned cities not to join UTOPIA. We argued that cities should not compete with the private sector in providing telecom systems, and if they do decide to compete, the cities will not succeed. Relying on hopes instead of evidence, 11 cities joined, and pledged to back these bonds.

In 2009 UTOPIA finally had to make its first bond payment out of subscriber revenue. (The previous bond payments had all been made from the proceeds of the original bond sales.) Unfortunately, UTOPIA simply did not have the subscriber revenue to cover these payments.

Instead of calling on the sales tax pledges, UTOPIA doubled down. They asked member cities to back new bonds with additional sales tax pledges. Unlike UTOPIA’s original bonds, the new bonds matured in 33 years, and the member cities’ possible exposure jumped from \$200 million to half a billion dollars.

While landlords may write the property tax payment check, it is the renter who provides the funds for the check.

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Convinced that UTOPIA could weave flax into gold, UTOPIA’s member city councils, excepting Payson, followed UTOPIA’s recommendation, and bet half a billion dollars in sales taxes that UTOPIA could succeed.

Quote of the Month #2

“There is growing awareness of the need for fundamental tax reform. I think a VAT and a high-end income tax have got to be on the table.”

Senator Kent Conrad (D-N.D.) explaining that his type of tax reform means tax increases.

Source: Washington Post, May 27, 2009

Your Utah Taxpayers Association argued that UTOPIA's member cities should reject UTOPIA's new proposal. Convinced that UTOPIA could weave flax into gold, UTOPIA's member city councils, excepting Payson, followed UTOPIA's recommendation, and bet half a billion dollars in sales taxes that UTOPIA could succeed.

Table 1: Original Sales Tax Pledge Amounts for Each UTOPIA Member Cities

	Original Total Pledge
Brigham City	\$6,719,120
Centerville	\$6,682,520
Layton	\$33,539,360
Lindon	\$6,173,620
Midvale	\$12,166,740
Murray	\$24,700,780
Orem	\$43,794,080
Payson	\$5,198,400
Perry	\$1,648,280
Tremonton	\$5,069,480
West Valley	\$56,139,980
Total	\$201,832,360

Table 2: Total Pledge for Each UTOPIA Member City, Following the 2008 Refinance of UTOPIA's Bonds

	Total New Pledge
Brigham City	\$16,768,433
Centerville	\$16,677,093
Layton	\$83,701,811
Lindon	\$15,407,067
Midvale	\$30,363,673
Murray	\$61,643,991
Orem	\$109,293,791
Payson	\$5,198,400*
Perry	\$4,113,496
Tremonton	\$12,651,543
West Valley	\$140,104,581
Total	\$495,923,776

Choice Act," is gaining steam. And Utah has led the nation in fighting back, by adopting HJR 8.

The hospitality industry is hardly the only one interested in the success of HJR 8. A wide-ranging coalition of businesses worked together to assist in passing the nation's first amendment to a state constitution that guarantees the right to a secret ballot.

Being first in the nation is a both a blessing and curse. You never know whether you're on the leading edge or the bleeding edge. In this case, I think we were on both, and Rep. Wimmer has the

"At this point in time, no tax dollars have been used on this project. That may change, and we may need to help pay for some of the operations."

UTOPIA's socialist telecom system was a bad idea to begin with. That's why UTOPIA failed to generate the subscribers necessary to pay for its own operations and the original bonds.

When they sold the new bonds, UTOPIA expected to make the first 3 years of bond payments out of the bond proceeds. As credit markets went haywire last year, UTOPIA found itself paying far more in interest than they had planned. They couldn't trade into more favorable terms, because their track record gave potential investors no confidence that UTOPIA could succeed. As a result, UTOPIA's available cash fell precipitously.

Now, one of UTOPIA's biggest cheerleaders is begrudgingly acknowledging that the sales tax pledges will be called. In Murray Mayor Dan Snarr's [April message](#), he wrote, "At this point in time, no tax dollars have been used on this project. That may change, and we may need to help pay for some of the operations until there are enough customers to cover expenses."

Given the rumors we are hearing about UTOPIA's dwindling cash, and the fact that UTOPIA called an emergency board meeting to accept a different benchmark for their interest payments, Mayor Snarr's "may" sounds suspiciously like "will."

If Mayor Snarr is correct, and we believe he is, taxpayers in UTOPIA's member cities face property tax hikes. Member cities will have to divert some of the sales tax revenue that should pay for fire, police and other basic city services, and instead pay for their ill-conceived UTOPIA venture. To continue providing fire, police and the other basic city services, these cities will have to raise their property taxes, the only tax they can raise to balance the budget.

UTOPIA's socialist telecom system was a bad idea to begin with. That's why UTOPIA failed to generate the subscribers necessary to pay for its own operations and the original bonds. Refusing to acknowledge they had made a mistake, the member city councils doubled down. Now taxpayers in the member cities will be stuck with higher taxes for the next 33 years. We can only hope that this debacle serves as a warning to other cities about the dangers of competing with the private sector.

Wimmer, Hendrickson Receive Taxpayer Awards

Your Taxpayers Association held its 31st annual "Utah Taxes Now" conference on May 8, 2009. During the conference luncheon, we honored Representative Carl Wimmer with the 2009 Taxpayer Advocate of the Year Award, and Commissioner Pam Hendrickson with the 2009 Excellence in Public Service Award. The following are the remarks offered at the conference honoring these two fine public servants.

From Margo Provost, Chairman of the Utah Taxpayers Association's Board of Directors and Owner of Log Haven:

"In the restaurant and hospitality industries, few issues are as critical as our employee relationships. They are our direct connection to our customers, and their success and happiness is a direct and crucial contributor to our success. We trust them, and we need their trust.

As we just heard, the movement in DC to pass the "Employee Free Choice Act," more accurately named the "Employee Forced

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Since 1922

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scars to show. Fortunately, Rep. Wimmer also has the determination, courage and thick skin necessary to pass HJR 8. And because of his determination, courage and thick skin, the Utah Taxpayers Association is proud to present Rep. Wimmer with its 2009 Taxpayer Advocate of the Year award.”

From Mark Buchi, member of the Utah Taxpayers Association’s Board of Directors and a former member of the Utah State Tax Commission:

“It is my pleasure to present the 2009 Excellence in Public Service Award to an outstanding person that has served us with distinction and class for many years.

Being Chair of the Tax Commission doesn’t present a lot of friends. Even in the Bible, publicans and sinners are often mentioned in the same breath. The Counties are displeased about centrally assessed property, 50% of the parties that appear before you, lose their case and many of the other 50% still think poorly of your decision, if not you. Staff members are often upset because you overturn their positions. In short, you have a difficult assignment.

But Pam Hendrickson has handled it all with a style of openness and a listening ear, with a smile and a professional approach that leaves you feeling like you had a fair hearing or meeting, even if you didn’t win.

It is an honor on behalf of the Utah Taxpayers Association’s Board and members to present the *2009 Excellence in Public Service Award* to Pam Hendrickson for 12 years of exemplary service as Commissioner on the State Tax Commission, the last 9 years as Chair.”



Pam Hendrickson



Rep. Carl Wimmer