



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Utah State and Local Government Tax and Fee Burdens Still High in 2007

Utah state and local government tax and fee burden ranked 5th highest in FY2007, according to the Utah Taxpayers Association's annual calculation based on US Census Bureau data. Excluding higher education tuition, Utah's tax and fee burden ranked 7th highest. Utah's general tax burden, which excludes user fees, ranked 19th. FY2007 is the most recent year for which data are available.

Gov. Huntsman and the Utah Legislature cut taxes by more than \$400 million in recent years, which will reduce Utah's overall tax burden in the long run. However, tax burdens are also heavily impacted by economic conditions. Generally, tax burdens and government revenues as a percent of personal income increase during periods of economic growth as corporate profits, corporate purchases, dividends, consumer expenditures, and capital gains increase faster than total personal income. During recession, tax revenues decrease faster than total personal income. The accompanying graphs show how tax and fee burdens in Utah and the U.S. have fluctuated during economic expansions and contractions, from low points during the recessions of the early 1990s and early 2000s to the high points of the expansions in the mid-1990s and mid-2000s, specifically 2004-2007. Despite the fluctuations, the trend in recent years has been upward.

Utah traditionally has had a higher-than-average tax and fee burden, primarily due to Utah's age demographics. The percent of Utah's total population that is enrolled in public schools is about 22% higher than the national average, and the percent of Utah's population that is enrolled in higher education is 31% higher than the national average (in both Utah and the U.S., enrollment is largely in public institutions).

Utah's general tax burden excluding fees is just slightly above the national

State and Local Tax Burdens and Revenues as Percent Personal Income, FY2007

Measure	U.S.	Utah	UT Rank	UT as % U.S.
All state/local government revenue incl federal	27.10%	29.80%	12	109.90%
State/local government revenue excl federal	20.60%	23.20%	13	112.90%
State/local general revenue from own sources	16.50%	18.80%	7	114.30%
Taxes and fees	14.40%	16.30%	5	113.40%
Taxes/fees less higher education charges	13.60%	14.70%	7	108.40%
Taxes	11.30%	11.40%	19	101.50%
Individual income taxes	2.60%	3.30%	10	128.70%
General sales taxes	2.60%	3.30%	13	124.40%
Motor fuel taxes	0.30%	0.50%	11	146.50%
Property taxes	3.40%	2.60%	37	77.30%
Other taxes not listed above	2.40%	1.80%	41	74.60%

OCTOBER 2009 VOLUME 35



Howard Stephenson
My Corner: Education Reform Collaboration

Page 2



Hogle Zoo Bond:
S.L. County Council Sells Taxpayers Out

Page 3



S.L. County Council
Chairman Attacks Taxpayers Association

Page 4



Taxpayers Association
Endorses Three Bond Proposals

Page 4



Forbes Magazine: Utah
Ranked 3rd Best State for Business

Page 6

ASSOCIATION STAFF

Howard Stephenson	President
Royce Van Tassell	Vice President
Jacki Evans	Research Analyst
Fallon Rudisill	Executive Secretary

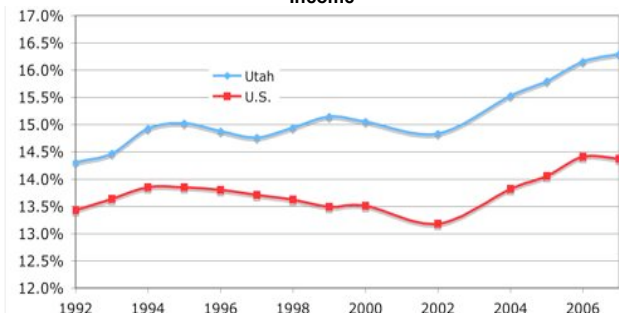
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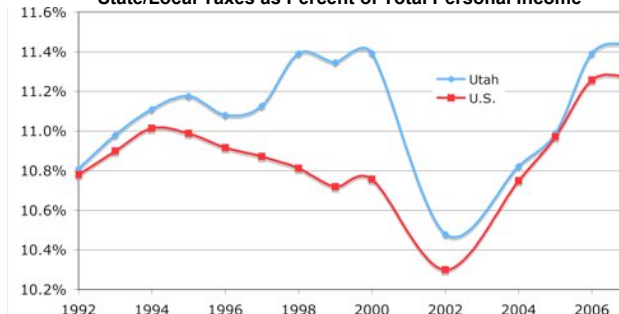
average as the accompanying graph shows. Some argue that user fees aren't really taxes and should not be included because they are "voluntary". However, while user fees are frequently a sound method to fund government, government can simply increase reliance on fees to avoid tax

increases. As a result, taxpayers end up paying more dollars for the same service. When the Utah Taxpayers Association advocates for higher fees, such as user fees for water and congestion pricing on highways, it also advocates for reducing general taxes.

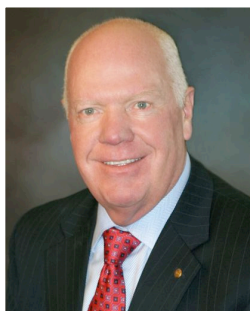
State/Local Tax and Fee Burden as Percent of Total Personal Income



State/Local Taxes as Percent of Total Personal Income



Calculations by Utah Taxpayers Association base on data from Census Bureau of Economic Analysis



**Association President
Howard Stephenson**

My Corner: Howard Stephenson

Education Leaders, Elected Officials Collaborate on Education Reform

I've served in the Utah Legislature for seventeen years, and until recently the relationship between the State School Board and the Legislature has been contentious at best, with each entity seeking to have a greater influence over public education – often pulling in opposite directions.

Recently the Utah State School Board invited elected officials to an Education Summit to discuss the future of public education in Utah and the roles of the Governor, the Legislature, and the State School Board and local school boards and superintendents in determining that future in a collaborative way.

I and other legislative leaders in attendance were utterly amazed at the State Board's willingness to collaborate on issues that previously were divisive, including pay for performance, differential pay for highly qualified math and science teachers, addressing budget cuts in realistic and constructive ways, etc.

Some of the school board members were talking about making reasonable budget requests for the coming general session of the Utah Legislature. Rather than the "pie in the sky" budget demands of the past, the State School Board is actually preparing a budget which expects cuts in funding, given the current revenue picture and asks for only half of the rainy day funds, rather than completely depleting them.

As one legislator said about the meeting: "Before the summit, I might have been sitting next to one of the school board members in a public place and not even known it. There is such value in understanding each other's interests and priorities, and it is surprising to me to discover that we have very similar priorities, very similar goals."

A school board member attending the summit noted the contrasting tone of the Education Summit vs. the tone of the recent UEA convention. "One is collaborative and constructive, the other

is negative and divisive."

Many legislators and others have asked, how could this change in the relationship between the State School Board and the Legislature have taken such a positive turn? My answer is two-fold. First, the current and immediate-past State Superintendents, Larry Shumway and Patti Harrington, have been effective advocates for the State Board. They have actively avoided unnecessary confrontation, and instead have sought compromise and understanding.

The State Board and the Legislature will not always see eye to eye, and Dr. Shumway and Dr. Harrington have not been shrinking violets in expressing the State Board's priorities. However, they have both gone out of their way to understand the pressures members of the Legislature face, and looked for common areas of concern, and solutions that meet the needs of students, teachers and taxpayers.

I should also note that the new leadership of the State Board of Education has also been much more active in promoting good relationships with the Legislature. Board Chair Debra Roberts, Vice Chair Dixie Allen and former State Senator, now State Board member Dave Thomas called this Education Summit, and are determined to eliminate the rancor that has sometimes seeped into the relationship between the State Board and the Legislature.

The current state school board nominating process is the second reason the State Board and the Legislature better understand each other. In 2004 a new law took effect, providing a statewide nominating and recruiting committee for the State Board of Education. The committee was composed of equal numbers from Utah employer groups and members of the education community. This board has actively recruited quality candidates, and then recommended three candidates for each board seat from which the Governor places two on the ballot.

This recruiting and nominating process has completely

changed the makeup of the State Board. The Board now includes several members who see education through the prism of what students need to be able to know and do to succeed in the world business climate. Previously, virtually all school board members were current or former members of the education community. This process has made the school board much more diverse in its thinking, and is helping to forge stronger relationships with the Legislature.

While many observers have suggested that this nominating

and recruiting committee should be changed, the evidence points in exactly the opposite direction. As the State Board and the Legislature better understand the pressures each group faces, both groups can better solve the long-term problems Utah classrooms face. And I simply cannot ignore the fact that these relationships have improved at the same time the nominating and recruiting committee has been in effect. It just can't be coincidence.



**Salt Lake County
Councilman Jeff Allen**

Salt Lake County Council Sells Taxpayers Out Councilman Jeff Allen only member to stand up for taxpayers

Despite persistent and serious questions about whether Hogle Zoo has met its fundraising obligations, and despite even more serious questions about the Zoo using "pay to play" techniques in its fundraising, the Salt Lake County Council has now released \$33 million in bond funds to Hogle Zoo.

Last August, the Salt Lake County Council agreed to ask the voters for approval of a \$33 million bond for the Hogle Zoo. The County Council agreed that before they would release the \$33 in bond proceeds the Zoo would need to get voter approval and raise \$11 million privately. Wisely, the County Council reserved to themselves judgment on whether the Zoo had met its \$11 million threshold.

A few weeks ago, Hogle Zoo asked the Council to approve its claim of having reached its fundraising

*Did the Zoo actually
meet its \$11 million
requirement?*

threshold. In support of that claim, Hogle Zoo documented the cash donations, pledges and in-kind donations that, they claimed, got them across the \$11 million threshold.

As the Taxpayers Association reviewed this list, two substantial questions emerged. First, did the Zoo actually meet its \$11 million requirement? Second, did the Zoo use proper procurement techniques when contracting with their concessionaire, Service Systems Associates (SSA)? Unfortunately, the answer to the first question is, "No," and the answer to the second question remains murky at best.

The Zoo claims to have raised \$11.6 million privately. However, that \$11.6 million includes \$847,000 the Zoo raised and spent on the Asian Highlands exhibit, an exhibit completed before the Zoo even asked the County Council for bond money. The Zoo should not have counted money towards their \$11 million threshold that was raised and spent on projects prior to asking the County Council for help.

The Council rightly evaluated the specific projects the Zoo proposed, and allowed the bond to go to the voters based, in part, on their comfort with those specific projects. While Asian Highlands was part of the Zoo's master plan, it was not one of the projects the Zoo was seeking help with. (Because it was already finished.)

Removing that \$847,000 from the Zoo's \$11.6 million brings the Zoo under the \$11 million threshold. However, the Zoo also included a \$2.5 million gift from one of its concessionaires, SSA. The gift has two serious problems. SSA will be paying out that \$2.5 million over 10 years. Receiving that money over 10 years is much less valuable than receiving it in one lump sum.

*Did the Zoo use proper
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Using standard depreciation calculations, the value of that \$2.5 million gift in today's dollars is really just \$2.1 million, or \$400,000 less than the \$2.5 million gift. And reducing the Zoo's fundraising total by the sum of \$847,000 and \$400,000 results in the Zoo being more than \$500,000 short of the Council-imposed \$11 million fundraising threshold. The Zoo simply failed to meet the terms of the agreement the voters approved and which the

County Council imposed. However, the relationship between the Zoo and SSA raises other, equally troubling questions.

In testimony before Salt Lake County's Debt Review Committee, Zoo director Craig Dinsmore explained how they obtained the donation from SSA. Seven years ago the Zoo solicited proposals for private companies to operate the Zoo's concessions. Aramark won that contract, and SSA came in second. Two years into the contract, it was clear that neither Aramark nor the Zoo were satisfied, so Hogle Zoo took over their concessions again.

For the next five years, the Zoo operated these concessions. However, when faced with the prospect of raising \$11 million to obtain \$33 million in bond money, Hogle Zoo decided to "get creative" with their fundraising. They contacted the CEO of SSA, and asked if SSA was still interested in providing concession services for Hogle Zoo. SSA's CEO said, "Yes."

Then, according to his own testimony, Mr. Dinsmore asked the SSA CEO if their interest was so strong that they would also give the Zoo a substantial gift. After considering the question for a couple days, SSA agreed.

This sequence of events raises several very troubling questions. First, did the Zoo, and therefore taxpayers, really get the best deal possible on its concession operations? Perhaps they did, but without a competitive bid process, no one knows. And given the tens of millions of taxpayer dollars that the Zoo continues to receive, taxpayers expect that the Zoo will use traditional public purchasing rules, instead of this "creative" sole source approach.

Second, did the Zoo engage in a "pay to play" scheme? In other words, did the Zoo require SSA to give a gift, before SSA could even be considered for the contract? The answer to that question isn't clear, but a number of experts in non-profit fundraising told the Salt Lake Tribune that the deal seemed questionable.

Unfortunately, the County Council refused to further evaluate this problem. While they did review the contract between SSA and Hogle Zoo, they did not examine why Hogle chose to skirt traditional public purchasing guidelines, and they did not examine whether the Zoo's threshold requirement of a substantial "gift" was appropriate. Without answers to these fundamental questions, the County Council simply should not have released the bond funds.

Perhaps the most troubling element of the County Council's decision is the precedent they've set. Hogle Zoo will not be the last applicant to come before the County Council asking for taxpayer support. And the Council may impose various requirements on those applicants before they can receive taxpayer dollars.

Councilman Jeff Allen was the only council member to reject the release of bond funds. Clearly he is the only council member who can be counted on to uphold those requirements. Fellow members Randy Horiuchi, Jenny Wilson, Jim Bradley, Michael Jensen, David Wilde, Jani Iwamoto, Max Burdick and Chairman Joe Hatch have failed to uphold their own requirements. If the money is for politically expedient or popular causes, the County Council is willing to ignore their own requirements, and simply hand over the money. That kind of fiscal irresponsibility is dangerous, and taxpayers should remember how their County Councilman voted on this decision.

Taxpayers Association Endorses Three Bond Proposals

The Utah Taxpayers Association is endorsing three bond proposals on this fall's November ballot. First, the Taxpayers Association endorsed Salt Lake City's \$125 million bond to rebuild the Salt Lake public safety building. Second, the Association endorsed the Granite School District's \$256 million bond to rebuild several new schools. Third, the Association is also endorsing Duchesne County School District's proposed \$49 million bond.

The Taxpayers Association reviews many bond proposals each year, and was the only active opposition to the Nebo School District's bond proposal this past June. In evaluating bond proposals, we weigh the cost to taxpayers of the bond against the actual benefits provided by the proposed improvements. In both the Granite and Salt Lake City bonds, the benefits to taxpayers clearly outweigh the costs.

The Taxpayers Association has also reviewed the Davis School District's proposed bond, and is not taking a position on it.

Salt Lake City Public Safety Bond

On at least two previous occasions, Salt Lake City has asked voters to approve bonds that would replace the public safety building. In both of those cases, however, Salt Lake City added a host of unnecessary projects into their public safety bond. Because the City added these other projects, the Taxpayers Association opposed those proposals, and voters rejected them at the polls.

This year Mayor Ralph Becker and the Salt Lake City Council have pared the proposal back to simply replacing the public safety building. As presently

Council Chairman Attacks Taxpayers Association



**S.L. County Council Chairman
Joe Hatch**

On September 29, 2009 at the Committee of the Whole open meeting, Salt Lake County Council Chairman Joe Hatch condemned the Utah Taxpayers Association for bringing to light the multiple controversies surrounding the Hogle Zoo fundraising efforts. Insisting in front of the public and media that he would rather debate with a "dining room table" than with the Taxpayers Association, Chairman Hatch chuckled that his attacks on the Taxpayers Association were "fun."

Despite multiple council members acknowledging the legitimacy of the Association's concerns, Chairman Hatch singled out the Utah Taxpayers Association; going so far as to misrepresent their position on the bond and launch personal attacks. While the Taxpayers Association remained neutral on the Hogle Zoo bond in 2008, Chairman Hatch insisted that the Association opposed the bond and was therefore digging into "the minutia."

What Chairman Hatch labels as "minutia" and the Taxpayers Association labels as serious concerns, includes \$2.5 million in a potential pay-to-play deal and \$847,000 from previously completed projects. Chairman Hatch's reference to the amount as "minutia" totals \$3.3 million in questionable funds, or 30% of the required \$11 million fundraising total. When tasked with spending \$33 million out of taxpayer's pockets, voters expect respect for taxpayers and fiscal responsibility. In releasing the \$33 million bond funds to Hogle Zoo, Chairman Hatch displayed neither quality.

envisioned, the annual cost to the average homeowner in Salt Lake City would be \$75.

After having toured the current public safety building, the Taxpayers Association is convinced that the building must be replaced. Sewage leaks through pipes onto evidence; the elevators usually, but not always work. In our view, if the building weren't owned by Salt Lake City, the health department may have condemned the building.

The \$125 million price tag is steep, particularly in this economic environment. However, your Taxpayers Association is working with the City to cut that price tag even further, by working to have the state co-locate its emergency operations center in Salt Lake City's new public safety building. In addition, the Taxpayers Association is working with Salt Lake City to design a cost efficient building that will maximize taxpayer investment over the life of the building.

Granite School District Bond

Since 1996, the Granite School District has operated debt free. Their capital improvements have all been paid for on a pay-as-you-go basis. However, the District now faces

The \$17 million will completely pay for the annual bond costs, so taxpayers will see no tax increase from these proposed bonds.

significant infrastructure costs that cannot be met without incurring new debt. Not only does the District need to install air conditioning in over half its schools, but two of its high schools and two of its elementary schools need to be rebuilt. And growth on the

west side of the district means they need to build 2 new elementary schools.

Because the district has paid for its capital projects on a pay-as-you-go basis, they already have \$17 million in ongoing capital revenue they can dedicate to repaying the principal and interest on the bonds necessary to complete these projects. This \$17 million will completely pay for the annual bond costs, so taxpayers will see no tax increase from these proposed bonds.

Duchesne County School District Bond

Duchesne County is also asking voters to approve \$49 million in new bonds. These bonds would replace Altamont and Union high schools, and build a new elementary school in Roosevelt.

The district also anticipates refurbishing elementary schools in Altamont and Duchesne.

Altamont and Union high schools are both more than 50 years old, and are literally falling apart. The boilers are failing, the electrical systems may give out at any time, and these schools need significant upgrades to eliminate seismic concerns. The cost of renovating these schools would exceed the cost of rebuilding them entirely. In addition, the District is experiencing pockets of growth, particularly in Roosevelt,

Despite the high cost, its clear that the cost to taxpayers will be significantly higher if these rebuilds are not done.

where a new elementary is necessary.

The tax increase on an average homeowner in the District would be \$168 per year. Despite this high cost, its clear that the cost to taxpayers will be significantly higher if these rebuilds are not done.

Your Taxpayers Association does have some questions about the taxable value the District is using to project tax rates over the 21 year life of the bonds. Specifically, the District's taxable value has nearly tripled since 2003. However, the District is anticipating that this increased property value will remain level in coming years. Given the dramatic decline in oil and gas prices over the past year, it seems highly unlikely that these high taxable values will remain.

Assuming that the district's taxable value declines, taxpayers could see higher than projected tax increases, depending on the relative changes in value between residential, commercial and centrally assessed properties. For example, if the value of centrally assessed properties declines faster, tax rates to retire the debt would be higher.

Despite our concerns about this optimistic forecast of the district's assessed valuation, the Taxpayers Association has endorsed the District's proposal. The District has shown a dedication to fiscal responsibility that is almost unheard of in Utah school districts, and they are stretching their bond dollars much further than almost any other bond proposal a school district has asked for in recent memory.

Davis School District Bond

The Davis School District remains one of the fastest growing school districts in the state. Even with the economic downturn lowering growth rates, the District anticipates growing by nearly 1,000 students per year over the coming decade. Without new buildings, the Davis District would have to use more than 300 portable classrooms to cope with this growth.

Instead, the District is proposing a \$250 million bond for a variety of capital improvements. These improvements include expanding existing facilities like Woods Cross High School and Millcreek Junior High, as well as three new elementary schools, a new junior high school, and rebuilding Wasatch Elementary. In addition, the district plans to use roughly one-quarter of the bond money to upgrade existing infrastructure, such as boilers, water lines, fire alarm upgrades, etc.

If the Davis School District bond passes, property taxes will increase. Without these bonds, property taxes for capital improvement would decrease to zero by 2023. If the bonds pass, the current debt service levy will be maintained until 2018.

Although the Davis District's bond would increase property taxes in the school district, the Taxpayers Association is neutral on this bond proposal. The District is growing, and will need new buildings to cope with this growth. The District has also assured the Association that they will look at ways of using their infrastructure more effectively, such as moving to a trimester program.

Even with the economic downturn lowering growth rates, the District anticipates growing by nearly 1,000 students per year over the coming decade.

New Studies Evaluate Utah Taxes, Business Climate Utah Ranked Third in Best States for Business

The Tax Foundation's latest report shows a decrease in property tax burdens on homeowners in Utah. According to data compiled from 2004-2008, Utah has reduced its taxes as a percentage of home value from 0.68% in 2005 to 0.56% in 2008. These statistical changes resulted in a drop in rankings from 2005 when Utah had the 34th highest taxes as a percentage of home value, to 2008 where Utah ranked 40th.

In addition, Forbes Magazine ranked Utah as the third best state for business in 2009. While all states are experiencing bankruptcies, foreclosures and high unemployment, Utah has maintained its place as a top state for business. The Forbes study considered thirty-three points of data

Taxes as a Percentage of Home Value in Utah and Neighboring States

State	Taxes as a % of Home Value	2008 Rank
Montana	0.81%	26
Idaho	0.66%	35
Nevada	0.63%	36
Arizona	0.57%	39
Utah	0.56%	40
Wyoming	0.54%	41
New Mexico	0.51%	42

condensed into six categories. Considering these six categories, labor supply, regulatory environment, current economic climate, growth prospects and quality of life, Utah ranked third behind Virginia and Georgia.

The Business Costs category included labor, energy and tax costs and was weighted most heavily in determining the state's overall rank. Educational attainment, net migration and projected population growth were grouped under Labor. The Regulatory Environment ranking included regulatory and tort climate incentives, transportation and bond ratings. Economic Climate included job, income, and current gross state product growth, unemployment and presence of big companies. The Growth Prospects category evaluated projected gross state product growth, projected job and income growth, business openings and closings and venture capital investments. The Quality of Life category evaluated schools, health, crime, cost of living and poverty rates.

Despite having fallen from its number two position in 2006, Governor Gary Herbert remains confident in the strength and ingenuity of Utahns. "As a state, we continue to recognize the innovation and entrepreneurship that exists in our business community," said Gov. Gary Herbert. "State government will continue to work closely with all parts of our economy to maintain Utah's unmatched quality of life, competitive economy and job growth opportunities so that Utah remains a state of opportunity."

Forbes Magazine Rankings of Best States for Business- Utah and Neighboring States

State	Rank	Business Costs	Labor	Regulatory Environment	Economic Climate	Growth Prospects	Quality of Life
Utah	3	14	4	11	11	22	17
Colorado	4	33	1	17	5	2	15
Idaho	11	12	17	35	10	36	18
Montana	13	23	8	38	6	16	35
New Mexico	27	26	32	31	11	6	48
Nevada	31	24	26	28	2	40	49
Arizona	36	31	14	45	7	38	47

Taxpayers Association Updates Newsletter

In its 87th year of publication, "The Utah Taxpayer" is proud to debut its new look. Coupled with its recent logo change, the Utah Taxpayers Association is pleased to modernize publications. However, despite changes in appearance, the Utah Taxpayers Association still holds true to its founding principle that promoting fiscal accountability and responsibility is in the best interest of both families and businesses. And while much has changed since its founding in 1922, the Utah Taxpayers Association remains committed to greater economy and efficiency in government.