



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

2010 Utah Taxes Now Conference: Economic Strength Through Federalism

"Whether Republicans or Democrats are in charge, the government has always grown... There is no incentive to change... We have to look differently at our tactics."
- Congressman Rob Bishop

Experts from across the country, legislative leadership, Governor Gary Herbert and Congressman Rob Bishop joined the 2010 Utah Taxes Now Conference to tackle the issue of "Economic Strength Through Sound Management and Federalism."

In front of over 200 attendees, presenters shared their expertise on a wide range of topics, including federal healthcare mandates, Utah's pension reform, balancing Utah's budget, privatization and federalism.

Federal Healthcare Mandates

Utah Attorney General Mark Shurtleff and Cato Institute senior fellow Ilya Shapiro were one of the first panels of the conference and dove into a discussion of federal healthcare legislation. Mr. Shapiro argued that "Obamacare" is unprecedented, unconstitutional legislation that goes beyond regulating interstate commerce, but actually requires citizens to engage in the marketplace by purchasing insurance.

Attorney General Mark Shurtleff agreed, and detailed Utah's lawsuit opposing the federal mandates. Utah has joined nineteen other states in filing a legal complaint challenging the federal healthcare reform plan.

Utah Pension Reform

Senator Dan Liljenquist and Kelly Atkinson of the Fraternal Order of the Police explained Senate Bill 43 and Senate Bill 63, new legislation to eliminate Utah's \$6.5 billion pension deficit. While many observers expected Senator Liljenquist and Mr. Atkinson to be on opposing sides, both enthusiastically support the changes. Senator Liljenquist remarked, "The number-one goal of pension reform is to ensure that we can meet 100 percent of our obligations to our current employees and retirees." Mr. Atkinson explained his original skepticism over changing Utah's defined benefits plan to a defined contribution plan. However, through careful research and conversations with Senator Liljenquist, Mr. Atkinson changed his mind and became an advocate for Utah pension reform.



Attorney General
Mark Shurtleff

Teed Off On Taxes Golf Tournament

Join the Utah Taxpayers Association for their annual "Teed Off On Taxes" Golf Tournament on Thursday, June 10, 2010 at the Eaglewood Golf Course in North Salt Lake. Sponsorship opportunities are available.

Register for the "Teed Off On Taxes" Golf Tournament by visiting www.utahtaxpayers.org, contacting Tyler Pace at tyler@utahtaxpayers.org or by calling (801) 972-8814.

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Utah's 2011 and 2012 Budget

Other highlights of the 2010 Taxes Now Conference were 2011 and 2012 budget discussions with Senate President Michael Waddoups, House Speaker David Clark and Executive Appropriations Committee Co-Chairs Representative Ron Bigelow and Senator Lyle Hillyard. In reviewing the 2011 budget and the use of half of Utah's "rainy day" fund, Senator Hillyard explained, "All those people who screamed at us in previous years to 'Spend the rainy day money' came up to us this year and said 'You were pretty wise.'" However, despite the rainy day funds, Senate President Michael Waddoups explained that we are not out of the woods yet and that 2012 budget negotiations will be difficult.

Utah Education Reform

Senator Margaret Dayton and Senator Stuart Adams also joined the 2010 Taxes Now Conference to discuss "Education

Reform in the 2010 Legislature." Senator Dayton discussed her 2010 proposed legislation to prevent schools from paying the wages of union representatives. Senator Adams shared his 2010 legislation to allow institutions of higher learning to sponsor charter schools. Senator Adams remarked, "We live in a global environment. My legislation looks beyond high schools. It looks to education after the K-12 experience. We need universities and colleges involved." Senator Adams and Senator Dayton discussed the need for innovation in schools to increase education options for parents and student achievement.

The 2010 Taxes Now Conference was a resounding success and brought together dozens of speakers, covering a wide variety of topics. To view the complete conference and hear all speakers, please visit www.utahtaxpayers.org.



**Association President
Howard Stephenson**

My Corner: The Answer To Failing Schools

"Our Nation is at risk. Our once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world."

The quote above is not of recent origin. It was part of the leading paragraph in the 1983 A Nation at Risk: The Imperative for Educational Reform, published by President Ronald Reagan's

National Commission on Excellence in Education.

The report – an open letter to the American people – went on to state, "... the educational foundations of our society are presently being eroded by a rising tide of mediocrity that threatens our very future as a Nation and a people. What was unimaginable a generation ago has begun to occur – others are matching and surpassing our educational attainments."

The Commission, chaired by David Pierpont Gardner under the direction of Education Secretary T.H. Bell – both Utahns – said that "If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war."

The Commission provided five recommendations to reform America's educational system: strengthening graduation requirements, raising university admission and more rigorous standards, a longer school day and school year, higher quality teaching staff, and, of course, greater funding for education.

Despite the Warnings, American Educational Performance Continued to Plummet

Despite the focus on educational improvement spurred by "A Nation at Risk," and despite the countless state and national five-year-plans that have been developed since then, U.S. educational results have continued to stagnate or decline.

Nationwide, about a third of first-year college students in 2007-08 had taken at least one remedial course, according to the U.S. Department of Education. At public two-year colleges, that number rises to about 42%. One-fifth of Utah college freshmen are required to take a remedial course, which is a little better than the national figure of one-third. The distribution of

remedial course-takers across Utah higher ed institutions is shown in the accompanying chart.

Sixty-eight percent of the remedial courses taken in Utah are in science; 56% are in Algebra, 38% in reading, and 27% in English. (The total adds to more than 100% because some students take more than one remedial course).

Student performance on college entrance exams reinforces the evidence that far too many US and Utah high school graduates are unprepared for college level work. Nationally, of high school students who took the ACT, only 23% are deemed proficient in all four core areas – Math, Science, English and Writing. The percent of Utah ACT-Tested high school graduates ready for college work in 2009 is not much better – just 25%. And the percentage of Americans who have graduated from college has dropped from 2nd highest among OECD countries in 1995, to 15th place in 2005.

Various international studies among industrialized nations and the world's richest countries reveal U.S. student performance has been in decline. Since they're so widely reported in the popular media I won't describe them here.

Revealing Results vs Mandating Results: Florida's Success

Despite good intentions, the top-down government-mandated solutions to America's educational decline have done little to improve outcomes for students or the nation's workforce needs. It has become so bad that even the recent national plans for improvement are labeled to disregard America's educational decline: "No Child left Behind," "Race to the Top." These terms draw attention away from the embarrassingly low performance

**First-Time Freshmen Taking A Remedial Course
Academic Year 2008**

	No	Yes	Total
Dixie State College	67%	33%	100%
University of Utah	100%	0%	100%
College of Eastern Utah	86%	14%	100%
Utah State University	92%	8%	100%
Southern Utah University	92%	8%	100%
Snow College	89%	11%	100%
Weber State University	74%	26%	100%
Utah Valley University	71%	29%	100%
Salt Lake Community College	72%	28%	100%
USHE System	80%	20%	100%

Source: Utah State Board of Regents

and international rankings of a system which is far worse than 27 years ago when a federal commission said the nation was at risk.

So is there anything that *has* worked?

Charter schools have shown some success in improved student outcomes, as have school choice options. There are also several examples of isolated leadership models which have produced significant gains in student outcomes. But perhaps the most significant improvements to affect an entire state have resulted from simply shining a bright light on each school's results through letter grades. Under the leadership of former Governor Jeb Bush, Florida has shown significant gains in student performance following legislation requiring letter grades reflecting student performance to be assigned to each school.

In the ten years since letter grades A-F were assigned to schools based solely on students' performance on statewide testing Florida's ranking on national tests has improved from well below the national average to well above.

For example, NAEP 4th grade reading scores have increased from 206 in 1998 to 226 in 2009. Florida is now #8 in Education Week's Quality Counts Report.

But the most outstanding result of Florida's school grading system is the effect it has had on improved performance of low income and minority students, which have long been an excuse for low student performance. Florida's Hispanic students now outscore statewide averages of all students in 31 states. Florida's African American and Hispanic students lead the nation among their peers on NAEP math. Florida was one of three states recognized as closing the achievement gap between affluent and low-income students.

Governor Gary Herbert has invited former Governor Jeb Bush to speak before his Education Excellence Commission in August. Hopefully the Commission will recommend implementing school grading in Utah. Based on Florida's results, it's a much better means of achieving school improvement than all the central planning that could be done to impose mandates for improvement.

Questions and Answers: How to Evaluate a Bond Proposal

Every year your Utah Taxpayers Association reviews general obligation bond proposals placed on the ballot by various local entities throughout Utah. With over 240 cities and towns, 41 school districts, 29 counties and hundreds of special districts, bond proposals come in all shapes and sizes.

Despite the diversity of proposals, your Taxpayer Association's response to bond proposals is very predictable. Using a standard criterion to evaluate each bond, your Taxpayers Association asks just a few simple questions to determine if the Association will endorse, oppose or remain neutral on a bond proposal.

When will the bond election be held?

The first and most obvious question when evaluating a bond proposal is, "When will the bond election be held?" Bond elections must be held in June or November, but the two election dates are drastically different.

Voter turnout in November is double voter turnout in June. Nebo School District held a \$160 million bond election in June 2009 that resulted in less than 10% voter turnout. The bond passed by less than 125 votes and now the 60,000 residents of Nebo School District are committed to paying the bond for the next five years.

Eagle Mountain voter data further illustrates the difference between a June and November election. In June 2008, a presidential election year, 515 voters or 8 percent of registered voters, participated in the election. While in November 2008 over 4,800 voters turned out, or more than 70 percent of registered voters. Eagle Mountain recently proposed a June election for a \$7 million rec center bond, but due to conversations with your Taxpayers Association and the presentation of this voter data, they changed their election date to November.

Increased voter turnout should be the number one priority of an election, especially when a city is proposing to increase their debt and the burden on taxpayers. As a result, your Taxpayers Association will not endorse a June bond election. In select cases your Taxpayers Association may remain neutral, but it

does not advocate for a bond election when voter participation is so low.

What is the need for the bond?

The next question when evaluating a bond is whether there is a significant need. Too often, cities, counties or districts conflate the terms "need" and "want." Your Taxpayers Association believes that government should not be spending the taxpayer dollars of an entire community on the unnecessary wants of a few.

The most recent example is the comparison between the \$12 million Kearns Oquirrh rec center bond and the \$4.9 million Cottonwood Heights rec center bond. While both bond elections are being held in June, against the advice of your Taxpayers Association, one of the bonds has demonstrated an immediate and significant need, while the other has created a laundry list of "wants."

Cottonwood Heights Recreation Center has gone to great lengths to identify immediate essential projects in order to maintain the safety and basic functions of their facility. The \$4.9 million will go specifically to repairing the unstable, failing roof, replacing the aging, deteriorating piping and outdated, unreliable boiler and updating out of code, faulty irrigation systems.

On the other hand, the Kearns Oquirrh Recreation Center has proposed a \$12 million bond to expand their fitness center and build a cover for their fifty-meter pool. Neither project has a safety or maintenance function. In addition, \$7 million of the bond remains undesignated, to be used for pet projects, such as a lazy river, water slides, an indoor running track and other popular requests from the community.

The difference between these two bond proposals clearly demonstrates the "need vs. want" paradigm. Your Taxpayers Association remains neutral on the Cottonwood Heights bond proposal, disagreeing with the election date, but recognizing the need for safety and facility repairs. However, your Taxpayers Association is strongly opposed to the Kearns Oquirrh bond for its poor timing and wasteful spending.

How will the bond money be spent?

An equally important question in evaluating a bond proposal is the specificity of the spending plan. When a city, county or district requests permission to increase their debt and the tax burden on citizens, it must be specific in its request.

In 2007 Salt Lake City proposed a \$192 million public safety bond, with numerous extraneous projects and a lack of project implementation specificity. Your Taxpayers Association opposed the bond due to the extra projects that the vagueness of the building plans. The bond failed. Later research found that Salt Lake City voters agreed that there was a need for a new public safety center, but opposed the extravagance and vagueness of the proposal.

In 2009 Salt Lake City scaled back the project, eliminating unnecessary elements, cutting the bond proposal by 35 percent and specifying cost-saving strategies to co-locate with state emergency operations, receive federal FEMA funding and create a more efficient design. Your Taxpayers Association actively endorsed the new \$125 million public safety bond proposal and voters gave overwhelming approval.

By clearly articulating the purpose and process for using bond funds, voters can make informed decisions about the need for the bond and their willingness to increase their tax burden to support the bond. Your Taxpayers Association carefully considers the specificity of a bond when determining whether to endorse, oppose or remain neutral.

What are the terms of the bond?

The final question your Taxpayers Association considers when evaluating a bond is the terms of the bond and the “bang for buck.” Canyons School District is proposing a \$250 million bond for June 2010. Despite the poor timing, Canyons School District has shown an immediate need to build a new high school, address seismic and safety issues and air condition classrooms. The \$250 million bond will be paid off over the next 20 years, while the infrastructure and “product” they are getting for the bond will long outlast the bond’s repayment period. This wise investment provides a high “bang for buck.”

However, in contrast the previously mentioned Kearns Oquirrh recreation bond fails to meet the same standard of fiscal responsibility. The \$12 million bond is proposed to be repaid over twenty-five years, resulting in \$8 million of interest for the \$12 million principle. Paying over 60 percent in interest is an outrageous bond repayment structure. Even worse, the bond itself lacks specificity and is designated to pay for “wants” that won’t even last the length of the bond repayment. Citizens of Kearns would still be repaying the bond long after the waterslides and lazy river additions become inoperable or need to be replaced.

Your Taxpayers Association reviews many bond proposals every year. Despite the unique circumstances of each bond, the questions remain the same. And when those questions are answered, your Taxpayers Association’s position is easy to predict.

Governor Herbert Speaks at 2010 Taxes Now Conference

“The pressure is always to grow and expand the government”

Rough seas make good sailors, and as Governor Gary Herbert sees it, Utah is weathering the currently economic storm quite well. Despite the current economic downturn in the national economy, Utah has been deemed the best-managed state in the union by the PEW institute, and received numerous accolades for our financial frugality and ability to properly balance the scales between government and the private sector. And, perhaps most importantly, as Governor Herbert mentioned, “Utah is the least like California.” Such was the tone of Governor Herbert’s speech at this year’s 32nd Annual Taxes Now Conference, held May 11th at the Little America.

In addition to the PEW institute, the Coughlin Foundation has awarded Utah for its financial prowess, naming Utah as the most ‘dynamic’ state in the union, due to our structural debt ratio. Utah’s current debt-per-inhabitant ratio is \$447 per resident, whereas the federal government’s ratio is above \$40,000 per resident. However, as the Governor sees it, “In hard financial times like these, all of these statistics are like boasting about owning the tallest building in Toelle.” Utah, as he pointed out, “can and must continue to do better.”

In explaining how Utah has become the best managed state in the union, Governor Herbert explained that cutting taxes and being fiscally prudent has helped the state in weathering the current economic storm. Having such a dynamic workforce has helped that states’ unemployment rate stay relatively low at 7.2%, allowing businesses to return to black and thrive once again. Perhaps most importantly, thanks to the hard work of the legislature and the Governor, Utah has said no to most, if not all

tax increases. The Governor pointed out, “making government bigger during hard times makes no sense.”

But, perhaps the most important thing to keeping the local economic machine moving is to keep government in its proper limited role, thus empowering the private sector. As the Governor pointed out, Utah is fertile soil for business; keeping taxes low allows the seeds to grow. The marketplace, will decide who wins and who loses; not government. The problem is that due to the current national political landscape in

Taxpayers Association Reviews City and School District Budgets

The Utah Taxpayers Association annually audits the proposed budgets of Utah’s largest cities and Utah’s 41 school districts. Most cities and school districts are balancing their budgets without tax increases, however two cities and one school district are proposing a tax increase.

Roy and Syracuse cities are both proposing to raise taxes and have recently or will be holding Truth in Taxation hearings. Roy held its hearing on June 1, 2010. Syracuse will be holding its hearing on August 22, 2010 at 7:00 PM. Logan School District is the only school district proposing a tax increase and will hold its hearing on August 10, 2010 at 6:00 PM.

All cities and school districts have recently or will be holding public budget hearings. View the date and time of your school district or city’s budget hearing by visiting www.utahtaxpayers.org. Check back periodically for updated information on hearing dates and times and proposed tax increases.

Washington D.C., nobody wants to lose, so everyone is bailed out. This creates dependency on the government, which in turn grows the size of government and diminishes the role of the private sector. In order to keep the state out of the grasp of the federal government, it's the goal of the Governor to withstand calls for bail-outs from Washington D.C.

To summarize his remarks, the Governor returned to his

convictions that Utah is doing great, but we can do better. "Although we're not perfect, we're better than most. We can't rest. We need to find more efficiency, save more money, and provide better services." The future appears bright for Utah.

Niederhauser, Liljenquist, Harrington Receive Taxpayer Awards



State Senator
Wayne Niederhauser

The Utah Taxpayers Association honored Senator Wayne Niederhauser, Senator Dan Liljenquist and former State Superintendent Patti Harrington for their service to taxpayers at the 2010 Utah Taxes Now Conference.

Senator Wayne Niederhauser was given the "2010 Taxpayer Advocate Award" for his work in sponsoring and passing SB 38 in 2008 and SB 18 in 2009. Through the sponsoring and

passage of these bills, Senator Niederhauser created Utah's public finance website, allowing public access to all state and local spending. Since its inception, the transparency website has been used to identify hundreds of thousands of dollars in wasteful spending.

Senator Dan Liljenquist was also given the "2010 Taxpayers Advocate Award" for his sponsoring and passing SB 63 and SB 43. Both bills reformed Utah's Retirement System to solve Utah's \$6.5 billion unfunded pension liability by moving Utah from an unpredictable defined benefit plan to a predictable defined contribution plan. Senator Liljenquist joined the Utah

Senate in January 2009 and immediately began work reforming Utah's pension system. Utah is now one of the few states in the nation to be on target to fully fund its pension program.

Former Utah State Superintendent Patti Harrington was awarded the "2010 Lifetime Service Award" for her service to Utah school children. Ms. Harrington served 32 years and was Utah's State Superintendent from 2004 to 2009. She encouraged collaboration and reform in public education, broadening the use of computer adaptive testing and expanding the use of online assessment software.

Ms. Harrington explained with a laugh, when she received a message from the Taxpayers Association that she had won an award, she mistakenly thought the Utah Tax Commission was auditing her. She insisted she was much happier to receive the award than an audit.



State Senator
Dan Liljenquist



Former State
Superintendent
Patti Harrington

Congressman Bishop: States and Locals Can Do It Better Than Feds

Congressman Rob Bishop joined the 2010 Utah Taxes Now Conference, explaining to the standing-room only crowd that government has gotten too big, and that the division between federalism and states-rights had become cloudy and confused. Having come from the Utah legislature Congressman Bishop mockingly explained that too often he had the "wonderful opportunity of implementing federal mandates [Utah] didn't want, didn't need and didn't use." As government grows in

size and cost, the true concept of federalism - meaning the division of sovereignty between the federal government and the states - is lost since individual liberty requires choice and over-reaching government prevents choice.

Congressman Bishop's thesis was met with enthusiasm as he explained, "If you want unity, then central government is the level to which you come; it's what we do

well. But, if you want something to be done creatively, effectively, efficiently and at a level of justice so that individuals are taken into effect, Washington D.C. can't do it. It must be

done at the state and local level."

Creativity, effectiveness and efficiently inherently lead to more choice and personal liberty, and that was what the founding fathers had in mind when they implemented the federalist system which our nation thrived upon. Congressman Bishop illustrated that we seek options and choices in our daily lives. "I can choose from multiple flavors of Pringles and dozens of Campbell's soups. Even if I want vanilla, I still go to a store that offers thirty-one flavors." This same principle of choice and agency applies when it comes to the role of government.

When the federal government adopts a one-size-fits-all mandate and continues to expand, checks and balances are lost and power is centralized, losing the creativity, effectiveness and efficiency of choice.

As a final analogy in his remarks, the congressman recalled Hope having two daughters: Anger and Courage. The recent emergence of the Tea Party on a national scale has shown the nation what Anger can produce: it's now time, he said, for Courage in the form of systemic change in Washington. Federalism needs to be re-established as a guiding policy making principle, thereby reaffirming individual liberty and increasing choice at the state and local government level.



Congressman
Rob Bishop

UTOPIA: Just \$60 Million More

Despite eight years of failure, a half billion dollars in taxpayer backed bonds and a net assets deficit of \$126 million, UTOPIA is confident it has finally found the “secret sauce” to change its fortune. And the price tag is just another \$60 million.

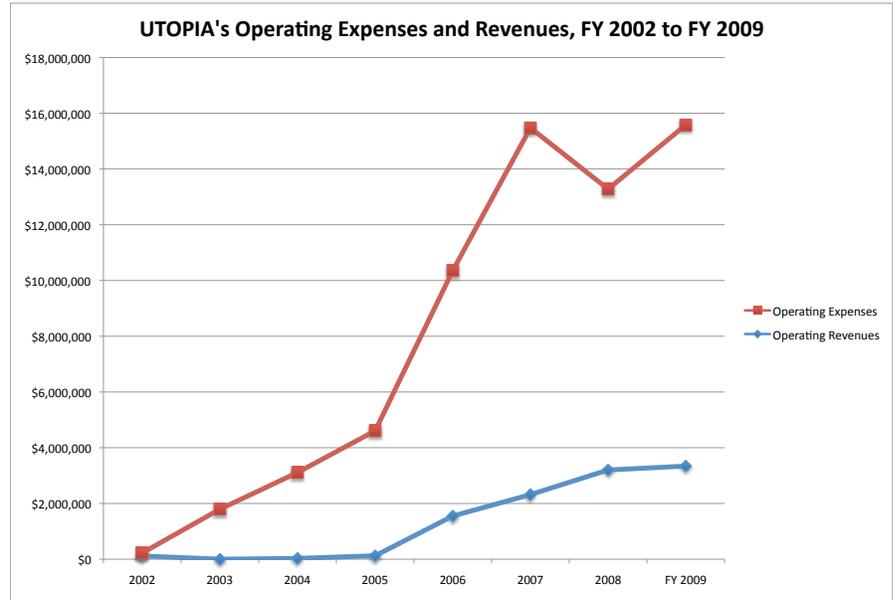
UTOPIA is requesting another \$60 million from taxpayers, but they claim that the plans to use those taxpayer funds are private. Despite requests from legislators and elected officials for clear and public descriptions and analysis of UTOPIA’s “new” business model, UTOPIA is going to great lengths to keep those details from taxpayers.

UTOPIA has agreed to share its business plan with legislators and local elected officials only if they sign non-disclosure agreements, agreeing not to share the business models with the general public. UTOPIA claims that their business plans contain “proprietary information” and refuse to explain how they intend to use the \$60 million they are requesting from taxpayers.

However, UTOPIA continues to turn to taxpayers as the lender of first resort, using taxpayer backed bonds to fund their operation. With taxpayer backed bonds serving as UTOPIA’s bank, UTOPIA has forfeited the right to keep their business plans secret. Taxpayers have the right to know how their dollars will be spent, especially when being asked to assume more debt and fund an organization with such a troubling track record.

While your Taxpayers Association has been unable to review UTOPIA’s “secret sauce” we have evaluated their track record. Founded in 2002, they have operated in the red since day one.

As illustrated in the accompanying graph, the blue line shows that UTOPIA garnered nearly \$4 million in revenue in 2009, but the red line shows that their expenses have ballooned to \$16 million. With no end in sight to this red ink, UTOPIA continues to take more from taxpayers without giving anything back. It’s finally time for UTOPIA cities to reject UTOPIA’s requests and cut their losses.



Source: UTOPIA's Audited Financials, FY 2002 to FY 2009