



The Utah Taxpayer

A Publication of the Utah Taxpayers Association

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August 2007 Articles

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Why are property taxes going up?

Property tax notices have gone out, and many people across the state are upset due to reappraisal of their property or due to tax hikes imposed by their taxing entities. Your Taxpayers Association has ensured that under Utah's Truth-in-Taxation law, when taxable property values rise, tax rates must come down by the same percentage to prevent windfalls to taxing entities. As your tax watchdog, we are concerned that we have yet to even hear of someone whose property taxes went down. To make sure no shenanigans are going on, we're looking into this. In the meantime, we want to arm you with the tools you need to use Utah's Truth-in-Taxation process in holding local governments accountable.

How does Truth-in-Taxation(TNT) Work

TNT is a revenue-driven system, not a rate-driven system: to maintain revenue neutrality (excluding new growth), when property valuations increase, property tax rates must decrease. This revenue-neutral rate is called the "certified tax rate" (CTR). This rate is then applied to all properties, including new residential and commercial developments. (Increased valuations due to new developments do not reduce the property tax)

Truth-in-Taxation does not prevent local governments from raising property taxes above the CTR. Once it has been calculated by the Utah State Tax Commission, local governments can set the actual rate higher than the CTR. When they decide to exceed the CTR, they must go through the Truth-in-Taxation notification and hearing process, where the public can express their opinions about the proposed property tax increase.

Annually, about half of school districts increase their rates above the CTR, and about 20% of counties and 5% to 10% of cities increase their rates above the certified tax rate. Because Certified tax rates do not adjust for inflation, local governments occasionally increase property tax rates to recoup inflationary losses. Sometimes, the proposed increases do more than offset inflation, sometimes less.

Why do property valuations increase faster in one area than in other areas?

Property valuations can increase faster in some areas than in other areas for two reasons. First, properties are periodically reassessed. As a result, properties that were reassessed by the county will typically experience greater valuation increases

FY 2007 Truth in Taxation Hearings

School District	Certified Rate	Proposed Rate	% Increase
Beaver School District	0.006622	0.006919	4.5%
Daggett County School	0.003781	0.004091	8.2%
Logan City School	0.006733	0.007304	8.5%
Cache County School	0.005931	0.006260	5.5%
Davis School District	0.006879	0.007187	4.5%
Duchesne School District	0.007318	0.007678	4.9%
Emery School District	0.005450	0.005467	0.3%
Kane School District	0.003337	0.003484	4.4%
Millard County School	0.005104	0.005792	13.5%
Morgan County School	0.005101	0.005257	3.1%
Salt Lake School District	0.005071	0.005084	0.3%
North Sanpete School	0.005845	0.006260	7.1%
South Sanpete School	0.007656	0.008304	8.5%
Sevier School District	0.006135	0.006465	5.4%
Park City School	0.004324	0.004560	5.5%
North Summit School	0.005176	0.005283	2.1%
South Summit School	0.005550	0.006307	13.6%
Uintah County School	0.005539	0.006014	8.6%
Alpine School District	0.005895	0.006937	17.7%
Provo School District	0.005160	0.005239	1.5%
Nebo School District	0.007797	0.008150	4.5%
Wasatch County School	0.005660	0.006320	11.7%
City			
Hyde Park	0.001010	0.001100	8.9%
Lewiston	0.001898	0.002115	11.4%
Logan City	0.002109	0.002220	5.3%
North Logan	0.001586	0.001679	5.9%
Sunset	0.001016	0.001209	19.0%
Syracuse	0.001009	0.001500	48.7%
Monticello	0.002750	0.003025	10.0%
Garden City	0.000235	0.001043	343.8%
South Jordan	0.001517	0.001708	12.6%
West Valley City	0.003192	0.003194	0.1%
Alpine City	0.000934	0.001051	12.5%
Cedar Fort	0.000491	0.000954	94.3%
Cedar Hills	0.002354	0.002616	11.1%
Eagle Mountain	0.001163	0.001280	10.1%
Highland	0.001223	0.001420	16.1%
Woodland Hills	0.001336	0.002850	113.3%
Enterprise	0.001321	0.001738	31.6%
Santa Clara	0.001013	0.001449	43.0%
Toquerville	0.000427	0.000845	97.9%
Hooper City	0.000336	0.000447	33.0%
Riverdale City	0.001030	0.001470	42.7%
Roy City	0.002178	0.002226	2.2%
Draper City	0.000873	0.001650	89.0%
Kanarrville	0.000430	0.002000	365.1%
Gunnison	0.001547	0.002548	64.7%
County			
Davis County	0.001654	0.002189	32.3%
Emery County	0.004335	0.004412	1.8%
Kane County	0.001486	0.002615	76.0%
Sevier County	0.003270	0.003365	2.9%
Tooele County	0.001126	0.001158	2.8%

For times check your property tax notice or visit www.utahtaxpayers.org

Visit Us at www.utahtaxpayers.org

A local government's property tax rate is a sum of several tax levies. In most cases, one of the property tax levies is used to pay off voter-approved general obligation (GO) bonds.

Once you get to a TNT hearing, tell them what this tax hike means to you, your family and your business. You don't need to be a budget expert to let them know the real world consequences of their decisions.

In spite of Association efforts, more than \$100 million annually are taken from Utah local taxing entities

than properties that were not reassessed. Second, real estate market demand may push up the value of some properties faster than others.

However, properties that increased faster than the county (and/or school district/city/special service district) average will experience an increase in property taxes while others will experience a decrease. In the end, it all works out because other parts of the county and school district will be reassessed in following years and their taxes will increase while everyone else's decreases.

Other Reasons Local Governments Raise Taxes

Local governments issue or retire voter-approved general obligation bonds

There are a variety of reasons why a local taxing district may increase the effective tax rate above the certified rate. A local government's property tax rate is a sum of several tax levies. In most cases, one of the property tax levies is used to pay off voter-approved general obligation (GO) bonds. These debt service levies are *not* subject to Truth-in-Taxation. Therefore, if a local government issues a voter approved bond, property taxes may increase even though the local government's other levies were reduced by the Truth-in-Taxation process. When a local government retires a GO bond, the debt service levy is reduced (unless the local government issues new debt).

Local governments impose judgment levy

Occasionally, large taxpayers successfully appeal their property valuations, just as home owners successfully appeal their property valuations. When these large taxpayer appeals take several years to resolve, the local governments must refund the property tax overpayment from previous years.

In such situations, local governments have the option of imposing a one-time judgment levy to cover the costs of the tax refund. In these cases, property taxes may increase even though Truth-in-Taxation has reduced other levies. Residential appeals, on the other hand, are generally resolved quickly, which means that refunds of multi-year overpayments are not an issue for residences. Local governments may consider other factors in determining whether to increase or decrease property taxes, including Board of Equalization adjustments, delinquent taxpayers and centrally assessed properties.

What do I say at a Truth-in-Taxation hearing?

Once you get to a TNT hearing, tell them what this tax hike means to you, your family and your business. You don't need to be a budget expert to let them know the real world consequences of their decisions.

Another option would be to cite reasons why you believe the tax increase is not necessary. Maybe the city needs to privatize the lawn care services. Maybe they're operating a rec center that's costing too much money. Maybe their last property tax increase was misused. All of those are legitimate reasons to oppose a property tax increase. The TNT process is designed to make sure that elected officials hear from you, and learn what property tax increases mean to their citizens.



My Corner - by Howard Stephenson

Wal-Mart Threatens Utah Cattle Ranchers

Wal-Mart has become the world's largest retailer and seems to be either loved or hated in communities where its stores are located. Few people are indifferent in their attitudes toward the retail giant begun by eccentric Sam Walton who has been noted for his fiscally-conservative, no-frills approach to living and doing business.

Some applaud Wal-Mart's refusal to allow unionization of their employees. The company decided to shut down a new store in Jonquiere, Quebec, Canada when a union was certified by the provincial government to represent its employees. When 11 meatcutters in a Jacksonville, Texas Wal-Mart store voted to unionize, the company eliminated the job of meatcutter companywide, and shifted from in-store meatcutting to stocking only pre-wrapped meat.

Others have criticized the company for low wages and minimal benefits for its employees, particularly the lack of health insurance for full-time employees.

When Wal-Mart was criticized for stocking cheap foreign-made products the company went on a nation-wide campaign of buying American to keep the jobs at home, but once the criticism died down, the campaign was dropped.

Many communities across the nation have been criticized for giving tax subsidies and economic benefits to retailers such as Wal-Mart in order to get them to locate in their communities and thereby generate local sales tax revenues for the municipality. Your Taxpayers Association has argued that this is a "zero sum game," and has worked for legislation to curtail subsidies for retail, since retailers will locate where the markets are without subsidies. In spite of Association efforts, more than \$100 million annually are taken from Utah local taxing entities, more than half of which is taken from local school districts, to provide subsidies through local Redevelopment and Economic Development agencies.

Wal-Mart Attacks Utah Agriculture

Although Wal-Mart has worked to counter repeated bad publicity and portray itself as a generous employer, the company now faces serious complaints from Utah's agricultural community.

Western livestock ranchers have seen grazing rights placed off limits by the Grand Canyon Trust and Conservation Fund (GCTCF), funded by donations from Wal-Mart. In an apparent attempt to court the "green" community, Wal-Mart has pledged \$35 million over the next decade to assist the GCTCF to buy up grazing rights and reduce the numbers of livestock on public lands. Wal-Mart's first \$1 million donation helped purchase two ranches on the Utah-Arizona border. The buy-out includes 1,000 acres of private land and nearly 900,000 acres of livestock grazing permits that comprised the Kane and Two Mile Ranches.

Junk Science Drives Wal-Mart's Hostility toward Ranchers

"We're going to run as few cows as we possibly can," said GCTCF director Bill Hedden. Unfortunately, Wal-Mart and Mr. Hedden don't realize that well-managed cattle grazing on western lands actually improves habitat for wildlife, restores aquifers, reduces soil erosion, and restores grasses and even native plants.

Steve Rich, a consultant with Higher Ground Associates in Salt Lake City, Utah argues that Western grasslands need the presence of large ungulates, like the bison that once roamed the plains. Under conventional grazing, cattle behave nothing like bison: They do not migrate, but congregate in shady areas and streambeds, decimating those areas quickly. But if ranchers keep their cattle in tight herds, move them every few days and give grazed patches time--sometimes as much as a year--to recover, the cattle's impacts will closely resemble those of bison, and will fill a valuable niche in the ecosystem. Mr. Rich said that there are other successful grazing strategies in addition to the Bison replication model.

"A hoof print is a hole, and holes are wonderful things in nature," Rich says. "They collect water, seeds and nutrients. They're shadier and less windy, and a heck of a good place for seedlings to start." Rich's studies have demonstrated that failure to graze public lands and trim back the forage naturally is environmentally unsound. Plant viability is diminished from lack of harvesting through well-managed grazing.

These claims are backed up by such evidence as a 1998 Colorado State University study that found biodiversity to be highest in moderately grazed lands and lower under heavy grazing, but lowest of all on *ungrazed* land.

According to Randy N. Parker, CEO, Utah Farm Bureau Federation, cattle ranching has been an important economic engine in the western United States for over one hundred years. "The Kane Ranch, with grazing permits for 1,200 mother cows generates nearly \$750,000 in direct farm gate sales. Oklahoma State University's agriculture multiplier of 2.71 means that the Kane Ranch generates around \$2 million in economic activity and produces over 70 jobs annually."

Parker noted that Utah is a public lands state. As such, the federal government controls nearly two-thirds of our state's land base. "The viability of our livestock industry is tied directly to livestock grazing rights and a rancher's ability to access federal lands to harvest the annually renewable forage. Cattle and sheep ranching are an integral part of the culture and history of the American West. Livestock ranching continues to be an important part of the cultural and economic fiber of Utah, especially in our rural communities," Mr. Parker said.

In an effort to appeal to (and perhaps buy off) the environmental community, Wal-Mart has hurt Utah's rural economy and reduced the tax base in communities which can least afford it. Steve Rich said Wal-Mart's so-called environmental position is behind the times. He said the much more scientifically oriented Sierra Club advocates that the public buy the products of ranchers who are avid land stewards and whose management is environmentally beneficial.

Utah's Toothless Spending Limit

Utah's statutory state spending limit is not effective in slowing the growth in government spending, mainly because most of the state budget is exempt from the spending limit. In the 2007 general session, the Utah Legislature further weakened the spending limit law by exempting all general fund appropriations for transportation. The Utah Senate tried to weaken the spending limit even further by passing legislation to exempt all higher education expenditures. Fortunately, the Utah House of Representatives refused to consider this.

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Quote of the Month #1

"So far, no evidence has been presented to show that vouchers would expand parents' range of choices beyond what taxpayers already pay for."

Democratic Party Chair Wayne Holland commenting on vouchers. Apparently Mr. Holland doesn't know about Children First Utah. This privately-funded scholarship program earlier this summer presented the State Board of Education applications for 4,000 children who want a voucher now.

Provo Daily Herald, 8/1/07

FY2008 general fund and education fund appropriations (including earmarks) are 18.3% higher than FY2007 appropriations, evidence that Utah's state spending limit is not effective. This percentage will undoubtedly increase once FY2008 supplemental appropriations are determined by the 2008 Legislature.

The Utah's spending limitation law consists of two parts:

1. Determination of spending limit based on inflation and population growth
2. Determination of non-exempt state spending that is subject to the limit.

The problem with Utah's spending limit is found in part two. As the accompanying chart shows, most of the state budget

is exempt from the spending limit. In FY2008, slightly less than 40% of the combined education/general funds, and 22.1% of the total state budget will be subject to the spending limit.

Should we worry about growth in "one-time" capital expenditures?

Defenders of government growth argue that expenditures for transportation and capital facilities should not be a concern since these are "one-time" expenditures. Such arguments are faulty for the following reasons:

1. One-time expenditures are still expenditures of tax dollars.
2. Most so-called one-time expenditures are really ongoing expenditures, especially transportation. In a state that is expected to experience nearly 3% annual population growth for the foreseeable future, so-called one-time expenditures for capital are usually followed by additional "one-time" expenditures every year.
3. Most "one-time" expenditures lead to increased ongoing expenditures for maintenance and operations.

Is a meaningful spending limit needed?

Absolutely. An effective spending state spending limit would force legislators to enact spending reform, particularly in transportation and education. Education reforms such as vouchers, more charter schools, differential pay, and merit pay and transportation reforms such as congestion pricing, rails/roads prioritization, increasing gas taxes while cutting income taxes, and corridor preservation would slow the growth in government expenditures while improving the quality of education and transportation in Utah.

Should Highway Users Pay for Highways?

Last week the Chambers of Commerce in Davis and Weber Counties joined hands to back another proposed sales tax increase for transportation. Their proposal is just the latest in a string of sales tax increases designed to raise more revenue for transportation. While this proposal will raise additional revenue, it will also exacerbate the problem it's designed to solve.

The problem is that sales tax revenue and road use are completely unrelated. Each time a person buys a pair of \$100 sunglasses, the proposed sales tax would dedicate one more quarter for transportation. When spending \$100 on sunglasses, nobody cares about the last twenty-five cents. And that's why so many cities and counties like using sales taxes for transportation. Their attitude is, "If the voters don't care, it's not really a tax hike."

Relying on sales tax revenue to build more roads can do nothing to alleviate Utah's congestion

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Is the State Spending Limit Working

Budget Category	FY2007	FY2008
Education Funds	2,787,252,100	3,482,596,300
General Funds excl Table 2b and 5	1,924,318,500	2,217,516,300
General Funds Table 2b	280,205,400	144,446,300
Exempt Education Funds		
K-12 Operations	-2,103,268,000	-2,493,019,500
K-12 Capital	-37,288,900	-77,288,900
Higher Education	-100,866,000	-109,576,600
Tax Commission	-19,228,800	-25,360,400
Debt Service	-17,164,300	-17,164,300
Exempt General Funds		
Transportation	-256,000,000	-494,490,000
General Fund Debt Service	-51,679,700	-51,679,700
Revenue Bond Debt Service	-9,970,300	-9,954,300
Section 63A-5-104 Capital Developments	-128,620,000	-118,813,600
Emergency Expenditures	-8,225,000	0
Total Subject to Limit	2,259,465,000	2,447,211,600
EF/GF expenditures incl Tables 2b and 5	5,206,919,000	6,161,358,900
Total State Budget	10,063,326,900	11,056,308,700
Percent of total EF/GF subject to limit	43.4%	39.7%
Percent of total state budget subject to limit	22.5%	22.1%

Source: 2008 Budget Summary GOPB
Table 2b and 5 refer to earmarked general fund dollars

problem. Building more roads only delays the day of reckoning. Exaggerating this effect illustrates the point. If Utah simply uses ever more sales taxes to add more lane miles, people will continue to buy homes further and further from where they live.

Imagine a young family moving to Utah; the father's job is in downtown Salt Lake. Being a young family, the cost of a house in Murray, Midvale or Herriman looks prohibitively high, when compared with Santaquin. And since the family doesn't feel the cost of building more lane miles—that cost is hidden in the sales taxes he pays on the lumber to finish their basement—from their perspective Santaquin is less expensive.

In the short run, that kind of accounting may work, but it has natural limits. How many lanes can I-15 accommodate around Point of the Mountain? That's hard to say, but the number is not infinite. Relying on sales taxes to build roads just encourages more and more drivers to live in Santaquin and work in Salt Lake, metaphorically speaking.

Whether those costs are paid for in gas taxes, sales taxes, rush hour pricing, or some combination thereof, the costs are paid. But the behavior driving those costs only changes when drivers "feel" the cost. American Fork Canyon provides an excellent example. Driving into the canyon costs \$3.00. Even though that fee is a paltry sum, every Saturday a host of cars is parked just outside the toll booth. Instead of driving separately into the canyon, they avoid the fee, and carpool with a friend.

The AF Canyon phenomenon drives the first two points of our 4-Point Transportation Plan. First, the Legislature should increase the gas tax by \$0.25 per gallon, and simultaneously decrease the income tax by an equal amount. Second, Utah should implement "Rush Hour Pricing." Raising the gas tax by a quarter per gallon will raise approximately \$350 million per year. By directly relating the cost of gas at the pump to the costs imposed by driving, the gas tax becomes a user fee, just like AF Canyon's \$300 entrance fee. It provides a strong incentive for drivers to avoid the roads where their portion of that \$350 million just turns into exhaust.

Rush Hour Pricing uses an even finer aim to eliminate congestion. Utah's highway system works well 20 hours per day. During the morning and evening rush hours, however, cars crawl along, rather than zipping from exit to exit. Rush Hour Pricing simply requires drivers to pay a fee to drive on critical highway chokepoints during rush hour. Like the entrance fee for AF Canyon, this fee will encourage drivers to avoid driving on those chokepoints. Some drivers will drive during off-peak hours; others will simply use alternate routes; and yet other drivers will use transit or carpools. In all of these cases, the highway's existing capacity is expanded.

Programs similar to those we're proposing have existed for decades in Singapore, London, France and Spain. The inevitable initial resistance gives way quickly once the programs are in place, because *everyone* can get where they want to when they want to. By contrast, the Chamber of Commerce's preferred option of increased sales taxes will only encourage the choices that create more and bigger traffic jams.

Should Hogle Zoo Comply with Audit Before Asking Taxpayers for \$65 million?

Hogle Zoo is asking the Salt Lake County Council to place a \$65 million bond before the voters this November. Although the Zoo's bond is nearly *twice* the size of the \$35 million Real S.L. stadium subsidy, the Zoo's proposal has faced little scrutiny. A scant 5 years ago, the Legislative Auditor General found serious lapses in the Zoo Board's judgment. Voters should wonder whether the use of the \$65 million bond will be appropriate.

To better understand whether the Zoo Board's judgment has improved, on July 13 the Utah Taxpayers Association submitted a GRAMA request with the following questions deriving from the Audit.

1. What is the relationship between the Audit's recommendation (on page 21) regarding the elephant moat, and the elephant water tank the Zoo recently built?
2. What is the current size of the Zoo (in acres)?
3. What is the annual capacity of the parking at the Zoo?
4. How many on-site parking stalls does the Zoo have?
5. How many off-site parking stalls does the Zoo have?
6. Please provide the names and contact information for every member of the Zoo's Board from 2002 to the present.
7. What outside contracts has the Zoo let since the 2002 audit?
8. Who won the outside contracts let by the Zoo since the 2002 audit?
9. What is the relationship between the Zoo's Board members and the winners of these contracts?
10. What kind of competitive bid process has the Zoo Board used in evaluating various contract proposals?

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11. What is the Zoo Director's total compensation package, including salary, home and auto?
12. How does the Director's total compensation package (salary, home and auto) compare with that of directors at zoos of similar size and who have similar tenure?
13. What procedures has the Zoo put in place to independently track how ZAP funds and state appropriations are tracked?

Despite annually receiving approximately \$1.4 million dollars from the state, and more than \$500,000 from the Salt Lake County ZAP Tax, the Zoo Board refused our GRAMA request. The Zoo Board did provide the material they supplied Salt Lake County's Debt Review Committee and the Salt Lake County Council. This material answers several of our questions; however, they failed to answer others. Our first question is perhaps the most surprising. The 2002 Audit questions whether the elephant moat creates a potential hazard for the elephants. Since then, the Zoo built an elephant water tank, where the elephants could safely play in the water.

This question stems from conversations with current and former Zoo board members, who say that elephants only play in water if trained from infancy to do so. Although these current and former Zoo board members have told us no Hogle Zoo elephant has even gotten in this elephant water tank, the Zoo board did not respond to this question.

Several questions focused on issues the Auditors raised about the suitability of the Zoo's current site. For several years the Zoo examined the possibility of either expanding into undeveloped portions of This Is The Place Heritage Park, or relocating to another part of the Salt Lake Valley. Although the Auditors found that Hogle Zoo's current site would be at capacity in just 8 years, the Board rejected both of those options, and is now pressing for a 20 year bond to improve the current site.

Finally, the Zoo's response suggested at least one more question. On May 22, 2007, the Zoo told the Salt Lake County Council, "The Zoo operates without debt." In reality, they operate on the debt carried for them by other taxing entities, such as the \$10 million bond Salt Lake City approved for the Zoo in 2003, and now the \$65 million bond they want from Salt Lake County.

We hope the County Council requires the Zoo to answer these pressing questions before they vote. To gloss them over when so much is at stake is entirely inappropriate.

Quote of the Month #2

"Do we have other priorities that we need to iron out first? I obviously believe we do."

County Councilman Jeff Allen, commenting on the questionable nature of Hogle Zoo's proposed \$65 million bond.
Salt Lake Tribune, 8/5/07