



# The Utah Taxpayer

A Publication of the Utah Taxpayers Association

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## The Causes and Costs of Traffic Congestion Utah

Anyone who drives on Utah's urban freeways knows how bad Utah's commute has gotten. During rush hour I-15 is a parking lot from Ogden to Payson. During the rest of the day, I-15 has more capacity than necessary to meet travel demand. The soon-to-open Legacy Parkway will help some of the congestion between Davis and Salt Lake counties, but it only stretches from Farmington to the northern edge of Salt Lake City. Already policy makers are talking about building Legacy North.

Traffic congestion comes from a disconnect between the number of people who want to drive on a road at certain times of the day, and the capacity of that road. With most goods, providers offer more of a good when individuals want more of that good. Given our current transportation policy, however, that disconnect is built in. Moreover, a freeway's throughput, or the number of cars per lane per hour, decreases dramatically once speeds dip below 45 mph.

Why is Utah's traffic congestion so bad? Put simply, because Utah is growing in both population and vehicle miles traveled (VMT).

As Table 1 shows, the number of lane miles in Utah's urban center has doubled since 1982. However, Utah's 64% increase in population and 130% increase in the number of vehicle miles being driven far outstrips the increases in new lane miles.

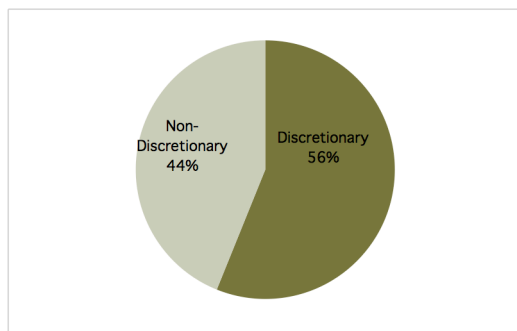
Stunning as these changes are, this growth does not explain the congestion Utah drivers experience during the morning and evening rush hours; for 18 out of 24 hours each day, Utah's transportation infrastructure prevents congestion for the same population. The single most important factor in Utah's congestion is the number of discretionary trips taken during the morning and evening rush hours.

**Utah Growth, 1982 to 2005**

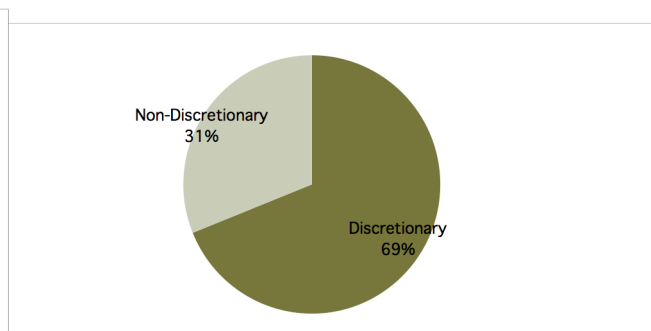
Utah Growth, 1982 to 2005			
	1982	2005	%Incrs.
Population	1,558,000	2,547,389	64%
Urban Lane Miles	11,168	22,861	105%
VMT	10,925,000,000	25,158,000,000	130%

*Data are from U.S. Census Bureau and Federal Highway Administration, with calculations by Utah Taxpayers Association.*

**Discretionary and Non-Discretionary Trips during the AM Rush Hour**



**Discretionary and Non-Discretionary Trips during the PM Rush Hour**



*Data are from the Federal Highway Administration, NHTS Brief, "Congestion: Who is traveling in the Peak?" August 2007.*

As the above charts indicate, a significant majority of the trips taken on U.S. roads during the morning and evening rush hours are discretionary. These discretionary trips include shopping, doctor's visits, and other personal errands. Everyone takes these trips, and only rarely considers other times to take them, because they are free.

In reality, however, these trips are not free. The congestion they create imposes significant costs on commuters and truckers. The average Utahn spends the equivalent of more than 3 vacation days

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*To make sure Utah roads are as efficient as possible, Utah should have at least lanes with congestion pricing from Brigham City to Payson.*

and an entire tank of gas idling in traffic. These are not hypothetical, but real costs borne by every Utahn who labors in traffic.

According to the Texas Transportation Institute, Utahns pay \$250 million every year due solely to traffic congestion. These costs are on top of, not part of the taxes Utahns pay to build transportation infrastructure, or their personal transportation purchases of cars, gas, insurance, etc.

Utahns pay these costs because they are “dripped out” over the course of an entire year. If every family had to write an annual check for their per capita portion of Utah’s congestion costs, the pressure to cut the congestion tax would be as strong as it is to cut property taxes.

**The Costs of Congested Roads in Utah**

Total annual delay (hours)	14,236,000
Average annual delay per peak traveler (hours)	27
Average annual wasted fuel per peak traveler (gallons)	18

*Data are from the Urban Mobility Report 2007, published by the Texas Transportation Institute.*



**My Corner - by Howard Stephenson**

**Utah should adopt congestion pricing**

This month’s lead article outlines key reasons why Utah’s traffic congestion is so bad. Given Utah’s projected growth over the next several decades, the transportation experts keep telling me today’s commute times are the best we’ll see for the next 30 years. Fortunately, we have an opportunity to prove them wrong. By adopting congestion pricing, Utah will dramatically reduce traffic congestion.

Congestion pricing means that drivers pay a variable rate to enter a given lane during peak traffic. To guarantee that all cars in that lane can maintain a minimum speed (55 mph, for example), the price changes in real time, depending on how many cars are already in the lane. When traffic in that lane increases, so too does the price of entering that lane. The monitoring and billing are all done electronically and through transponders.

Utah’s HOT lane (High Occupancy/Toll) is actually a soft version of congestion pricing, but it suffers from 2 critical flaws. First, the price to enter the HOT lane doesn’t change. Even when congestion slows that lane to a crawl, anyone with multiple passengers or a sticker can enter, making it no different from the other lanes. If speeds in that lane are going to remain above a minimum threshold, the prices vary depending on how full the lane becomes.

Our current HOT lanes’ second flaw is related to the first. Currently drivers must decide once a month whether the benefit of purchasing a HOT lane sticker is worth the cost. In other words, a single mom has to know on July 1<sup>st</sup> whether she’ll be running late to pick up her children from child care on July 17<sup>th</sup>.

Because congestion pricing guarantees a minimum speed, lanes with congestion pricing carry more volume than free

lanes. A static picture of a highway with a congestion priced lane and several free lanes gives the impression that the free lanes carry more cars. More cars will inevitably be in each free lane, but they will go much, much slower. The minimum speed available in the congestion priced lane means that lane typically carries twice as many vehicles as the free lanes.

To make sure Utah roads are as efficient as possible, Utah should have at least two lanes with congestion pricing from Brigham City to Payson. We would simply convert the existing HOT lane to congestion pricing and convert a second lane so that the next inside lane would only be priced when traffic on that lane reaches a minimum threshold.

**Isn’t congestion pricing just another form of tolling?**

The goal of congestion pricing is the exact opposite of tolling. States use toll roads so they can build more roads. Congestion pricing is designed to use the existing roads more efficiently. The revenues would maintain the readers necessary to implement congestion pricing. Everyone knows needs to spend more on transportation. With congestion pricing, Utah will reduce congestion more and pay less than if Utah simply raises sales taxes.

**Isn’t congestion pricing just another transportation tax?**

**Association brings transportation expert to testify**

In the Tax Review Commission’s June 12 meeting, your Utah Taxpayers Association spoke about congestion pricing and the future of Utah transportation funding. The highlight of the meeting was testimony from Texas Rep. Mike Krusee, an invitee of the Utah Taxpayers Association. He outlined the effectiveness of congestion pricing, and described how states are trying to cope with projected declines in federal transportation dollars, and the gas tax’s diminishing relationship to vehicle miles traveled. You can hear Rep. Krusee’s testimony on the Association’s website, [www.utahtaxpayers.org](http://www.utahtaxpayers.org).

*As this month's lead article described, Utahns already pay a congestion tax of millions of dollars every year.*

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*We can implement congestion pricing, and give Utah a more efficient transportation system, and make Utah's economy even more attractive.*

As this month's lead article described, Utahns already pay a congestion tax of millions of dollars every year. Gas goes out the tailpipe, employees are late to work, and trucks can't make their deliveries on time. Rather than imposing this congestion tax on everyone, congestion pricing cuts that tax by allowing everyone the opportunity to arrive on time.

#### **What other benefits does congestion pricing offer?**

Congestion pricing decreases commute times, makes drive times more predictable, and increases the traffic volume of a road. It reduces fuel consumption and vehicle emissions, and shortens response times for emergency personnel.

#### **Aren't the only people on the road during rush hour people who have to be there?**

No. According to National Household Travel Survey, the most comprehensive survey of how Americans use the roads, well over half the cars on the road during the morning and evening rush hours are for non-work trips. They are going to the doctor's office, the gym, the mall, or to visit friends. If just 5% of those trips move to non-rush hour times, commute times will go down dramatically.

#### **Won't congestion pricing be expensive to implement?**

No. In fact, UDOT is already planning to deploy the technology necessary for congestion pricing in 2009. They will place digital receivers along the existing HOT lane. Instead of purchasing HOT lane stickers, drivers will purchase digital sticker transponders, which cost less than \$10. The receivers will be able to read when and where a car enters and exits a hot lane. Electronic signs like

those already used to indicate traffic problems will notify drivers how much it costs to use the priced lane.

#### **Won't congestion pricing increase congestion by pushing more cars into the non-priced lanes?**

No. The price to enter the lane remains as low as

necessary so that every car in that lane can drive over the minimum threshold (55 mph, for example). Some times driving in that lane could be free; during rush hour, the price to enter the lane could be \$10. The price changes in real time, and the price does not raise money; it just makes sure the priced lane flows freely.

The congestion on Utah's roads is bad, and getting worse. We can follow the examples of other places that have tried to build their way out of congestion—Chicago, San Jose, Los Angeles— where gridlock paralyzes the roads and stifles the economy, or we can implement congestion pricing, and give Utah a more efficient transportation system, and make Utah's economy even more attractive.

## **Rebutting Six Major Myths of RDA Retail Subsidies**

Over the years, the Utah Taxpayers Association has been fighting subsidies for locally-driven retail and recreation outlets, and below we rebut the six most commonly cited reasons for using redevelopment agencies RDAs to subsidize these types of businesses.

### **1. Are increased consumer expenditures the key to long-term economic growth?**

No. In a global economy, long-term economic growth is driven by production, exporting goods and services, and improving productivity. Consumption does not drive Utah's *long-term* economic growth, especially since most of the things we consume are made elsewhere. If we wanted to increase long-term economic growth, we would save and invest more and consume less. If we want to ultimately consume more (and who doesn't?), then we need to produce more first. With the profits from production and increased efficiency, we increase our consumption.

### **2. Will retailers avoid Utah if we don't subsidize them?**

No. If sufficient aggregate disposable income exists in a certain area, retailers will come without subsidies. It's been that way for millennia. We don't have to worry about not having places to spend our money. Retail markets are very efficient.

### **3. Do government subsidies for retail outlets increase consumer expenditures?**

No. Even if consumption were the engine of economic growth, Utahns won't increase expenditures simply because government subsidizes a new retail outlet, especially since savings rates are near 0%. We're already spending more than we should.

### **Taxpayers Association Files Amicus Supporting Paycheck Protection**

Your Taxpayers Association has filed an Amicus brief with the United States Supreme Court in support of Idaho's Paycheck Protection law. The Association filed the brief on June 6, 2008 jointly with the Sutherland Institute, National Right to Work Legal Defense Foundation and the NFIB Small Business Center, arguing that taxpayer resources and infrastructure should not be used give a greater voice to political speech of some over the political speech of others. If the Idaho law is upheld, then Utah's paycheck protection statute also is also expected to be valid. Read the August issue of this newsletter for a more complete review of the issue.

To read the brief go to [www.utahtaxpayers.org](http://www.utahtaxpayers.org)

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*State funding of charter schools will decrease 1.9% from \$5,736 per student in FY2008 to \$5,629 per student.*

*Charter schools receive \$162 per student less than district schools. This difference accounts for demographic differences in student enrollment.*

This applies to retail and recreation outlets that are offering something “new.” For example, when Real Salt Lake was asking for taxpayer handouts, some proponents argued that since professional soccer was “new” to Utah, this would create economic growth. However, unless Utahns have been hiding money in mattresses, consumer expenditures associated with Real Salt Lake are simply being diverted from existing expenditures or from savings and investment.

Besides, if government really wanted us to spend more money, they would cut our taxes, not give subsidies to retailers.

Sometimes, RDA supporters will justify subsidies for a retail development because one of the many retailers in the development will offer something exotic that Utahns can currently purchase only in places like New York or Paris. However, the sales taxes generated off these purchases are miniscule compared to the nearly \$100 million in property tax dollars that are diverted annually, mainly to retailers.

#### **4. Are property tax increments “found money?”**

No. RDA proponents argue that increased valuation from new retail outlets can be diverted to cover the costs of the development because the property tax increment is “new” or “found” money. In areas of no population growth, retail tax increments are a zero sum game and subsidies for retail simply shift consumption from one location to another without creating a net increase.

In areas of population growth, retail tax increments are needed to cover the costs associated with population growth. Besides, if tax increments are “found money,” shouldn’t all new businesses get RDAs?

#### **5. Do RDAs (or more specifically EDAs) make sense for office parks?**

No. Most office park tenants are Realtors, accountants, attorneys, and other professionals with primarily local customers. Again, like traditional retail, this type of economic activity is driven by local demand and subsidizing office parks won’t give us more Realtors and lawyers anyway.

Occasionally, a professional firm has the option of serving Utah customers from offices in other states like California. In most cases, these firms will come to Utah on their own, but if an incentive is needed, it is more efficient to offer the incentive directly to the potential tenant than to an entire business park.

#### **6. Are RDAs needed to remove “blight”?**

No. Utah has very little blight, and blight should not be defined as anything that makes a parcel of land less than 100% perfect for development. Virtually all parcels have upfront costs such as site preparation, bringing utilities and roads in, environmental cleanup, etc. We should define blight as land that has negative value and therefore won’t be developed without some sort of incentive.

### **State Funding per Charter School Student to Decrease 1.9% in FY2009**

State funding of charter schools will decrease 1.9% from \$5,736 per student in FY2008 to \$5,629 per student, according to calculations by the Utah Taxpayers Association based on data from the Utah State Office of Education. The reduction is not attributable to any significant changes in charter school student demographics. Instead, the funding reduction is from legislative changes in the local replacement funding formula, which was created because charter schools cannot impose property taxes.

Without their own property taxes, charter schools must rely on the state for the bulk of their funding. Charter schools receive 89% of their operating funding and 87% of their total funding from state sources. The balance is federal revenue, most of which is one-time start-up money spread over three years, and “other local” revenue, generally interest on reserves and private donations and grants.

In FY2009, charter schools will receive \$160 million from the state, a 25.8% increase over FY2008. However, charter school enrollment increased by 28.2%, from 22,183 to 28,437. Even though charter school administrative funding and other Minimum School Program line items increased, the cut in charter school’s local replacement funding more than offset those increases.

#### **Charter schools continue to receive less funding per student than district schools**

Charter schools receive \$162 per student less than district schools. This difference accounts for demographic differences in student enrollment. However, within three years, this difference will exceed \$300 as charter schools “grow” out of the minimum local replacement funding per student amount of \$1,427.

Charters are being short-changed due to three problems with the local replacement funding formula

1. State contributions for voted, board, and building programs are excluded from the formula.
2. The formula uses two-year old district property tax data. In other words, the formula required district data for FY2007 to calculate local replacement funding for FY2009.

3. Kindergarten students are treated as 0.55 students instead of 1.0  
The impact per student are as follows:

Excluding voted/board/building programs	\$129
Two-year lag in school district property tax data	\$127
Kindergarten as 0.55 instead of 1.0	\$58
<u>Less LRF amount below \$1,427 (assumes K = 1.0)</u>	<u>-\$152</u>
Total	\$162

*Calculations by Utah Taxpayers Association based on USOE/LFA data*

### **Charter school critics inaccurately argue that charters receive more funding per student than districts**

Several charter school critics claim that charters are actually *overfunded* compared to district schools. They cite point out that charter schools have lower pupil-teacher ratios than district schools. These critics are confusing causes with effects.

Charter schools have smaller class sizes because of budgeting decisions they make. They lower their costs by hiring younger teachers and frequently offering 401(k) retirement benefits instead of the state's defined benefit program. These lower costs allow them to hire more teachers per student. Therefore, the 25-student cap is the result of budgeting decisions, not the cause of smaller class sizes.

Some charter school critics also argue that charter schools spend more dollars per student than the local school districts. However, this is an apples-to-oranges comparison due to facility construction and lease costs. Virtually all charter schools are paying off bonds or paying monthly leases. A comparatively higher percentage of district school facilities are already paid for.

When charter critics compare charter funding with district funding, they are using a district-wide average which apportions the facility construction and debt service costs throughout the district to include students attending schools that are already paid for. A fair analysis would compare a charter school's per student cost with the cost of a new district school that has outstanding debt, allocated entirely to the new district school, instead of spread across the entire district.

### **Reasons to Reject the Zoo's \$65 million tax increase**

Last August, Hogle Zoo asked the Salt Lake County Council to place a \$65 million bond before the voters. Citing concerns about education funding, particularly with the unknowns about the pending split of the Jordan School District, the County Council rejected their request. The only element clearer today than a year ago is that all county taxpayers will see property tax increases to pay for this split. Nevertheless, Hogle Zoo is back again, asking the County Council to approve the same proposal they rejected just last year.

The County Council should refuse to place this bond before the voters. Better than anyone else, they understand the costs that Salt Lake county taxpayers face in the coming years. Rather than letting the voters splurge \$65 million to spiffy up the Zoo, they need to focus taxpayers' attention on the pressing issues, like Utah's failing transportation systems, and the inevitable tax increases of the school district split.

For anyone who must drive during the morning and afternoon rush hours, Salt Lake County's traffic congestion problems are no secret. I-15 and Bangerter Highway are parking lots, and east-west travel on the south end of the valley, where the county is growing fastest, is even worse. Unless the west side of Salt Lake County drops its opposition to tolling, a tax increase will be necessary to build Mountain View Corridor. And no one is happy about it, but few policy makers question whether the rebuild of I-15 in Utah County will require a statewide tax increase in 2009.

The same growth that's creating our congestion problems fueled the split of the Jordan School District split. To build all the schools necessary, taxpayers on the west side of the Jordan School District would have seen their property taxes double, maybe even triple, if the Legislature hadn't equalized a portion of school district property taxes. Given this

equalization, all Salt Lake county taxpayers will see property tax increases in the next year or two.

These are the big issues Salt Lake county taxpayers face in the coming years. Rhetorically it's easy to reduce the cost of the Zoo's \$65 million tax increase to a "hamburger a month," or some such

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#### **Quote of the Month #1**

***"The benefit is, regardless if it succeeds or fails, for the first year at least, we'll be written up in every climbing magazine in the world. . . If we do it right, we could get a lot of mileage out of this. The sure thing boat never gets far from shore. We are a community that has to take risks."***

Mayor Matthew Godfrey commenting in support of Ogden pouring \$100,000 into subsidizing a proposed downtown ice climbing project.

Source:

<http://www.standard.net/live/opinion/editorials/135012/>

*Excluding the revenue from the Zoo's Salt Lake City bond, Hogle Zoo's revenue from taxpayers has gone up a whopping 353% in the past decade.*

*The County Council must not let the Zoo distract them from what's really important. They were elected to recognize and address the big problems facing taxpayers.*

nonsense. But such rhetoric ignores the many other pressing issues Salt Lake County taxpayers must pay in the coming years. Perhaps Hogle Zoo hoped the County Council would ignore those pressing concerns, when, in their submission to the County Council, they described their bond request as "exceptional and rare," and when they asserted, "the Zoo has a long-term record of decreasing government dependence."

These statements are just plain false. Excluding the revenue from the Zoo's Salt Lake City bond, Hogle Zoo's revenue from taxpayers has gone up a whopping 353% in the past decade. Since 1999, the Zoo's annual appropriation from the state has remained virtually static. It peaked in FY 2008 with \$1,716,340, a scant 1% higher than the \$1,638,630 they received in FY 2000. Hogle Zoo began receiving ZAP tax dollars in 2002, receiving \$1,921,930. In FY 2008, the Zoo's ZAP tax revenue had increased by 31% to \$2,519,999.

This track record demonstrates the Zoo's determination to INCREASE its dependence on taxpayers. Far from this bond request being an "exceptional and rare request for public support," it's clear that the Zoo wants to extract every taxpayer dollar it can find.

The County Council must not let the Zoo distract them from what's really important. They were elected to recognize and address the big problems facing taxpayers. The Zoo is great for monthly feature articles in the media and annual elementary school field trips, but it is not in the same league as building schools and relieving congestion. It's not even close. That's why the County Council should (again!) refuse to place the Zoo's \$65 million tax increase on the November ballot.

## State Government Spending Growth Update

Fiscal year 2009 begins on July 1<sup>st</sup>. After several years of rapid budget growth, the FY2009 budget of \$11.028 billion is lower than the FY2008 budget of \$11.478 billion. In January 2009, the Legislature will have the opportunity to increase the FY2009 budget, but large increases, if any, are probably unrealistic due to the economic slowdown that is impacting the nation, including Utah.

Annualized Growth, FY2005 to FY2009	
Measure	Annualized Growth Rate
Total State Spending	8.0%
Total State Spending Excluding Federal	10.1%
Education/General Fund Including Earmarks	9.5%
Combined Inflation/Population Growth	6.8%
Personal Income Growth	7.0%

Calculations by Utah Taxpayers Association based on GOPB, BLS, and BEA data. Data for growth from FY2005 to FY2008 are post-supplemental while data for growth from FY2008 to FY2009 are pre-supplemental. Inflation, population growth, and personal income growth are estimates.

The following table illustrates state spending growth over the past four years. While government spending is down slightly in FY2009, overall growth has been substantial in the last four years.