



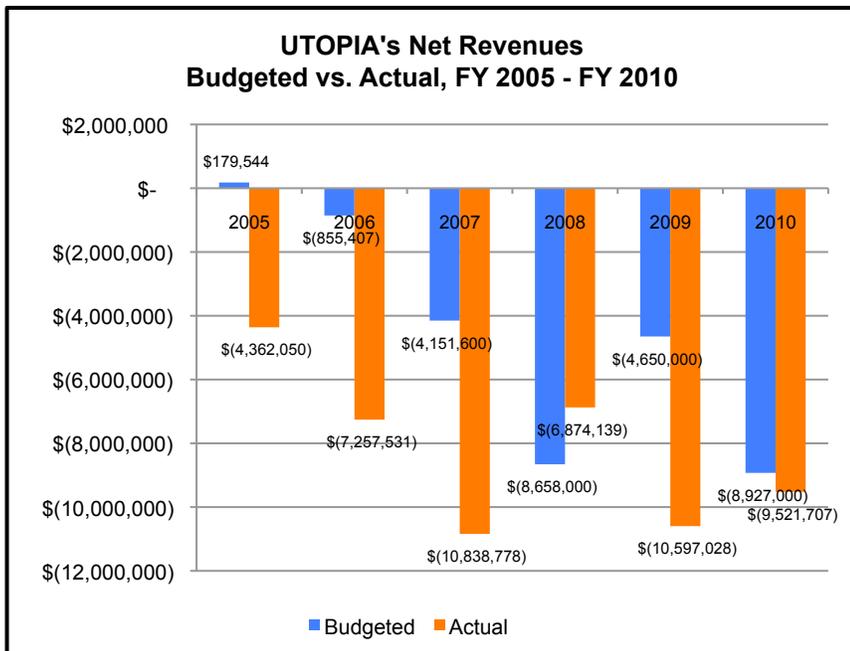
THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

UTOPIA's Annual Budget Mocks the Uniform Fiscal Procedures Act UTOPIA annual budget is a work of fiction

Your Taxpayers Association recently reviewed the audited financials of UTOPIA, the Utah Open Infrastructure Agency. UTOPIA is a consortium of 11 cities that have created their own telecom company to compete against the private sector. As detailed in previous editions of The Utah Taxpayer, UTOPIA has a track record of failed financial performance. Perhaps nowhere is that failure more pronounced than in their protracted failure to perform to budget.

Like every government agency, UTOPIA must adopt a balanced budget each year. As the following chart indicates, however, their adopted budgets appear to have no relationship to actual practice.



Source: Calculations by the Utah Taxpayers Association from UTOPIA's annual audited financials and budgets, as submitted to the State Auditors Office.

Since UTOPIA began generating operating revenues in FY 2005, they have consistently overestimated their operating revenues, and underestimated their operating expenses. This optimistic budgeting means they have underestimated their net operating losses for all but one - FY 2008 - of the past six fiscal years.

UTOPIA's financial performance came closest to their budget in 2010, when they projected a net operating loss of \$8.9 million. Instead, they had a net operating loss of \$9.5 million. FY 2006 and FY 2007 were their worst budget to performance years, where their annual budgeted net operating losses were \$6 million shy of their of actual net operating losses.

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Since then, UTOPIA's budgets have anticipated net operating losses that miss their actual net operating losses by wide margins from year to year. Hopefully, FY 2010's budget suggests that UTOPIA is getting better. They missed their projected budget by a mere \$600,000.

FY 2010 notwithstanding, it's clear that UTOPIA's annual budget is a work of fiction. The state requires them to submit a budget, so UTOPIA's board submits one. However, that budget constrains none of UTOPIA's activities throughout the fiscal year, nor does their Board make a serious attempt at telling the

public what to expect from UTOPIA.

This consistent mismanagement by those running UTOPIA and lack of governance by the UTOPIA Board and its Executive Committee is shocking. Their annual budgets mock the public and the statutes requiring them to submit a balanced budget. Given UTOPIA's consistent flouting of the Uniform Fiscal Procedures Act, your Taxpayers Association is looking at what penalties the Legislature should enact to ensure that a public entity's budget bears even a slight resemblance to actual practice.



**Association President
Howard Stephenson**

As of April 1 I've been at the Taxpayers Association for 34 years, my only full-time job since graduating from BYU with an MPA. I can't even begin to count the number of property tax increases I've opposed. I've reviewed thousands of school, municipal and county budgets. In

short, I've dedicated my adult life to keeping Utah taxes low.

Given my chosen career, people might wonder why my preferred legislative chairmanship has not been the Revenue & Taxation Committee, but the Education Committees. In fact I have chaired one or both of the Education Standing Committee and the Public Education Appropriations Sub-Committee for nearly all of my 19 years in the legislature. If it seems strange that someone who's given 34 years to protecting taxpayers would focus his energies on reforming education, here's why. Education reform is perhaps the most important taxpayer issue.

Education's price tag

It's remarkably easy to forget how expensive public education is. In Utah, as in virtually every other state, public education is the single largest element in our state budget. Growth in entitlement spending is eroding public education's percentage of the state budget, but it is still (and likely always will be) the largest element of the state's budget. In other words, if we want to keep taxes low, we've got to reform education.

Lower class sizes means higher taxes

For the education establishment, the solution to *every* education problem is higher taxes. They may couch their arguments in politically attractive packages, but at the end of the day, they just want more money. Take the drive for "lower class sizes." Why do they want smaller class sizes? Remember that the *only* way to reduce class sizes is to hire more teachers and build more buildings. And that means higher taxes.

I have no doubt that student achievement would go up if Utah had an average class size of 15, instead of the current 23. I haven't run the exact numbers, but I'm sure Utah's income and property taxes would have to at least *double* just to get the average class size in Utah down to 15.

But doubling property and income taxes to achieve an arbitrary class size number is not the only (or most efficient) way to improve education. There are literally dozens of ways to get even higher student achievement without massive tax increases. Technology in the classroom, charter schools, school

grading, differential pay, merit pay for teachers, etc. will all improve student achievement without a tax increase. And that's why the education establishment opposes these proven reforms.

Buildings cost money

In addition to the obvious costs of educating a child, there is no level of government that spends more taxpayer dollars on buildings than public education. Utah's 41 school districts have more than 1000 schools. Since buildings degrade over time, and because Utah continues to grow, the number of buildings taxpayers are buying for public education goes up every year. Taxpayers are footing the bill for every one of those buildings.

Education is critical to long-term economic health

According to the Taxpayers Association's most recent School Spending report, in FY 2009 Utah taxpayers poured nearly \$4 billion dollars into public education. No other state program even comes close to that total. Let me be clear – my goal is not to cut education spending. To the contrary, an effective public education system is critical to long-term economic growth.

Adam Smith, the father of modern economics, recognized the critical role of public education in economic growth. That's why he devoted significant attention in *The Wealth of Nations* to the education of youth. To keep Utah's economy expanding, we must improve Utah's public education system. We *must* spend *billions* of dollars on education. However, taxpayers simply can't afford to have these billions spent on programs that will yield marginal improvements in student achievement.

Part of the reason public education hasn't made better strides forward in the last half-century is because the employer community has not been committed to education improvement. From time to time, coalitions of political and education leaders induce guilt in business leaders to send volunteers into the classroom or donate to the local district foundation. But rarely do leaders in the business community take ownership in reform of education in their local districts.

Few business CEOs, leaders who know how to run a multi-million dollar company, are willing to throw their hats into the ring to run for the school board and bring real expertise in managing a school district's \$500 million budget. Consequently we get well-meaning, yet inexperienced education advocates running for the school boards, leaving school administrators virtually free reign in operating our schools.

We must scan the horizon for the most effective, most efficient strategies to improve public education, and then we must fight to implement them as quickly as possible. Utah's children deserve no less, and Utah's taxpayers can afford no more.

My Corner: How Do You Spell "Tax Relief?"

E-D-U-C-A-T-I-O-N R-E-F-O-R-M



2011 Utah Taxes Now Conference

Using Return On Investment To Make Sound Public Policy

33rd Annual Conference on Taxes & Spending



Monday May 23, 2011 – 8:00 a.m. to 2:00 p.m.

Little America Hotel, 500 South Main Street, Salt Lake City, Utah

Moderated by Assn. President Howard Stephenson and Vice-President Royce Van Tassell

Sponsored by: Utah Taxpayers Association, Workers Compensation Fund and Chevron

TENTATIVE AGENDA



selecthealth.

8:00	Welcome John Ward, Chairman, Utah Taxpayers Association		Escaping Unions (SB 206) Representative Holly Richardson
8:05	Utah's Economy in the Next 12-24 Months Kelly Mathews		School Board Elections (HB 264 & SB 224) Governor Education Oversight (SJR 9) Representative Carol Spackman-Moss Representative Greg Hughes Senator Stuart Reid
8:15	Topic: Federal Taxes and Spending- Is There A Light At The End of the Tunnel? United States Senator Mike Lee	11:00	Restaurant Tax: Maverik vs. McDonalds Association Vice President Royce Van Tassell
8:35	Stopping a Better Economy From Leading to Bigger Government Senate President Michael Waddoups House Speaker Rebecca Lockhart	11:15	Ding Dong! The Police Tax is Dead (HB226) Representative Wayne Harper Chair Max Burdick, Salt Lake County
8:50	Balancing the 2012 Budget Representative Mel Brown Senator Lyle Hillyard Co-Chairs, Executive Appropriations Committee	11:30	State and Federal Alignment State Tax Commission Levy Authority (SB 17) Representative Patrick Painter Chair, House Revenue and Taxation Committee State Taxable Income (HB 37) Lines of Insurance (HB 316) Representative Todd Kiser Barry Conover, Tax Commission
9:05	Raiding the Severance Tax Trust Fund Rep. Jim Nielson (SB 320)		
9:20	Is Reality Negotiable? Medicaid Reform (SB 180) Senator Dan Liljenquist Representative Dean Sanpei	11:50	Equalized Property Tax Payments (SB 157) Randy Grimshaw, Parsons Behle & Latimer Morris Jackson, Questar Tax Commission Representative
9:35	Higher Education Return On Investment Mission Based Funding (SB 97) Senator Steve Urquhart STEM Education- Filling the Pipeline Representative Mike Morley CTE Education- Ending the Waitlists Representative Don Ipson	12:05	Tax Simplification Simplified School District Property Taxes (HB 301) Representative Merlynn Newbold Streamlined Sales Tax Definitions (HB 35) Representative Wayne Harper Tax Commission Private Meetings (SB 188) Senator John Valentine Domicile Bill (SB 21) Transient Room Tax (HB 82) Tax Commission Representatives
9:50	Redevelopment Agency Reform (SB 70) State Superintendent Larry Shumway Rob Smith, Alpine School District Senator Curt Bramble National Expert		
10:10	Refreshment Break	12:30	Legislative Wrap Up Capital Outlay Funding Modifications (HB 98) Federal Receipts Reporting Requirements (HB 138) Resolution on Fiscal Note Process (SJR 5) Motion Picture Incentives (HB 99) Enterprise Zone Amendments (HB 17)
10:20	Education Reform Online Education (SB 65) Robyn Bagley, Parents For Choice in Education School Grading (SB 59) Representative Brad Daw Senator Wayne Niederhauser Taxpayer Subsidies of Union Reps (HB 183) Representative Keith Grover Last In- First Out: Teacher Tenure (SB73)	12:45	Luncheon: Grand Ballroom Lifetime Service Award, Taxpayer Advocate of the Year Award, Profile In Courage Award Speaker: Governor Gary Herbert

Register for the "Utah Taxes Now" Conference by visiting www.utahtaxpayers.org or contacting Chase Everton at chase@utahtaxpayers.org or (801) 972-8814.

CLE and CPE credit will be available.

Millard School District Falls Into June Bond Election Trap

Bond Elections Held in November Double Voter Turnout

Every year your Taxpayers Association reviews bond proposals throughout Utah, asking the same questions of each proposal. What is the need for the bond? How will the bond money be spent? What are the terms of the bond? And the simple, final question, when will the bond election be held?

Despite the simplicity of the final question, the answer can be the difference between the Taxpayers Association's support or opposition of the bond. Bond elections throughout Utah have demonstrated that voter awareness and participation in June is half that of turnout in November. Recent elections in Nebo School District and Eagle Mountain and have all repeatedly demonstrated the need to hold elections in November.

Despite greater turnout and voter awareness in November, local governments still fall into the June bond election trap. This year, Millard School District is insisting on holding a June election for its \$38 million education bond proposal. As a result, your Taxpayers Association is forced to oppose the bond.

Millard School District is in a unique situation. The federal government has granted \$9.7 million in tax-free bonds to Millard SD with the stipulation that the bonds must be sold by the end of the year. Millard SD has determined that the greatest priority in their district is the rebuilding of Delta High School and Old Millard Junior High. However, the total cost of the reconstruction far exceeds the \$9.7 million price tag. As a result, Millard SD is asking taxpayers to approve \$38 million more in bonds in a June election. Millard insists that since the \$9.7 million in tax-free bonds must be sold by the end of the year, June is their only option to ask taxpayers for the additional \$38 million and still have time to sell the bonds.

But, Millard SD is wrong. The answer to this situation is not a June election with a fraction of taxpayers deciding the tax burden of the larger community. The answer is to educate voters on their options. Millard SD can use the \$9.7 million (and begin selling the bonds now) for education repairs that can be completed within their budget. Voters could then make the choice in November whether the \$9.7 million in repairs and reconstruction is enough (and avoid the tax increase) or if the additional \$38 million is necessary and worth the tax hike. Millard's \$38 million proposal would result in a tax increase of \$75/year on an average home valued at \$111,000. An average \$111,000 business would experience a \$137/year tax increase.

A November election does not have to hinder Millard SD from selling the \$9.7 million in bonds. The district can begin selling the bonds now and voters can make the choice in November to spend \$9.7 million or expand the school district's project by \$38 million more. Most importantly, a November election will result in the most voters (and taxpayers) participating in the decision.

Budget Hearings Scheduled for May-June

Your Taxpayers Association sends annual budget surveys to Utah's school districts and largest cities to monitor and offer support during the budget process.

As part of the budget process, Utah cities and school districts will be holding budget hearings throughout May and June. Those that propose tax increases will hold additional Truth In Taxation hearings later in the summer to present their proposals to local taxpayers. Your Taxpayers Association will closely monitor, evaluate and consult with local government officials throughout this process and keep you up-to-date on local developments.

Visit the www.utahtaxpayers.org to see calendars of budget and Truth In Taxation hearings in your community. In addition, visit Utah's public notice website <http://www.utah.gov/pmn/index.html> to sign up for email notices of local hearings.

November vs. June Bond Elections

Double Voter Turnout in November

Bond elections are an opportunity for taxpayers to decide if they are willing to increase their taxes and assume more debt. When bond elections are held in June instead of November, a disproportionately small number of voters decide the tax fate of their communities and fellow taxpayers.

Your Taxpayers Association has witnessed the startling difference in voter turnout in bond elections held in Nebo School District, Cottonwood Heights, Eagle Mountain and throughout Utah.

In Eagle Mountain's June 2006 election, 760 voters cast ballots compared to November 2006 when over 1,800 turned out to vote. In 2008, a Presidential election year, the difference was even more startling. In June 2008, 515 voters, or 8 percent of registered voters, cast ballots while in November 2008 over 4,800 voters, or 71 percent of registered voters, participated on election day.

When deciding whether to increase property taxes, local government should make every effort to increase voter awareness and participation. The easiest way to do that is to hold bond elections in November instead of June.

Obama Administration Threatening Right to Vote by Secret Ballot

After the 2008 election, Big Labor pressed Congressional Democrats to pass the Orwellian-named "Employee Free Choice Act" (EFCA). Under EFCA, employees would not have the right to vote by secret ballot on whether to unionize. Instead, employers and union bosses would use "card checks" to monitor how each employee voted.

To counter this effort, your Utah Taxpayers Association

worked with Save Our Secret Ballot Utah to amend Utah's constitution to guarantee the right to vote by secret ballot in all elections, including "authorizations or designations of employee or personal representation." We did so for two reasons. First, we wanted to constitutionally ensure the right to vote by secret ballot. Second, Congress needed to know that voters overwhelmingly support secret ballot rights and oppose

card check.

Your Taxpayers Association led the Utah campaign to secure the right to vote by secret ballot, and in November 2010 60 percent of Utah voters approved that amendment. Even larger majorities of voters in Arizona (61%), South Carolina (86%), and South Dakota (79%) amended their states' constitutions in similar fashion. In no small part because of these efforts, Congress dropped their efforts to pass card check.

Unsatisfied, Big Labor turned to President Obama for help. Specifically, they want his National Labor Relations Board to enact card check. Unsurprisingly, Big Labor's massive campaign donations to President Obama's 2008 election campaign are paying off. The NLRB recently announced they will bring a legal challenge to the amendments in Arizona and South Dakota, claiming the provisions violate the supremacy clause whereby national law trumps state law. In doing so, the NLRB not only wants to undo the use of secret ballots, but also nullify state elections where voters overwhelmingly made these decisions.

Big Labor has raised these questions again and again, though voters and Utah policy makers remain unpersuaded. Even if the NLRB is successful in its suit, government workers, farm labor, some transportation workers including railroad workers, and domestic workers will all still be afforded their secret ballot rights under the constitutional protections, since these workers are not covered by the National Labor Relations Act. This is an

important distinction since government workers are the fastest area of growth of union membership and many counties and municipalities, including Salt Lake City, allow card check in union organizational efforts.

Your Taxpayers Association continues to work with state and local organizations to protect the right to vote by secret ballot in Utah and across the country. As this case works its way through the courts, we expect to file appropriate amicus briefs, and continue defending your secret ballot. We will keep you apprised of Big Labor's assault on your right to vote by secret ballot, and how you can help defend secret ballots.

The Utah Taxpayer - September 1943 "Rights and Responsibilities"

"State rights imply state responsibilities and local rights, local responsibilities. As the Maginot line provided no protection and security against the hordes of Axis dive-bombers so also democracy and "local control" cannot long withstand the bombardment of federal grants and the hordes of bureaucrats attached thereto. Federal aid on the present wide scale is BOGUS MOSES to follow whom will lead us not to the promise land but to the land of distant rule. GOVERNMENT FROM FAR OFF IS NOT OF AND BY THE PEOPLE."

Legislative Interim Session: Privatization Priorities

Following the Legislature's General Session, legislative leaders assign a variety of topics to each interim committee for study. This year that list of topics includes a rich array of items where state and local governments are competing with the private sector. Your Taxpayers Association is working with the chairs of these Interim Committees and the Privatization Policy Board (PPB) to make sure the Legislature gives these important topics the attention they deserve.

Business and Labor Interim Committee

- State-owned liquor stores - To study the privatization of state-owned liquor stores.

The Department of Alcoholic Beverage Control (DABC) already uses private providers in very limited ways to operate some liquor stores. However, DABC artificially limits the compensation these private providers can receive. The PPB will work with Representative Ryan Wilcox to explore how the state can turn operation of all state liquor stores over to the private sector, while preserving the hundreds of millions of dollars in revenue the state currently receives from alcohol sales.

Government Operations and Political Subdivisions Interim Committee

- Cost savings in state government: To study cost savings in state government, including allowing state agencies to use sources other than the Division of Technology services and the Division of Fleet Services if they can show that they can save money through using their own employees and/or the private sector to save money.

- State agency cost savings - to study whether to allow state agencies to use goods and services not provided by the state if the state agency can show cost savings to the state agency (HB 461).

It's hard to believe these topics actually require study.

Taxpayers don't care whether a state employee or a private employee provides the good or service. As long as we are getting the greatest value for each taxpayer dollar, go for it.

- State Agency Consolidation - to study whether state agencies should be consolidated, and if so, to study which ones should be consolidated.

Taxpayers always lament the mission creep of various agencies, and the annual growth in government that mission creep creates. The PPB will work with appropriate agencies and the new tools provided by Senator Wayne Niederhauser's "performance notes" to shrink the size of government.

Health and Human Services Interim Committee

- Utah State Hospital Issues - To study the relationship between the Utah State Hospital and local mental health authorities, the privatization of the Utah State Hospital, the future of the children's wing at the Utah State Hospital, and gaps in the community-based mental health system.

For several years the Legislature has looked at ways to better utilize the private sector at the State Hospital. Across the country, many states have successfully used private providers to improve service and lower costs of services to this population. In fact, a 2010 study provided to the Legislature noted that the state could save at least \$1.7 million annually by privatizing just three small units within the State Hospital system.

Unfortunately, the Legislature has not yet acted on these recommendations, so the PPB and your Taxpayers Association will continue to study this important issue.

Natural Resources, Agriculture and Environment Interim Committee

- Snow Canyon State Park transfer - to study the transfer of Snow Canyon State Park to Washington County.



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The Legislature provides millions of dollars in operational support for many state parks, when the private sector is more than willing to pay the state for the privilege of operating and maintaining those parks.

Transportation Interim Committee

- Waiting times at the DMV - to study how to address the waiting times for customers at the state's branches of the Division of Motor Vehicles.

Smith's and Wal-Mart manage to get people through their lines without too much of a wait. Why not use them to run the DMV?

Workforce Services and Community and Economic Development Interim Committee

- Unfair competition between school and government child

care and private child care - To study unfair competition between school and government-based child care businesses, and private, licensed child care providers who are forced to compete with their own tax dollars while the school and government-based businesses are not required to meet the same regulations.

During the April meeting of the Privatization Policy Board, Representative Johnny Anderson noted that the unfair competition between unlicensed, government and licensed, private childcare providers has driven dozens of private providers out of business. There's no need for state or local governments to compete with the private sector in this, or any other line of business. The PPB will continue to evaluate this issue, and likely recommend legislation for the 2012 session.

33rd Annual "Utah Taxes Now" Conference

Your Taxpayers Association will be hosting its annual "Utah Taxes Now" Conference on **Monday, May 23, 2011** at the Little America Hotel. Leaders from the Utah House of Representatives and Senate, the Governor's office, policy experts and community leaders will cover a broad range of tax issues, including Medicaid reform, the restaurant tax, education reform and federal and state tax alignment. **CLE and CPE credit will be available.**

Teed Off On Taxes Golf Tournament

Join the Utah Taxpayers Association for their annual "Teed Off On Taxes" Golf Tournament on **Friday, June 10, 2011** at the Eaglewood Golf Course in North Salt Lake. Sponsorship opportunities are available.

Register for the "Utah Taxes Now" Conference and "Teed Off On Taxes" Golf Tournament by visiting www.utahtaxpayers.org or contacting Chase Everton at chase@utahtaxpayers.org or (801) 972-8814.



US Senator Mike Lee to Headline "Utah Taxes Now" Conference

US Senator Mike Lee will be headlining the 33rd annual "Utah Taxes Now" Conference on May 23,

2011 at the Little America Hotel. Senator Lee will share his thoughts on the topic, "Federal Taxes and Spending- Is There a Light at The End of the Tunnel?"

Elected just last year, Senator Lee has already been recognized across the country for his commitment to fiscal responsibility and reduced government spending. Upon joining the US Senate, Senator Lee's first priority was to propose a Balanced Budget Constitutional Amendment. Senator Lee explains, "Congress must properly prioritize our constitutional obligations, ensure we have the resources we need for important programs, and keep taxes low."

Your Taxpayers Association is excited to have Senator Lee at the "Utah Taxes Now" Conference on May 23, 2011 from 8:00 a.m. to 2:00 p.m. at the Little America Hotel.