



THE UTAH TAXPAYER

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SLC Golf System Headed for Financial “Death Spiral”?

In fall 2013, Salt Lake City hired the National Golf Foundation (NGF) to review the city’s golf system, and recommend ways to improve it. NGF recently presented its findings to the Salt Lake City Council; its findings and recommendations are sobering. While noting the generally high quality of SLC’s golf system, NGF’s financial analysis showed that SLC’s public golf system is not self-sustaining.

Some courses generate enough operating revenue to cover their operating costs; some do not. Some courses cover some or all of their debt service and interest payments. None of them cover all of their operating, debt service, interest and depreciation costs. The net result is this:

If immediate action to correct the problems are not taken, the golf program is likely to engage in a “death spiral” where declining performance leads to continued budget cut-backs. These cut-backs, in turn, affect the performance of the facility usually end up reducing revenue by more than the cost savings, thereby accelerating the decline (NGF report, page 13).

For SLC’s golf system to avoid this “death spiral,” NGF recommends that SLC commit between \$10 million and \$25 million to upgrade its facilities over the next 10 years, half of that in the next five years, and the other half in the five years following.

SLC May Be Able to Cut Annual Golf Losses

The NGF report projects the financial performance of the SLC golf system between 2014 and 2018, assuming that SLC spends \$10.7 million in that time to improve its facilities. As Table 1 shows, NGF expects these upgrades will reduce SLC golf’s annual losses, but it will not eliminate them.

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The trend for diminished financial losses is better than the current state. If NGF’s assumptions are correct, the \$10.7 million investments in the SLC golf system

will reduce the golf system’s net losses from \$1.3 million per year to \$486,500 by 2018. However, even these significant capital projects only reduce annual net losses; they do not put the SLC golf system on sound financial footing.

NGF Report’s Assumptions Are Shaky

The assumptions built into the NGF projections are difficult to sustain. For example, NGF recommends that the city close the Bonneville Golf Course in 2015 for approximately \$6 million in renovations. While Salt Lake golfers may approve of closing one of the most popular courses in the SLC system (in the hopes of getting a better course thereafter), taxpayers should balk at NGF’s proposed terms.

NGF believes SLC should repay that debt over 25 years, which means they

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Table 1: Projected Financial Performance of SLC Golf, 2014-2018

	2014	2015	2016	2017	2018
Total Golf Revenue	\$7,388,200	\$6,325,800	\$8,253,300	\$8,784,200	\$9,364,400
Cost of Sales	\$(477,700)	\$(439,500)	\$(528,800)	\$(558,600)	\$(593,800)
Operating Expense	\$(7,345,000)	\$(6,331,200)	\$(7,173,860)	\$(7,490,500)	\$(7,938,900)
Debt Service	\$(504,300)	\$(595,500)	\$(776,400)	\$(876,200)	\$(876,200)
CIP	\$(397,000)	\$(326,000)	\$(408,000)	\$(417,000)	\$(442,000)
Net Income (loss)	\$(1,335,800)	\$(1,366,400)	\$(633,760)	\$(558,100)	\$(486,500)

Source: Salt Lake City Golf Course System Financial Study and Physical Assessment for Capital Improvements, page 11.

would pay about \$2.5 million in interest. Repaying the same debt over just 10 years would reduce that interest to just about \$950,000. As regular readers of "The Utah Taxpayer" know, your Taxpayers Association has opposed many bond proposals precisely because the proposed repayment term was too long. NGF recommends the same 25-year repayment term for all the debt they want SLC golf to assume.

Public golf courses cost taxpayers money

The NGF report ignores another important problem, one inherent in publicly owned and operated golf courses. SLC School District, Salt Lake County and Salt Lake City lose property and sales tax revenue because these courses are publicly-owned. That lost revenue means the 90 percent of non-golfing taxpayers must pay more taxes than are necessary.

Salt Lake County assesses the typical privately owned golf course at about \$17,000 per acre. SLC's golf courses cover about 1,000 acres, meaning they would pay about \$80,000 per year in property taxes if they were privately owned. On top of that foregone property tax, the state, county and city are foregoing sales taxes from the hundreds of thousands of rounds of golf

played, just because they are played on publicly owned golf courses.

As the NGF report acknowledges (albeit implicitly), SLC is offering too much golf for too low a price. If SLC set the price high enough, they could maintain and improve the courses, and talk of a "death spiral" would be unheard of. Some may say that setting the price that high would chase away some potential golfers. That is probably true. However, as the report acknowledges over and over again, the current pricing structure is not financially sustainable; they have created the very real potential of a "death spiral," a prospect much worse than chasing away some potential golfers.

Some observers may see this critique of the SLC golf system as an attack on golf. That could only be true if we were also criticizing private golf courses. To be clear – the Utah Taxpayers Association is ambivalent about golf, just as we are ambivalent about skiing. We see no valid reason for taxpayers to subsidize golf or skiing. No public entity in Utah owns and operates even one ski resort, and yet skiing is one of Utah's most important industries. The same should be true of golf.

My Corner: Utah's Election Nominating Processes Best in Nation: We should keep them



Association President

In Utah, even numbered years are for General Elections where voters decide who will represent them in Congress, statewide executive offices, the state legislature, state and local school boards, and county government. We also decide whether to retain judges and sometimes, there may also be issues such as amendments to the Utah Constitution, bond elections and referenda questions on the

ballot.

The various political parties recently held neighborhood

caucus elections where delegates were elected to weigh their party's candidates in the balance to determine who will be the party's nominees for the primary and general election ballots. In recent years there have been over 140,000 citizens turn out to their party's respective caucus elections where county and state delegates were chosen to attend party conventions in April.

Neighborhood Elections vs. Open Primaries

Historically, this republic-type method of electing representatives with high interest and high information has been used in many states to screen candidates before they go on the primary or general election ballot. Unfortunately, Utah is the only state where political parties have not traded this

caucus/convention nominating system for a low interest, low information open primary system where the victors are usually the candidates with the highest name recognition, most money, and slickest ad agency.

I believe Utah's ongoing recognition as the best managed state in the nation and the best place to do business is due in large part to the way we vet candidates for the

ballot. Our caucus/convention system helps to inoculate representatives from the power of monied special interests.

Contrast our system where candidates sit down with delegates for hours to answer questions and be held accountable, to an open primary system where votes are cast based on 30 second TV and radio ads and slick mailers, which (experts say) are examined for an average of six seconds.

The last time I ran for the state senate seat I currently hold, I had to meet with over 200 delegates elected by their neighbors to determine whether I should be allowed to be on the ballot. Incumbents (like me) should not automatically be entitled to a place on the ballot. I met personally with all but a dozen of the delegates for an average of nearly two hours as they drilled into my voting record and asked tough questions that I could have easily avoided through an open primary system.

During each legislative session, as the toughest issues are debated and voted, legislators are very conscious that citizens and especially party delegates will remember their votes and expect them to explain their votes. These delegates were elected because their neighbors trust them to hold elected representatives accountable to the values of the community, not the values of the most effective special interests who are ever-present at the legislature.

SB54 Keeps Caucus/Convention Process

Unfortunately, a group called "Count My Vote" has been circulating a petition to eliminate the convention system and

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replace it with an open primary. Because it was apparent that voters would have approved the measure without understanding its ramifications, the Legislature passed SB 54, which keeps the convention system but also allows an alternative route to the primary ballot for the "elite" who don't want to be bothered with the messy delegate process. This is not optimal, but is far better than scrapping the whole present system.

Utah's State School Board Nominating Process

Utah used to have an open primary for state school board elections. There were often only a few candidates and most of those elected had last names beginning with the first few letters of the alphabet. In down-ballot elections, those listed first on the ballot have a significant advantage.

In 2003 the nominating system for the state school board was changed to a 12 member nominating panel which is balanced with six representing employers and six representing public education. After

This system has significantly improved the professionalism and quality of the members of the State School Board over the previous passive, open primary system.

recruiting candidates, the twelve-member panel interviews each candidate and sends three names for each seat to the Governor.

Typically the Governor interviews those candidates again, and then places the names of two of the three on the November ballot.

This system has significantly improved the professionalism and quality of the members of the State School Board over the previous passive, open primary system. As a result of the current system, this year 70 candidates are vying to be a member of the State School Board across 7 districts (the other 8 districts are decided in two years).

In fact, 18 people filed for State School Board district 5. Incredibly there are more candidates for those 7 school board seats than there are for the 15 state senate districts up for election this year, and there are no school board races with fewer than 5 candidates.

Utah's nominating processes are producing quality elected representatives. We should keep what's working.

36th Annual "Utah Taxes Now" Conference

Your Taxpayers Association will be hosting its annual "Utah Taxes Now" conference on **Tuesday, May 20, 2014** at the Grand 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 taxpayer subsidies for hotels, federal and state tax alignment and reducing the costs of doing business by removing double taxation. 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 **Tuesday, June 3, 2014** at the Eaglewood Golf Course in North Salt Lake. Sponsorship opportunities are available.

Register for the "Utah Taxes Now" Conference or the "Teed Off On Taxes" Golf Tournament by contacting Laura Barlow at laurabarlow78@gmail.com or (801) 201-3813.

Taxpayers Association Releases 2014 Legislative Scorecard

On April 4, 2014 the Utah Taxpayers Association released its 2014 Legislative Scorecard. Senator Mark Madsen (R – Saratoga Springs) led the Senate with a perfect score of 100%, while Representative Keith Grover (R – Provo) led the House of Representatives with a perfect score of 100%. The Association's 2014 scorecard rates Utah's 104 legislators on 19 key taxpayer related bills.

Along with Sen. Madsen, three other Senators, earned "Friend of the Taxpayer" awards by scoring above 90%. In the House, nine other Representatives joined Rep. Grover in receiving "Friend of the Taxpayer" awards for scoring above 90%.

"Utah taxpayers escaped the 2014 General Session without any tax hikes," said M. Royce Van Tassell, vice president of the Utah Taxpayers Association. "These 14 'Friends of the Taxpayer' defended against tax hikes and worked for greater efficiency in government."

In the Senate, the highest scoring Democrats are Sen. Karen Mayne (80%, Dist. 5) and Sen. Luz Robles (73.6%, Dist. 1). Sen. Robles scored higher than 12 Republican Senators, and Sen. Robles scored higher than 5 Republican Senators. In the House, the highest scoring Democrats are Rep. Janice Fisher (70.6%, Dist. 30) and Rep. Larry Wiley (64.7%, Dist. 31). Rep. Fisher scored higher than 19 Republican House members, and Rep. Wiley scored higher than six Republican House members.

2014 "Friends of the Taxpayers"

This year 10 Representatives and 4 Senators scored above 90 percent on the Taxpayers Association's annual Legislative Scorecard. These fiscally responsible legislators have earned the title, "Friend of the Taxpayer."

House of Representatives

Rep. Keith Grover - 100%
Rep. Brian Greene - 94.1%
Rep. Dan McCay - 94.1%
Rep. Marc Roberts - 94.1%
Rep. Curt Webb - 94.1%
Rep. John Knotwell - 93.8%
Rep. Val Peterson - 93.8%
Rep. Jake Anderegg - 93.3%
Rep. Ryan Wilcox - 93.3%
Rep. Jon Stanard - 92.3%

State Senate

Sen. Mark Madsen - 100%
Sen. Scott Jenkins - 94.1%
Sen. Howard Stephenson - 94.1%
Sen. Margaret Dayton - 93.8%

Utah Tax Freedom Day is April 17th; Utah Ranks 28th on Annual State-Local Tax Burden Report

According to the Tax Foundation, Utah's 2014 Tax Freedom Day is April 17, four days later than the 2013 Tax Freedom Day of April 13. Nationally, Tax Freedom Day for 2014 is April 21, which is three days later than in 2013. Utah and the Nation's Tax Freedom day is later this year due to the continued slow economic recovery, which boosts tax revenue from corporate, payroll and individual income tax.

Tax Freedom Day measures when taxpayers have earned enough to pay all federal, state and local taxes, assuming that all of their earnings prior to this date went to pay taxes.

As the nearby map shows, Utah's 2014 Tax Freedom Day is competitive with most other intermountain states. Arizona and Idaho have the region's earliest Tax Freedom Day (April 11), while Colorado has the region's latest Tax Freedom Day (April 22). Nevada's Tax Freedom Day is April 15, and Wyoming's is April 17. Nationally, the earliest Tax Freedom Day is March 30 in Louisiana. New Jersey and Connecticut have the latest Tax Freedom Day (May 9), followed closely by New York (May 4).

Including all taxes, in 2014 the Tax Foundation estimates that Americans will pay \$3 trillion in federal taxes and \$1.5 trillion in state and local taxes. Combined, these tax burdens represent 30.2% of total personal income, which is slightly increased from last year's 29.4%. The combined federal, state and local tax burden represents a greater share of Americans' income than the combined food, clothing and housing budget for all Americans.

State and Local Tax Burden

The Tax Foundation also recently released its Annual State-Local Tax Burden Rankings for fiscal year 2011. The Tax Foundation looks at the combined state and local tax burden carried by residents of each state and Washington D.C. The state and local tax burden is calculated by taking the total amount of state and local taxes paid by state residents and dividing it by each state's total income. Each state is ranked highest to lowest by its percent of income going to state and local taxes; number 1 being the state with the highest state and local tax burden, and number 51 (Washington D.C. included) being the state with the lowest tax burden.

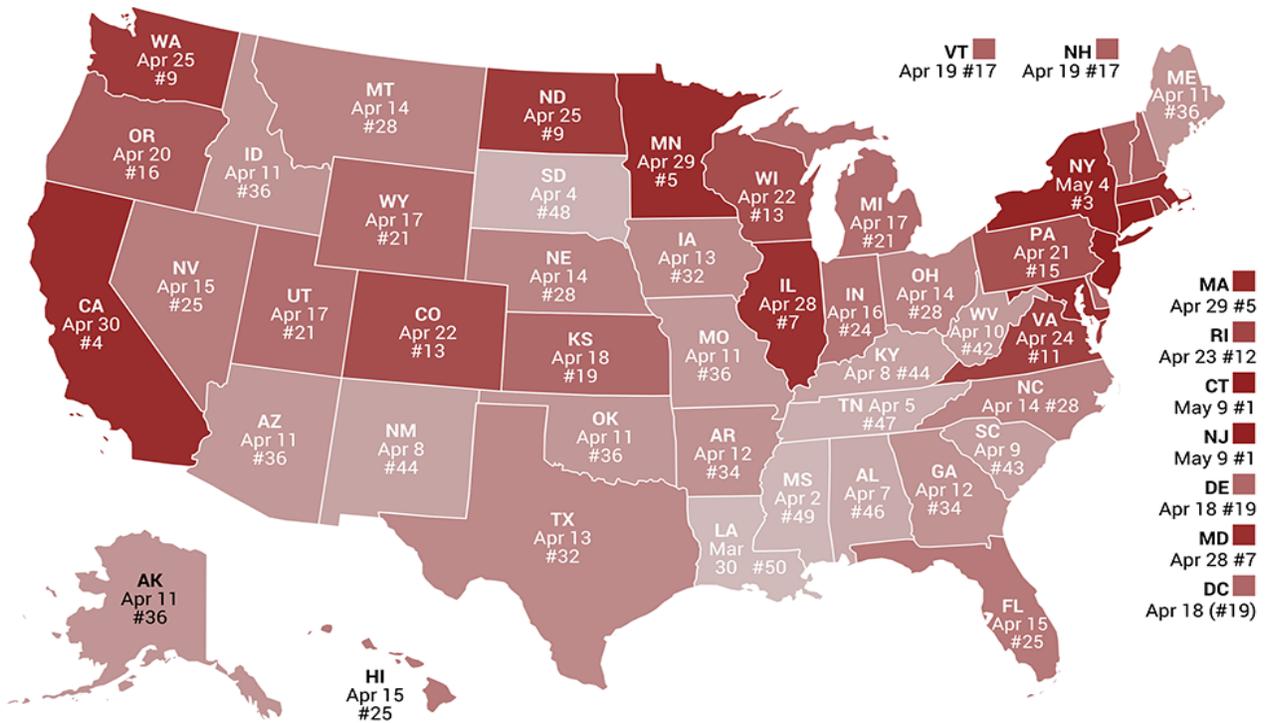
In FY 2011, Utah residents paid 9.4%, ranked 28th, of their income in state and local taxes. Utah's state and local burden is competitive with most other intermountain states, aside from Wyoming. Wyoming residences were the lowest taxed, paying 6.9% of their income in state and local taxes. The next lowest-taxed states were Alaska (7%), South Dakota (7.1%), Texas (7.5%), and Louisiana (7.6%). The highest-taxed states were New York (12.6%), New Jersey (12.3%), and Connecticut (11.9%), which all have

been in the top 3 ranked states since 2005.

The distribution of state and local tax burdens of each state is relatively close together. States that are ranked from the high-teens to the mid-thirties are very close, with only one or two percentage points between their state and local tax burdens. However, there is a large dispersion between the top and bottom ranked states.

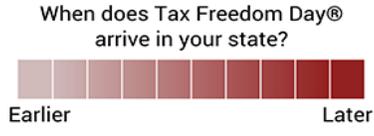
During FY 2011, state and local tax burden on average decreased. However, since FY 2000 state and local tax burdens as share of income have grown from 9.5% to 9.8% in FY 2011. During this period, there have been fluctuations in the average state and local tax burden, with a high of 10.2% and a low of 9.8%. To read the Tax Foundation's full report visit their website at taxfoundation.org.

Tax Freedom Day® 2014

Note: Each state's Tax Freedom Day is the day that residents of that state have worked long enough to pay all tax obligations at the federal, state, and local levels.

Source: Tax Foundation Calculations



taxfoundation.org/taxfreedomday

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2014 Legislative Session is a Success for Utah Taxpayers

The 2014 Legislative Session has ended and Utah taxpayers were victorious. Your Taxpayers Association was successful in ensuring that there were no tax increases, expanding sales tax exemptions on business inputs, promoting fiscal responsibility, increasing transparency and increasing qualifications for State Tax Commission members.

The accompanying table highlights some of your Taxpayers Association's priority legislation. Of the nine bills included in the table, your Taxpayers Association had eight wins and one loss.

There were two significant tax increases your Taxpayers Association defeated. Representative Johnny Anderson sponsored HB 388, which was a local option sales tax for transit. HB 388 was approved by the House and not heard in the Senate. SB 111 S3, sponsored by Senator Aaron Osmond, was a \$100 million property tax increase for education funding equalization. The Senate approved SB 111 S3, and the House did not hear it.

One of the most prominent issues this legislative session was the taxpayer-subsidized 1,000-room hotel near the Salt Palace Convention Center. Your Taxpayers Association was successful in defeating this proposal in the 2013 legislative session. Unfortunately for Utah taxpayers, this year the Legislature passed the proposal.

There were three significant bills that expanded sales tax exemptions on business inputs. Representative Wilcox sponsored HB 31, which added pollution control devices to the list of business inputs exempt from sales tax. He also sponsored HB 209, which removed the sunset date for the steel mill exemption. Senator Stephenson sponsored SB 65, which clarified the existing mining sales tax exemption.

Following lengthy negotiations, Senator Deidre Henderson sponsored SB 61, which requires calendar budgeting entities to hold December Truth-in-Taxation hearings. This increases transparency in taxation for calendar budgeting entities because the hearing will take place before the

budget year starts.

There were two bills designed to increase qualification for State Tax Commission members, SB 19 and SJR 2. SB 19, sponsored by Senator Howard Stephenson, increases qualification for Tax Commission members and allows professional organizations to submit qualified people to the Governor to be considered for the Tax Commission. SJR 2 sponsored by Senator John Valentine is a proposed constitutional amendment that will be on the ballot this November. The amendment would remove the partisan requirements for serving on the Tax Commission.

To view the Association's complete watch list, detailing the Association's positions and the final result for all 2014 tax and spending bills, [click here](#).

Bill # Sponsor	Description	Win/ Loss
HB 31 Wilcox	adds pollution control devices to the list of business inputs exempt from sales tax. Your Taxpayers Association supports removal of double taxation. <i>UTA Position:</i> <i>Legislative Action:</i>	
HB 209 Wilcox	removes the sunset date for the steel mill sales tax exemption. Your Taxpayers Association supports removal of double taxation. <i>UTA Position:</i> <i>Legislative Action:</i>	
HB 356 Wilson	provides taxpayer subsidies for a 1,000-room hotel near the Salt Palace. Your Taxpayers Association opposes government picking winners and losers. <i>UTA Position:</i> <i>Legislative Action:</i>	
HB 388, S1 Johnny Anderson	a quarter-cent local option sales tax that would have gone to transit. Your Taxpayers Association opposes local option sales taxes as well as using sales tax dollars for transportation <i>UTA Position:</i> <i>Legislative Action:</i>	
SB 19 Stephenson	significantly increases the qualification threshold for members of the State Tax Commission. Your Taxpayers Association supports having qualified Tax Commission members. <i>UTA Position:</i> <i>Legislative Action:</i>	
SB 61 Henderson	requires calendar year taxing entities to hold December Truth-in-Taxation hearings when proposing property tax hikes. Your Taxpayers Association supports transparency in taxation. <i>UTA Position:</i> <i>Legislative Action:</i>	
SB 65 Stephenson	clarifies that the mining sales tax exemption applies to all property that is used for certain manufacturing, processing, producing, operating or research and development activities. Your Taxpayers Association supports removal of double taxation. <i>UTA Position:</i> <i>Legislative Action:</i>	
SB 111, 3S Osmond	would have frozen the statewide basic levy for education at the 2013 rate, increasing statewide property taxes by \$100 million by year 5. The additional money would be spent on modernizing education and equalizing funds between school districts. Your Taxpayers Association opposes higher property taxes. <i>UTA Position:</i> <i>Legislative Action:</i>	
SJR 7 Valentine	is a proposed constitutional amendment that removes the partisan requirement (no more than two members from a single political party can serve) for members of the State Tax Commission. Your Taxpayers Association supports having qualified Tax Commission members. <i>UTA Position:</i> <i>Legislative Action:</i>	