



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Multiple Tax-Related Questions on this Year's Ballot

Despite this being a municipal election year, there are still plenty of reasons to vote even for many who live outside city boundaries. In addition to the municipal elections that are taking place, there are a number of tax-related measures that have found their way onto the ballot. Your Taxpayers Association has been monitoring these proposals all across the state.

The Association is tracking 12 major issues (including the local option transportation sales tax – described in a separate article), including a \$40 million recreation center bond in Spanish Fork, a \$298 million bond for Davis School District, and various “RAP” taxes. Read on to learn more.

Davis School District Bond

In July, the Davis County School Board voted to place a \$298 million bond on November’s ballot. The money will be used to pay for construction of a new high school, junior high school, and two new elementary schools as well as remodels of several other district schools.

The new high school would be built in Farmington. The district says student enrollment projections show that by 2018, Layton High School will use 14 portable classrooms, Viewmont High will have 19 portable classrooms and Davis High School will need eight to house their students.

The district says the new junior high will be built in west Layton, but both elementary schools do not yet have precise locations as to where they will be built.

The estimated impact of the increase is \$168.84 per year on an average Davis County home, valued at \$240,000. Only 6 years ago, voters approved of another bond in the amount of \$250 million. *Your Utah Taxpayers Association has reviewed the bond and takes a neutral position on this proposal.*

Tooele School District Bond

Tooele County School District has also proposed a bond set on this year’s ballot. The bond, totaling \$49 million, is proposed to address the district’s growth, out-of-date facilities and a need for updated technology.

Specifically, \$33 million will be used to build two new elementary schools,

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My Corner: Salt Lake County Mayor and Council to Break 20 Year Promise?

Salt Lake County Mayor Ben McAdams and the Salt Lake County Council are proposing to break a twenty-year tax promise by circumventing Utah's Truth-in-Taxation law. The Mayor presented the plan to the Council in late

September and in a straw poll, all council members except Richard Snelgrove agreed to renege on the promise to lower taxes when the current jail bonds are retired. If the Council gives final approval to the plan in November, property taxpayers will be out \$9.4 million annually.

Twenty years ago the Salt Lake County Council convinced voters to approve a bond for a new jail in the amount of \$107 million. The principal, plus interest was to be paid off over twenty years through a temporary property tax. Voters were assured that when the bonds were finally retired, their property taxes would be reduced by the amount which had been used to fund the debt. Utah's Truth-in-Taxation property tax limitation law allows local taxing entities to increase taxes to pay for voter-approved bonds without going through the public hearings and public notices. Counties could avoid this process because they promised that tax increases to pay for bonded indebtedness would only last as until the bonds were paid off. When the bonds were retired, property taxes would be reduced by the amount that had been collected annually to retire the bonds. That annual amount was approximately \$9.4 million. That bond is set to be paid off with the 2015 property taxes.

Today's County Mayor and Council to Break Promise?

On September 17, Salt Lake County Mayor Ben McAdams issued a statement asking for the "stabilization" of the county's property tax rate by not allowing the tax rate to drop, and to be used on programs related to criminal justice reform. Essentially, the Mayor is asking for continuation of the county collecting the soon-to-be-expired \$9.4 million annually. There is currently nothing in the law to require a taxing entity to keep its promise to

taxpayers when it convinced voters to approve the long-term debt plan.

Following McAdams' proposal, a few short hours later, the Salt Lake County Council took a straw vote in support of the proposal. The vote was 8-1, with Councilman Snelgrove being the single 'no' vote.

McAdams has not been specific in providing information about his plan, but outlined a few general ideas to use the proposed revenue in reducing recidivism and incarceration for low-level offenders.

- \$2.8+ million for "immediate needs" from the sheriff and district attorney's office.
- \$100,000 per year for planning and evaluation
- \$6.5 million for "criminal justice innovation projects" for the first three years.
- Additional money for "Pay for Success" programs such as diverting individuals from the jail through alternatives, including intensive supervision, investing in mental health and substance abuse treatment measures, and developing a center that includes treatment beds for non-violent offenders

The mayor explained "Pay for Success" as programs which would only receive tax dollars if the programs succeed. If they do not, they would not receive funding. In his presentation, McAdams says, "if the programs fail, the county can pull the plug and still have the money in the bank to be used for jail expansion or for whatever criminal justice purpose is needed." The Mayor said more details will be unveiled in November, when he formally announces his proposed budget.

Taxpayers Are Concerned

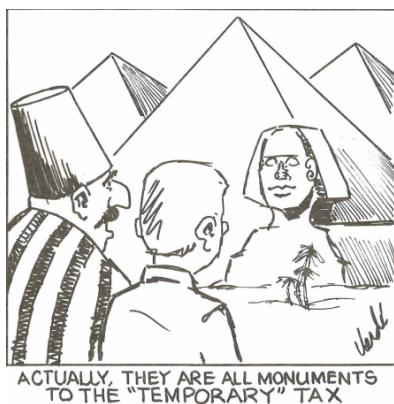
Your Utah Taxpayers Association has seen this kind of tactic all too often from counties, cities, and school districts across the state as bonds are retired and locally elected officials -- many of whom were not in office when the promises were made -- find it easy to renege on the commitments their predecessors made to taxpayers.

It is often the case that the *exact* amount of property taxes the governing body says they need for essential new programs just happens to be the *exact* amount by which taxes are projected to drop under the

commitments made to voters. It is also often the case that elected officials in the Truth-in-Taxation hearings required to be held brazenly tell citizens who show up that they are not raising taxes and they should not have been forced to hold a hearing. They blame the "silly" requirement on the legislature and urge taxpayers to complain.

Ratcheting Effect

When local officials use subterfuge to take the intended tax relief from taxpayers after the current



bonds are paid off, it often leads to ever higher taxes when the next bond is needed for public buildings and other public works. Then, when the new bonds are finally retired twenty years later, the cycle of higher taxes

continues as the intended tax relief is taken once again to fund new or expanded programs.

Your Taxpayers Association believes elected officials should keep their word and allow the taxes to drop to the level they would have been without

the bonds. In order to ensure this happens and taxpayers are protected, the Association is looking at legislation which would prohibit taxing entities from absorbing the projected drop in taxes in the year the drop is scheduled to occur. If elected officials want to raise taxes, they would have to do it the year before the drop occurs or wait a full year for taxpayers to feel the promised benefit of the tax relief. ♦

Taxpayers Have Answers - What Do You Think?

Given the many locally elected officials who fail to keep the promise to reduce property taxes when bonds are paid off, which option best represents your view?

- Enact statutory requirements that property taxes must drop when bonds are retired.
- Enact the limitation with an exception for emergencies, which require a unanimous vote of the governing body.
- Do nothing. Local officials were elected to make tough decisions including a decision to impose higher taxes, even when promises were made that the bond tax would be temporary.

Take the survey by clicking [here](#).

Multiple Tax-Related Questions on this Year's Ballot

More Information on Any of These Issues

Your Utah Taxpayers Association will continue to monitor these issues throughout the campaign and up to Election Day, when we begin the process again.

Contact Us For More Information

If you have any questions about a tax issue on your ballot, we encourage you to contact us at (801) 972-8814 for more information.

(continued from page 1) \$7 million to increase capacity at Tooele Jr. High, along with \$4 million for a land purchase for secondary school growth. The remaining \$5 million is primarily marked for technology improvement at Tooele and Grantsville High, along with Grantsville Jr. High.

The projected tax impact on the average home valued at \$170,000 will be an approximate annual increase of \$18.19.

Wasatch County School District Bond

Voters in Wasatch County are also being asked to

approve a new bond for schools. This \$62 million bond will build a new elementary school, a middle school, and completely rebuild a swimming pool to be used by both the school district and the community.

Over the past few years, Wasatch County has created some ways to accommodate enrollment growth by trying to fully use all their existing buildings, and shuffling grades associated with each level of schooling to avoid bonding for new buildings. The district claims that buildings are beyond capacity and it needs the additional schools to house new students. A third of its students at its intermediate school are currently in portable classrooms.

The bond also includes \$10.5 million for a new pool, housed at Timpanogos Intermediate School. This pool center would include both a competitive pool, as well as another pool for recreation, for use by the community and school district. The new facility would be the only

publicly-operated pool in the district and the county.

Citizens in the district's boundary can expect to pay an additional \$198.45 per year for the average valued home at \$296,000, if the bond passes. *Your Utah Taxpayers Association has reviewed the bond and takes a neutral position on this proposal.*

Park City School District

Citing aging facilities and enrollment growth, the Park City School District is asking for a \$56 million bond for capital projects across the district. The district would chip in another \$10 million from its coffers, for a total of \$66 million spent.

The proposed projects include more than \$27 million for expansion at Park City High School, including a complete gymnasium remodel, \$24 million to build a new school next to Ecker Hill Middle School to accommodate the 5th and 6th grades, and \$12 million for athletic facility renovations in its schools.

The average homeowner owning a home valued at \$639,000 is expected to pay an additional \$123.24 annually if the bond passes.

The School Board will be holding a public hearing on October 20th to hear from citizens and outline its proposal.

Duchesne School District Bond

The Duchesne County School District is currently looking to place a \$39 million bond for the replacement of a high school, along with additions and remodeling to another high school in the area.

Union High School in Roosevelt is marked to be replaced if the bond passes, with Duchesne High School in Duchesne receiving major renovations to some of its existing facilities and adding additional classroom space. The Duchesne High School project is the final step in a three-phase process.

The school district cites projected enrollment growth within their boundaries and deteriorating facilities as leading causes for the proposal.

If approved, this would raise property taxes by \$99.41 on the average home in the county, appraised at \$170,000.

Spanish Fork Life Center Bond

Spanish Fork is asking its citizens to approve a \$39.3 million bond to construct a "Life Center" which will include a recreation center, library and senior center all under one roof.

The bond will raise property taxes by \$201.90 annually on the average home in the Utah County

city, but that is only the beginning of what residents would have to pay to use the facility. In addition to the property tax, it is expected that those who use the center will also have to pay a membership fee to use the recreational portions of the facility.

Homeowners in the average-valued home of \$202,000 in Spanish Fork can expect to pay an additional \$201.84 annually. *Your Taxpayers Association is opposed to this proposal and encourages voters to reject the bond.*

Springville City Aquatic Center

The southern Utah County city of Springville is asking voters to approve a \$12 million bond to replace its current community pool.

The city is looking to build a multi-use pool, a leisure pool, splash pad, and indoor facility for other recreational activities, including a running track, weights, among others that are typical of a privately-owned gymnasium in the area.

The average home, valued at \$207,695 can expect to pay an additional \$60.52 annually for the bond, plus fees associated with the use of the new center.

Your Taxpayers Association is opposed to this proposal and encourages voters to reject this bond.

RAP, ZAP, RAMP Taxes

RAP taxes, often called "boutique taxes," are sales taxes levied to provide revenue for a specific spending priority. These sales taxes have different names among government entities but are usually levied to fund similar services. The tax, which is levied at a rate of one cent per every \$10 spent, is typically used to fund city or county art programs, recreational programs, cultural events, museums and zoos. Provo, Lehi, Centerville, and Layton are all considering these types of taxes on the November ballot.

Approval of these taxes creates a guaranteed revenue stream for specific programs, which your Taxpayers Association has long argued, is poor tax policy. While the programs may be worthwhile, they ought to compete against other spending priorities for funding in the entity's budget.

For example, budget shortfalls may force a city to lay off essential police officers, while the RAP tax spending priorities still receive a guaranteed funding stream. Elected officials should have the ability to decide how best to use tax funds and not be beholden to maintain funding for certain projects when essential city services are at stake. ♦

New Special Service District in Davis County Proposed by the South Davis Metro Fire Agency

A new proposal working its way through Davis County would make the existing South Davis Metro Fire Agency a special service district, moving away from the inter-local agreement, which was signed in 2004.

Currently, the South Davis Metro Fire Agency (SDMFA) operates among six cities in the county: Bountiful, Centerville, North Salt Lake, West Bountiful, and Woods Cross. Its boundaries also cover some unincorporated land in the south Davis County area, which adds Davis County itself into the inter-local agreement.

The citizens of each city, as well as those portions of unincorporated Davis County, pay a proportional share of the Agency's expenses, including staff, capital projects, and operations. This levy to pay for these fire services is put in place by elected officials through the participating city councils when they approve their annual city budgets.

Over the past few months, the SDMFA has been working with the Davis County Commission, along with each of the participating cities, to become a new governmental entity. As its own entity, this new district would have the ability to raise property taxes when it feels it is necessary, with regards to state law.

In September, the Agency sent representatives to each of the six cities and the county to present how operating under the inter-local agreements are hurting their ability to function at the capacity they need to.

In these presentations, which your Utah Taxpayers Association attended, the Agency cited the need to become a separate taxing district so it can refinance an existing bond put in place in 2006, as well as maintain capital improvements to match the growing fire protection needs of south Davis County.

Under the proposed creation of a taxing district, the Agency would be in direct control of raising taxes and proposing bonds. Currently, the Agency works with participating cities to raise additional revenue for capital projects and increased operational costs.

The Agency argues this plan will help protect taxpayers and increase transparency, since the newly-created taxing district would have the power to negotiate and refinance existing bonds, including a bond passed in 2006. While this, in the short-term, could potentially decrease the amount of taxes citizens are beholden to, in the long-term it may increase the amount of taxes, due to a lack of transparency.

The creation of the new taxing district would establish of new board of trustees, whose members would be appointed from each of the participating cities and the county. Thus, they may not be directly seen as responsible for raising taxes.

Under the proposed taxing district, the Agency would be in direct control of raising taxes and proposing bonds, as applicable under Utah State law.

If the new taxing district is approved, this could lead to a windfall for each of the six cities, since the revenue that once went to the Agency would go into their respective general funds for other spending.

The Utah Taxpayers Association applauds the Davis County Commission for agreeing to lower their property tax in the amount equivalent to what the new special service district would raise. Your Taxpayers Association has also reached out to each of the six participating cities to see if they plan to follow Davis County's example, but none have returned our calls.

There is a protest period that lasts for 60 days after a public hearing was held, wherein any registered voter within the boundaries of the proposed district may file a written statement against the creation of the proposed district.

The Davis County Commission has agreed to the resolution of the creation of the taxing district, and each of the six cities are reviewing the resolution, and are scheduled to make a final decision before the end of the year. ♦

Utah's Tax Review Commission to Look at Other States' Earmarking Practices

In its September meeting, the Tax Review Commission (TRC) determined that it would be prudent to examine how other states handle earmarks that have been created in their state budget.

The TRC has been tasked this year with investigating the use of sales tax earmarks within the state budget to determine if that is the best practice to fund the programs that benefit from the earmarks. So far the committee has met five times since April to look at this issue.

In September's meeting, the TRC evaluated the earmarks that fund programs and loan accounts that are within the Division of Natural Resources. Commission members regularly explained in the meeting that they are not against any of the programs being examined but that they want to find the proper way to fund these programs.

Following that discussion, the Commission then determined it wanted information describing what other states are doing when it comes to earmarks. The Commission wondered if other states have processes in place to evaluate earmarks such as sunset requirements of the earmarks or regularly scheduled reviews of the funding mechanism.

Your Taxpayers Association opposes the practice of earmarking, except in the case of user fees for transportation and water, as this budgetary practice ties the hands of elected officials when

they need to make crucial budget decisions. Except in limited circumstances, elected officials should be able to fund what is necessary and not have funds tied by giving programs a guaranteed revenue stream.

Your Taxpayers Association is working with Commission members to educate them on this key principle in government funding.

The [Tax Review Commission](#) has been inactive for several years, but your Taxpayers Association helped convince the Legislature to re-activate the Commission. The Commission is made up of legislators, business leaders, academics, a member of the state tax commission and a representative from the governor's staff. Its main role is to give the Legislature recommendations on tax related issues.

In addition to looking at the practice of earmarks, your Taxpayers Association is also working to have the TRC examine what the state can do to further economic growth. In a letter sent from the chairs of the Revenue and Taxation Committee to the Legislature's Management Committee, a request has been made for the TRC to examine removing the three-year economic life component found in the manufacturer's sales tax exemption and allowing all businesses the ability to use single sales factor formula when calculating income for corporate franchise taxes. ♦

Association Accomplishments During September:

- ❖ Met with Duchesne School District officials to discuss \$39 million bond
- ❖ Tour facilities and discussed \$49 million bond with Tooele School District administrators
- ❖ Reviewed existing bond restructuring proposal with Uintah County leaders
- ❖ Met with Davis School District administrators to review \$298 million bond
- ❖ Created first Taxpayers Insiders newsletter
- ❖ Attended the September meeting of the Tax Review Commission

- ❖ Discussed the proper use of earmarks with members of the Tax Review Commission
- ❖ Continued talking about 2016 legislative priorities with legislators

In the News:

- ❖ Spoke out against Draper City's car dealership tax incentive
 - [Salt Lake Tribune](#)
 - [Salt Lake Tribune Editorial](#)
- ❖ Article regarding the \$298 million Davis School District bond
 - [Salt Lake Tribune](#)

Transportation and Mass Transit Sales Tax Referendum: Proposition 1 Pros and Cons

In November, voters in 17 of Utah's 29 counties will be asked if their county should increase its sales tax rate by 0.25% in order to pay for transportation and mass transit-related projects within their boundaries. The increase is on the ballot in the 17 counties due to the county commission or council in that county voting to place the tax increase question on the ballot.

If the increase is passed, 40% of the additional revenue from the tax increase will go to each of the cities within the county that raises the tax. Another 40% of the increase will go to the mass transit district operating within the county (e.g. Utah Transit Authority), while the final 20% of the increase will be distributed to the county. For counties without a mass transit organization, the revenue will be split with 60% being received by the counties and 40% going to the cities.

The Utah Taxpayers Association has evaluated the proposed local option sales tax and provides the following information for consideration:

PROS

- Transportation funding is essential to keeping Utah's economy moving. With our state's expected population growth, cities, counties and the state need to make certain Utah has quality transportation infrastructure that supports population and economic growth.
- This isn't just about building roads and filling potholes, it provides transportation choices. The local option sales tax also allows cities and counties to build bicycle lanes, walking trails and to fund public transit.
- Along the Wasatch Front, the Utah Transit Authority has pledged that any additional funds from this increase will go towards extending the system's bus services. If passed, money will pay for buses to run more often, have earlier start times and additional late night service.
- The local option sales tax proposed will address a shortfall in many county and cities' transportation budgets.
- Cities and counties may work together to identify priorities in their transportation infrastructure to better address joint needs, using the additional revenue.

CONS

- Utahns are already overtaxed. The Legislature raised taxes \$151 million earlier this year to fund transportation and education. If Proposition 1 is passed in the counties who have placed it on the ballot, it would raise taxes another \$97 million. The increase would equal out to be a \$38 per year increase on the residents in those counties.
- Transportation needs are best funded by the users of the services. Sales taxes do not have a close correlation to those who use the roads. User fees, such as a gas tax or vehicle miles traveled program, can create a more equitable solution.
- Additional transportation funding should be uniform statewide, rather than a select few counties.
- Sales taxes are regressive, falling hardest on those least able to pay.
- Increasing the sales tax rate will hurt Utah's local retailers who compete with out-of-state online retailers that do not collect sales taxes.
- Placing a tax increase county by county creates a patchwork of tax rates and a patchwork of funding for transportation, leading to confusion and citizens traveling to other counties with lower rates to make major purchases.

The chart below displays the amount of money that would be raised by each of the counties on this year's ballot, if voters approve the tax increase.

Sales Tax Increase on the Ballot	
County	Tax Increase Amount
Beaver	\$259,834
Box Elder	\$1,360,334
Carbon	\$908,708
Davis	\$10,333,326
Duchesne	\$1,845,043
Grand	\$776,562
Juab	\$248,958
Millard	\$408,339
Morgan	\$236,632
Salt Lake	\$48,959,843
San Juan	\$474,651
Sanpete	\$594,073
Sevier	\$785,173
Tooele	\$1,552,601
Uintah	\$2,990,308
Utah	\$17,119,677
Weber	\$8,219,309
Total	\$97,073,371

The following chart shows the number of miles that are maintained by counties and cities in each individual county, as well as the percentages of funding each entity would receive if voters approve the local option sales tax. The counties shaded in blue are those that have placed the tax increase on the ballot this November.

Local Option Sales Tax: County vs. City Weighted Roads								
with Distribution of Revenue under Proposition 1								
County	City Roads	County Roads	Total Road Miles	Percent of County Roads	Percent of City Roads	Percent to Counties	Percent to Cities	Percent to Transit Districts
Beaver	314	1679	1993	84.00%	16.00%	60%	40%	
Box Elder	1410	3241	4651	70.00%	30.00%	20%	40%	40%
Cache	2711	1669	4380	38.00%	62.00%	20%	40%	40%
Carbon	495	1720	2215	78.00%	22.00%	60%	40%	
Daggett	20	655	675	97.00%	3.00%	60%	40%	
Davis	5698	147	5845	3.00%	97.00%	20%	40%	40%
Duchesne	363	3630	3993	91.00%	9.00%	60%	40%	
Emery	501	2308	2809	82.00%	18.00%	60%	40%	

Garfield	364	1401	1765	79.00%	21.00%	60%	40%	
Grand	172	2458	2630	93.00%	7.00%	60%	40%	
Iron	1300	2344	3644	64.00%	36.00%	20%	40%	40%
Juab	423	2974	3397	88.00%	12.00%	60%	40%	
Kane	337	1117	1454	77.00%	23.00%	60%	40%	
Millard	602	3999	4601	87.00%	13.00%	60%	40%	
Morgan	113	418	531	79.00%	21.00%	60%	40%	
Piute	202	616	818	75.00%	25.00%	60%	40%	
Rich	114	670	784	85.00%	15.00%	60%	40%	
Salt Lake	14621	2428	17049	14.00%	86.00%	20%	40%	40%
San Juan	201	4918	5119	96.00%	4.00%	60%	40%	
Sanpete	944	1392	2336	60.00%	40.00%	60%	40%	
Sevier	823	1862	2685	69.00%	31.00%	60%	40%	
Summit	520	1465	1985	74.00%	26.00%	20%	40%	40%
Tooele	1928	3394	5322	64.00%	36.00%	20%	40%	40%
Uintah	407	4587	4994	92.00%	8.00%	60%	40%	
Utah	10087	2044	12131	17.00%	83.00%	20%	40%	40%
Wasatch	621	1036	1657	63.00%	37.00%	60%	40%	
Washington	3998	1595	5593	29.00%	71.00%	20%	40%	40%
Wayne	145	1137	1282	89.00%	11.00%	60%	40%	
Weber	4418	988	5406	18.00%	82.00%	20%	40%	40%

Shaded lines are those considering local option sales tax on the 2015 ballot

