



# THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

## Redevelopment Agencies Take \$171 Million from Local Governments, 53% of that from School Districts

Utah's local governmental entities gave more than \$171 million in 2017 in tax increment financing, with more than half of that money being taken from school districts.

Each year, taxing entities across the state give millions in foregone property tax dollars in order to incentivize development in designated areas, as set by RDAs.

These areas are outlined and funded through redevelopment (RDA) agencies. RDAs are created by a municipal legislative body, with the intent of spurring development in a community reinvestment area (CRA). Redevelopment agencies have the ability to collect and reallocate existing property taxes in order to encourage development in designated CRAs.

Once approved for creation, the CRA is slated for economic development, whether that be retail, commercial, or residential. RDAs have funded projects from stadium and arena construction and renovations to solar farms to car dealerships.

Following the creation of the CRA, the RDA can propose property tax incentives, called tax increment, to lure developers into the area. These CRAs generally are in effect for 15-20 years, but many are extended, particularly in urban areas.

For example, the CRA that encompasses a large chunk of Salt Lake City's downtown was created in 1983, and is not set to expire until 2040, thanks to a number of votes taken to extend the CRA's sunset date.

These incentives come directly from the taxing entities that collect property tax, which include school districts, cities, counties, and special districts.

However, tax increment is not automatically collected. The taxing entities that collect tax from the CRA property must individually vote to approve the funding of the area, since tax revenue will be earmarked from their respective property tax revenues to the newly created development. If it is approved by the majority of the entities, tax increment revenue will be diverted and can be used as investment. This investment may include covering the costs of building infrastructure.

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# My Corner: Citizens Have a Right to Transparent Government



Association President  
Howard Stephenson

Our children and grandchildren were in our home recently for a national holiday. After a wonderful dinner parents were gathered in lively conversation on the patio. When I realized I couldn't hear the usual sound of grandchildren I wandered into the family room and saw all of them sitting quietly, focused on each of their devices. (Incidentally, I counted 43 devices for the 23

legislators prominently display their mobile and home phone numbers, home address and email address on the government's website. Others list their address at the Capitol even though it is outside their legislative district.

I learned recently that Governor Gary Herbert's email address no longer works. When I recently sent an important email to the Governor's official state email address [gherbert@utah.gov](mailto:gherbert@utah.gov), it bounced back with an email shown in the accompanying screenshot telling me that the email is no longer in service. When I clicked on the link, it took me to the Governor's web page with no clear way of sending a message. When I clicked on the "Contact" link it gave me a menu of items, none of which fit my purpose for contacting the Governor but there was a ten-item form to fill out with a comment box in which I guess I was supposed to type the contents of my intended email.

persons in our home that day. You may be surprised how many you have in your home!) I interrupted and asked, "Why don't you do something together instead of isolating on your devices?" Almost in unison, they said,

"We *are* doing something together, we're playing [I don't remember the name]-craft."

While today's amazing digital tools make it easy for each of us to be globally connected (and even connected with family members in the same room), these tools can and should also make government more transparent.

The State of Utah has received national recognition for its website which brings government closer to the people. Every department of state government supplies online access to functions which formerly required citizens to drive to the agency office and/or fill out paper forms to send by snail-mail.

The Utah Legislature has made it possible for everyone in the world to listen online to every committee meeting and watch video streaming of all floor action both in real time and later.

Public access to elected officials in Utah, however, is a mixed bag. Some elected officials make their contact information easily accessible, like Sen. Gene Davis shown here. Many

Sen. Gene Davis (D – Salt Lake City) proves an example to all elected officials on providing transparency to citizens.



<b>Email</b>	<a href="mailto:gdavis@le.utah.gov">gdavis@le.utah.gov</a>
<b>Phone</b>	Mobile 801-647-8924 Home 801-484-9428 Fax 801-484-9442
<b>Address</b>	865 PARKWAY AVE, SALT LAKE CITY, UT, 84106

There are hundreds of elected officials across the state who are not complying with the law requiring their contact information to be publicly available on the government entity's web site. Salt Lake City Council members' contact information is nearly impossible to find on the city web page. There's not even a link to click for the city council. After searching for more than ten minutes on the site, I finally backed into the page for council members contact information.

School Boards often won't give mailing addresses of elected board members or phone numbers even though the law requires it. Often, there is simply the school district's official email address.

## Keeping Voters in the Dark

The struggle to easily contact elected officials is just one of many ways governments keep voters in the dark. All too often, government entities obfuscate the public's right to know by distorting information legally required to be available.

Last year your Taxpayers Association worked with Senator Deidre Henderson to

pass SB 150 which stopped local taxing entities from re-writing ballot language to understate the impact of bond proposals. The fact that we had to enforce truth in bonding raises questions about the integrity of some elected officials who simply wanted to “put the proposal in the best light possible.”

This year we had to take further action to stop local entities from lying about the amount of bonds being considered on the ballot.

Representative Daniel McCay and I sponsored SB 122 to stop the all-too-common practice of issuing bonds for, say, \$360 million when voters only approved \$300 million. The

howls of protests coming from indignant elected officials who testified and lobbied against the measure were evidence of their ignorance of public debt matters.

During August Truth-in-Taxation (TNT) public hearings we have often seen citizens show up to protest proposed property tax hikes at the advertised time of 6:30 p.m. only to be required to sit through regular city council or school board business. When the time for the hearing finally arrives at 9:30, many citizens have become weary or had to leave for family matters.

### GOVERNOR'S OFFICE - CONTACT

Please note: All communications received by or sent to the Office of the Governor are public in subject to the Government Records Access and Management Act. See Utah Code 63G-2-103(1). Please be aware that information sent to the Office may not be able to be classified as private protected. See Utah Code 63G-2-103(20)(21).

First Name	<input type="text"/>
Last Name	<input type="text"/>
Email Address	<input type="text"/>
Street Address	<input style="height: 30px;" type="text"/>
City	<input type="text"/>
State	<input type="text" value="Utah"/>
Zip Code	<input type="text"/>
Primary Phone	<input type="text" value="(000) 000-000"/>
Subject	<input type="text"/>
Comment Body	<input style="height: 40px;" type="text"/>

Forms like this are too common among elected officials. Citizens deserve transparency when contacting their representatives.

This year we learned of subterfuge by the City of South Jordan which decided to move its Truth-in-Taxation hearing from the location printed on the property tax valuation notice and changed the time of the hearing from the advertised time of 6:30 p.m. to 9:15.

We contacted city council members and the mayor to urge them to hold the meeting at the time and place identified in the mailed public notice. After negotiations, we were able to get the hearing to be held at the original time and place.

Your Taxpayers Association has worked with Rep. Karianne Lisonbee (a former city council member) and Senator Lincoln Fillmore to sponsor legislation requiring TNT meetings happen when they are scheduled to happen, meaning the councils cannot push the item to a

later time than what was noticed, and that it must be held at the location sent in the tax notice. The bill file will also call for public comment to not be limited. An individual's time may be limited but the public comment period cannot be.

I suppose it's human nature to limit opposition, but elected officials must realize that voters are not the opposition. Voters put them in power and therefore should be given timely, accurate, and complete information in holding officials accountable.

# Redevelopment Agencies Take \$171 Million from Local Governments, 53% of that from School Districts (continued)

This begs the question: why are cities, school districts, and other taxing entities so willing to give up their own precious tax dollars to RDAs for 15-30 plus years?

The argument in support is increased property values when (and if) the CRA expires, which would lead to increased property tax revenues for those entities after the expiration date. Many school board members say they voted to give up the tax increment because they want to “get along” with the cities in their district boundaries.

As construction or redevelopment of the CRA begins, theoretically, property taxes on the land will increase. That money can then be returned to the area for future investment.

However, your Taxpayers Association asks elected officials that are reviewing an option of approving a CRA and tax increment financing, whether the land in question would be developed without the need of utilizing precious taxpayer dollars, particularly those from school districts. In many circumstances, we believe the use of CRAs is unnecessary to stimulate production in an area.

What does Utah’s picture look like? In 2017, taxing entities gave up \$171,045,549 in property tax revenue to fund 265 tax increment areas. This approximates to more than \$645,000 per area per year on average. In 2017, 16 out of 29 counties and 24 out of 41 school districts participate in some form of tax increment financing.

Here’s a breakdown: \$90 million of that \$170 million was given in Salt Lake County, which also accounts for the largest amount of active CRAs, at 80 out of 23 cities and unincorporated county. Salt Lake County’s Regional

Development Department recently published a tool that will allow citizens to find each CRA within the county on a map, and learn more about it.

For example, Midvale’s Bingham Junction CRA, which encompasses the area around 72nd South and west of I-15, established in 2009 and set to expire in 2033, has already collected \$26,783,595 in tax increment financing. Your Taxpayers Association again

questions the necessity of using taxpayer dollars to stimulate development in that area.

You can review all CRAs within Salt Lake County, by accessing the tool by [clicking here](#).

According to calculations done by the Utah Taxpayers Association in FY 2017, Utah County has \$25,385,533 in tax increment financing payments, with Lehi City accounting for nearly \$12 million of that total. Vineyard, with a population of just under 4,000, also had an RDA which spends \$7 million. Of that \$7 million, \$3,572,271 comes from the Alpine School District.

While Salt Lake and Utah counties account for the significant chunk of statewide tax increment financing, other highly populated counties also participate. Davis County comes in at \$11,851,994; Cache County at \$3.2 million, and Washington County at \$2.4 million.

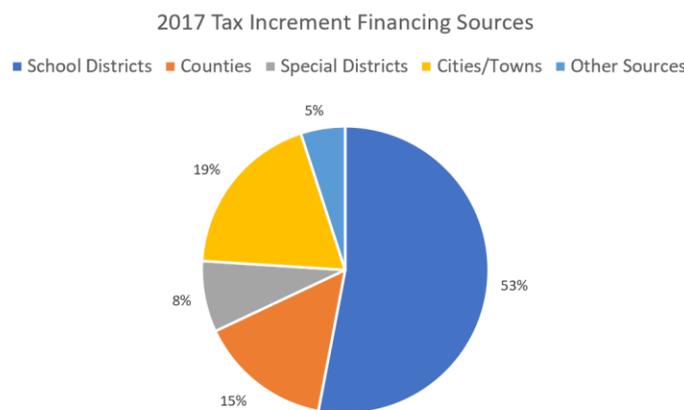
However, it’s not just highly populated counties that participate in CRAs. Many southern Utah counties have CRAs which are used for the development of solar farms. This includes CRAs in Beaver and Iron counties, totaling \$2,333,732 in Beaver County and \$5,250,148. Iron uses a total \$5,947,805 with the difference attributing to developments in Cedar City and Brian Head ski resort.

Even Rich County, population 2,311, has an RDA which spent \$94,577 in 2017 (7% of its total collected property tax).

Your Taxpayers Association does not immediately oppose all types of CRAs and tax increment financing. The Association stands by CRA usage in the case of blight, or if

the land is likely to not be developed on its own and create new economic activity for the state.

However, even if these circumstances, we encourage all elected officials that considering tax increment financing proposals to negotiate the best options available to protect taxpayers and school budgets.



This chart shows the category of entities that tax increment financing is sourced from in 2017.

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## Revenue and Taxation Committee Discusses Future Tax Cuts

Legislators on the Revenue and Taxation Interim Committee spent a significant amount of time in August discussing potential tax cuts. Cuts are being considered as key legislators and your Taxpayers Association suggested to the committee that the Legislature follow its intent to cut taxes once the state began collecting sales tax revenue from out-of-state online retailers.

Due to the United States Supreme Court decision in June (*South Dakota v. Wayfair*), Utah will now begin collecting sales tax from online retailers who have no physical presence in the state. SB 2001, passed in July by the Legislature, says that sellers must have either 200 or more transactions in the state or sell more than \$100,000 worth of goods into the state before they are required to collect the sales tax.

In 2013, the Legislature approved Senate Bill 58, which anticipated this expansion of sales tax collections and called for all money that came from the new revenue to be deposited into a restricted account so the state could consider cutting taxes as an offsetting measure. That restricted account was eliminated in the special session in July.

In August's interim committee meeting, Sen. Wayne Harper, R-Taylorsville, who was the chief sponsor of SB 58, testified to the committee it was his expectation that the Legislature would keep its promise to cut taxes despite the restricted account being done away with. He argued that the state sales tax rate ought to be cut, due to the increased revenue coming from sales tax collections. Harper mentioned he was open to other forms of taxes being cut as well.

Since 2013, it had been the expectation that taxes would be cut once collections from online retailers began. However, another occurrence has now put a potential block in the road to any major tax cut.

In 2016, the Utah State Tax Commission began issuing memorandum of understanding (MOU) with online retailers, such as Amazon, that would have the companies voluntarily collecting and remitting sales taxes. None of the money from those MOUs was funneled to the state's restricted account that was set up by Harper. Rather, the money was sent to the general fund. The reason was because Harper's bill called for money to be sent to his restricted account only if Congress or the Supreme Court acted. Because of the wording of the bill, the money was sent directly to the general fund and spent, with no tax cut made.

The Revenue and Taxation committee members were briefed on this matter in their August meeting and discussed if the promise should and could be kept to cut taxes. If lawmakers are able to do so, it would mean a tax cut (or multiple tax cuts) totaling up to \$200 million. However, cuts made will have to come largely from the new revenue the state collects next year since a large portion of the expected revenue from online sales tax collections was being collected through the MOU's made by the State Tax Commission and money collected due to the Supreme Court decision will likely only total around \$85 million.

Your Taxpayers Association has been working with legislators to come up with potential tax cuts to make in the 2019 session. While recognizing the cost of the manufacturing sales tax exemption passed earlier this year, which is about \$55 million and the \$30 million dependent deduction passed in the July special session, we have determined the state should cut another \$115 million to keep its promise.

We have suggested lawmakers consider cutting the overall sales tax rate, which would cost about \$120 million to lower the state sales tax rate by a quarter of a percent. We have also recommended that lawmakers consider cutting corporate income taxes through decoupling from certain federal tax changes made in the major federal tax bill, the Tax Cuts and Jobs Act passed in December of 2017, fully fund the dependent exemption created by the legislature in the July special session to offset potential tax increases to Utah's large families that may come because of federal tax changes, and consider enacting an Earned Income Tax Credit for the state.

While not all of these items will be accomplished we believe these key cuts will be the most beneficial cuts for the taxpayers and should be considered.

Your Taxpayers Association will continue to work closely with legislative leaders to ensure the promise made to Taxpayers five years ago is kept and that the money collected from online retailers is used to cut taxes. This is a key principle of taxation: broadening the base and lowering the rate. Utah's sales tax base has now been broadened because of the Supreme Court action, the rate now needs to be lowered to ensure taxpayers in Utah see the benefits.

## Guest Commentary: A Vote for Prop 3 - Medicaid Expansion Will Bring Unexpected Costs to Utahns



Sen. Dan Hemmert (R – Orem)

Imagine you've decided to make a necessary major household purchase, like a new car. Let's say you find a vehicle that suits your family, so you sit down with the car dealer to finalize terms. You ask the total price, how much the payment will be, and the term of the loan. You are told that the dealership cannot tell you an exact price or a precise monthly payment, but the term of the loan will be "from now on." Would you buy that car on those terms?

Last session the Utah Legislature passed a Medicaid expansion measure that includes cost controls and limits enrollment. It establishes clear and reasonable eligibility rules and gives us options should the costs exceed our means.

For our friends on the left, many of whom do not reside in Utah, this was not enough. As a result, Utah voters will vote this November on whether to enact full Medicaid expansion as dictated by the "Affordable Care Act" (Obamacare), instead of Utah's more tailored approach.

Obamacare Medicaid expansion includes no cost or enrollment circuit breakers, and once we are in, we will never get out. The "term of the loan" is indefinite. Our decision will determine our future ability to fund vital state needs like education, transportation and public safety.

I understand why Medicaid expansion might appear appealing to some. It is in Utah's "DNA" to want to lend a hand to those in need, it has been since the days of the pioneers. None of us wants that to change. Most proponents of Medicaid expansion may have the best of intentions; what they don't have is the best grasp on fiscal reality.

Our "Utah style" limited Medicaid expansion is designed to help those truly in need, while protecting taxpayers from excessive, budget-breaking costs. Under Proposition 3, all of that flexibility vanishes in favor of a "top-down, one size fits all", Washington, DC-style plan.

Since 32 states have chosen to expand Medicaid under federal mandates, we can examine their track record.

Here's what we know:

- In every expansion state, both enrollment and cost estimates have been woefully inaccurate; reality has sometimes doubled projections, which this means costs far outstrip the state funds budgeted.

- 82% of new enrollees have turned out to be childless, able-bodied adults, mostly unemployed. 55% do not work at all.

- The promised benefits—fewer uninsured, far less uncompensated care, reduced emergency room utilization, vastly improved

health outcomes –materialize marginally or not at all.

- Because of federal reimbursement formulas, the very people most of us really want to help – the chronically ill, seniors in need of long-term care, and individuals with physical or developmental disabilities - actually end up at the back of the line behind thousands of childless, unemployed adults! Nationally more that 600,000 such people are currently denied the care they need in favor of millions of new, able-bodied adult enrollees.

Medicaid is a broken system; doubling down on a broken system is foolish. Utah's share of expenditures will only grow. In 2000, Utah spent \$774 million on Medicaid; \$127 million of that was Utah's share, or 11.8% of Utah's budget.

In 2016, the most recent year for which we have complete data, Utah's total Medicaid expenditure was \$2.5 billion, a whopping 229% percent increase in Medicaid alone. Utah's share increased to \$893 million, a 603% increase since 2000. And that was *without* Medicaid expansion under Obamacare as proposed in Prop 3.

Medicaid currently absorbs 18.7% of Utah's General Fund budget. How much more can we afford without more tax hikes or major cuts in services? If it goes to 40%? That is happening in other states. So what are we willing to cut, or which taxes are we willing to raise, to pay for it?

This legislature has sometimes been criticized for its reluctance to grow state government, for demanding that we "pay as we go". But as a result, Utah is among the most fiscally sound states. It's been said, "It is easy to identify the Blue states – just look for all the red ink." Utah has avoided that pitfall by adhering to principles of fiscal prudence.

# Per-Pupil Spending Disparity Continues to Grow, According to Utah Taxpayers Association School Spending Report

Utah's public education funding system disparity continues to grow, according to the Utah Taxpayers Association's 2018 School Spending Report.

The annual School Spending Report details expenditures per student, as well as salary information and tax rates of the 41 school districts in Utah. It also compares the expenditure and salary data of charter schools across the state, with the exception of six that were in the process of opening during FY 2017.

The smallest school district by enrollment, Daggett School District with only 163 students in its system, spends more than \$24,000 per student, the highest amount spent in the state. This is primarily due to the second highest assessed valuation in the state, at \$1,582,158. In addition, Daggett County School District only levies a total tax rate that is 58% of the statewide average.

Let's compare that to Nebo School District (enrollment of 32,809), which has the lowest per-pupil spending the state, at only \$7,454. Meanwhile, their tax rate is 143% of the statewide average, minus the basic statewide levy. The statewide district average for per-pupil spending is \$8,725.

Utah's highest assessed valuation goes to Park City, which has \$2.7 million in valuation per student, and only

needs to levy 44% of the statewide average tax rate. Utah districts' average assessed valuation is \$634,116.

Park City School District also pays their teachers more than any other district in the State, on average, at \$61,375. Also, 92% of the district's revenue comes from local property taxes compared to a 41% state average, demonstrating the severe disparity in education for a child based solely on the zip code in which they live.

To make this point even more transparent, Tooele can afford to pay their teachers, on average, \$45,088. Tooele also has one of the highest tax rates that is 140% of the statewide average, and requires 54% of their funding come from the state.

This year's School Spending Report also contains information on how much your school district spends on construction of buildings, student to teacher ratio, and tax rates used for operation and debt.

You can view the School Spending Report by [clicking here](#).

## Association Accomplishments During August:

- ❖ Completed and released the annual School Spending Report
- ❖ Participated in the Legislative Revenue and Taxation Interim committee meeting
- ❖ Spoke at multiple local Truth-In-Taxation meetings against tax increases
- ❖ Hosted discussion with business leaders to pinpoint and prioritize tax issues for the 2019 Legislative Session

### In the News

- ❖ Weber County Elected Officials Vote for Big Benefits for Themselves
  - [Golden Parachute for Elected Officials in Weber County](#): KSL
- ❖ Carbon Tax
  - [Utah Can't Afford Another Energy Tax](#): Salt Lake Tribune