



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Utah's Property Tax Truth In Taxation Law Is Threatened At Home While It Becomes A Model For Other States

Utah's Truth in Taxation (TnT) law has been a shining example for the nation, and has saved Utah taxpayers billions in property taxes since it was enacted in 1985. Since its passage, Utah taxpayers have been protected against rampant and runaway property taxes resulting from government overspending while other states continue to crank their property tax burden higher and higher. Unfortunately, local taxing entities and a few legislators are conspiring to gut the taxpayers protectionism in the law at the same time a conservative group of state legislators makes Utah's TnT model legislation.

TnT provides the needed sunshine and transparency into the process of proposing property tax hikes by keeping taxing entities accountable to their taxpayers. Legislative bodies and local taxing entities are required to go before their taxpayers through a dedicated public hearing and make their case to increase property taxes over what they received the previous year plus new growth (new rooftops). Surprisingly, no taxing entity is restricted in the amount they can raise taxes each year. There is no prohibition against taxes being raised. They simply have to do it in the open and try to justify to their taxpayers why the increase is needed. Since the passage of TnT, Utah's rank among the fifty states for highest property tax burden has dropped from 24th to 36th in the nation. Even still, Utah's property tax revenue has grown faster than inflation and population over the last thirty years.



President
Adams

Senator
Henderson

This year at the American Legislative Exchange Council (ALEC) Annual Convention, attendees were briefed by Utah Senate President Stuart Adams and Senator Deidre Henderson regarding Utah's unique and protective property tax system. Following their presentation, ALEC adopted Utah's Truth in Taxation law as model legislation and urged other states to follow suit. ALEC recognized that Utah's TnT law "provides a solution to taxpayer unrest from ever-increasing property taxes".

Despite the enormous success of TnT, there has been a constant drumbeat to erode and destroy them. Virtually every year before the legislative session, during the legislative session and throughout the year there are efforts to erode or even wipe out TnT. Some elected officials claim that the process is "too hard" and plead for relief from having to step into the light and make their case to taxpayers.

The common theme is to build automatic "inflationary" raises so that elected officials can avoid facing the music and put annual property tax hikes on autopilot. Another tactic is to "freeze" the rate so that when property values increase property taxes rise instead of having the rate float down, which it does under TnT to offset the increased values and result in the same amount of taxes being collected. Both tactics strike at the heart of the TnT law and would make it meaningless.

Upside Versus Downside

One other factor that proponents of changing TnT seem to forget is the stability that Truth in Taxation provides to property tax revenues. When sales taxes and income taxes are plummeting in bad economies, because of

the way TnT works, property tax revenues are held steady. For example, in the great recession of 2008 to 2010, income tax revenue in Utah dropped 19% and sales tax revenue dropped by 24%. Meanwhile, property taxes held perfectly steady, saving the bacon of counties, cities and school districts that rely on property tax revenue. Property taxes held steady because under TnT, the certified tax rate guarantees a taxing entities previous years property tax revenue plus new growth. So, it would be wise to remember that since there is no downside in bad economies for the property tax collected by taxing entities, requiring sunshine and transparency for the ability to raise it makes perfect sense.

As the 2020 legislative session approaches your Utah Taxpayers Association will once again be watching closely to make sure policy makers don't destroy the best property tax system in the nation by trying to "freeze" the rate to sneak in automatic tax increases under the guise of inflation or a desire to avoid public scrutiny and sunshine.

My Corner: Utah's Ugly Little Secret about Public Education Funding

Last month in this column I wrote in some detail about why Utah's 51st ranking in K-12 school spending per student is a [flawed metric](#).

Utah School District Financial Data (FY 2017-2018)

| A | Per-Student Spending | | | School Property Taxes | | | | | | |
|------------------|-------------------------|--------------------|----------------|--------------------------------|---------------------------------|------------------------------------|---|------------------------------------|--|---|
| | B | C | D | E | F | G | H | I | J | K |
| School Districts | October 2018 Enrollment | Total General Fund | Total Spending | Assessed Valuation per Student | M&O Tax Rate (Board/Voted Levy) | M&O Tax Rate as % of State Average | Debt Service Tax Rate (GO Bond/Capital) | Debt Service as % of State Average | Property Tax Rate (minus .001666 statewide basic levy) | Tax Rate minus basic levy as % of State Average |
| Alpine | 79,748 | \$6,272 | \$8,218 | \$302,308 | 0.002224 | 79% | 0.003074 | 121% | 0.005367 | 99% |
| Davis | 72,263 | 6,961 | 9,276 | 309,817 | 0.002741 | 97% | 0.003224 | 127% | 0.006035 | 111% |
| Granite | 64,281 | 7,871 | 8,987 | 401,768 | 0.003434 | 122% | 0.002625 | 104% | 0.006156 | 114% |
| Jordan | 54,865 | 6,141 | 8,667 | 365,751 | 0.001849 | 65% | 0.002835 | 112% | 0.004835 | 89% |
| Canyons | 34,134 | 7,755 | 9,922 | 587,940 | 0.002796 | 99% | 0.001900 | 75% | 0.004769 | 88% |
| Nebo | 33,117 | 6,564 | 7,858 | 254,738 | 0.002927 | 104% | 0.004397 | 174% | 0.007426 | 137% |
| Weber | 32,171 | 6,686 | 8,323 | 323,038 | 0.002047 | 72% | 0.002524 | 100% | 0.004641 | 86% |
| Washington | 31,074 | 6,635 | 9,268 | 501,317 | 0.002322 | 82% | 0.002615 | 103% | 0.004998 | 92% |
| Salt Lake | 22,401 | 9,620 | 11,206 | 1,017,344 | 0.002458 | 87% | 0.001302 | 51% | 0.003834 | 71% |
| Cache | 18,270 | 7,334 | 8,922 | 257,937 | 0.002693 | 95% | 0.003425 | 135% | 0.006173 | 114% |
| Tooele | 16,903 | 6,256 | 7,698 | 261,690 | 0.003600 | 127% | 0.004812 | 190% | 0.008533 | 158% |
| Provo | 16,165 | 7,666 | 11,223 | 374,220 | 0.002776 | 98% | 0.003045 | 120% | 0.00591 | 109% |
| Box Elder | 11,770 | 6,853 | 8,902 | 346,916 | 0.002912 | 103% | 0.003121 | 123% | 0.006109 | 113% |
| Ogden | 11,553 | 8,340 | 10,067 | 354,266 | 0.003235 | 114% | 0.002939 | 116% | 0.006375 | 118% |
| Iron | 9,395 | 6,791 | 7,922 | 487,734 | 0.001789 | 63% | 0.002859 | 113% | 0.004705 | 87% |
| Uintah | 7,069 | 7,747 | 9,098 | 686,127 | 0.002519 | 89% | 0.003299 | 130% | 0.005938 | 110% |
| Wasatch | 7,040 | 8,786 | 11,188 | 763,180 | 0.003599 | 127% | 0.002734 | 108% | 0.006385 | 118% |
| Murray | 6,264 | 7,775 | 8,549 | 578,334 | 0.002621 | 93% | 0.001554 | 61% | 0.004219 | 78% |
| Logan | 5,569 | 7,823 | 9,936 | 434,954 | 0.003908 | 138% | 0.003567 | 141% | 0.007667 | 142% |
| Duchesne | 5,142 | 7,533 | 15,798 | 507,189 | 0.003194 | 113% | 0.004085 | 161% | 0.007322 | 135% |
| Park City | 4,780 | 13,851 | 15,320 | 3,026,544 | 0.002336 | 83% | 0.000328 | 13% | 0.002703 | 50% |
| Sevier | 4,538 | 7,701 | 8,984 | 305,878 | 0.002971 | 105% | 0.003039 | 120% | 0.006039 | 111% |
| Carbon | 3,484 | 8,919 | 10,396 | 524,033 | 0.003857 | 136% | 0.002360 | 93% | 0.006404 | 118% |
| S. Sanpete | 3,268 | 8,267 | 9,691 | 194,662 | 0.003150 | 111% | 0.004797 | 190% | 0.007976 | 147% |
| Morgan | 3,178 | 5,592 | 10,220 | 373,152 | 0.001986 | 70% | 0.004378 | 173% | 0.006381 | 118% |
| Millard | 2,916 | 10,521 | 12,008 | 883,687 | 0.003089 | 109% | 0.001793 | 71% | 0.004891 | 90% |
| San Juan | 2,876 | 13,196 | 14,311 | 273,727 | 0.003272 | 116% | 0.002831 | 112% | 0.006116 | 113% |
| Juab | 2,587 | 7,032 | 8,521 | 380,070 | 0.002815 | 100% | 0.004221 | 167% | 0.007080 | 131% |
| N. Sanpete | 2,471 | 8,267 | 11,893 | 299,239 | 0.003189 | 113% | 0.002413 | 95% | 0.005622 | 104% |
| Emery | 2,181 | 11,262 | 11,720 | 898,763 | 0.003677 | 130% | 0.000453 | 18% | 0.004155 | 77% |
| S. Summit | 1,694 | 10,008 | 10,372 | 1,192,272 | 0.002886 | 102% | 0.001500 | 59% | 0.004425 | 82% |
| Beaver | 1,527 | 9,545 | 11,074 | 1,042,199 | 0.002349 | 83% | 0.002274 | 90% | 0.004632 | 86% |
| Grand | 1,520 | 10,465 | 11,778 | 1,141,739 | 0.002719 | 96% | 0.002791 | 110% | 0.005569 | 103% |
| Kane | 1,269 | 11,117 | 11,745 | 1,078,065 | 0.002574 | 91% | 0.000928 | 37% | 0.003513 | 65% |
| N. Summit | 1,044 | 10,397 | 12,276 | 1,179,665 | 0.002637 | 93% | 0.001427 | 56% | 0.004082 | 75% |
| Garfield | 899 | 11,075 | 12,376 | 722,039 | 0.004260 | 151% | 0.000557 | 22% | 0.004829 | 89% |
| Rich | 507 | 14,570 | 15,672 | 1,718,229 | 0.002431 | 86% | 0.000550 | 22% | 0.002988 | 55% |
| Wayne | 444 | 12,554 | 13,133 | 760,532 | 0.001780 | 63% | 0.001080 | 43% | 0.002876 | 53% |
| Piute | 273 | 17,093 | 19,642 | 467,262 | 0.002000 | 71% | 0.001838 | 73% | 0.003838 | 71% |
| Tintic | 226 | 16,727 | 17,871 | 272,368 | 0.003888 | 120% | 0.002702 | 107% | 0.006120 | 113% |
| Daggett | 178 | 21,137 | 24,519 | 1,813,608 | 0.002854 | 101% | 0.001580 | 62% | 0.004434 | 82% |
| DISTRICT | 581,054 | \$7,286 | \$9,249 | \$674,739 | 0.002826 | 100% | 0.002531 | 100% | 0.005416 | 100% |
| CHARTER | 78,300 | \$6,470 | \$9,263 | | | | | | | |
| STATE | 659,354 | \$7,189 | \$9,251 | | | | | | | |



I explained that one of the reasons Utah's education lobby continues to repeat the misleading 51st ranking is to ensure the public and policymakers aren't focused on Utah's ugly little secret which, when exposed, screams for correction.

Utah's "educrats" don't want us to know that the disparity in per student funding among Utah's school districts is as great as the disparity in funding among the 50 states.

Inequities in Spending Per Student are Undeniable

As can be seen from the accompanying chart titled Utah School District Financial Data, per pupil spending varies widely among Utah school districts of similar size. What can possibly justify significant disparities in spending per student by districts of similar size?

Here are examples of General Fund spending per student (column C) contrasting pairs of districts with similar enrollments: Millard \$10,521, Morgan \$5,592; Park City \$13,851, Sevier \$7,701; Salt Lake \$9,620, Tooele \$6,256. Scanning down the column raises

questions about why there are such gross inequities in funding per student.

While there are many factors affecting these disparities in per student funding, the most significant is demonstrated in Column E, Assessed Valuation per student or the property tax base per student. The average assessed value per student statewide is \$674,739. Park City's is \$3,026,544, nearly five times the state average and Salt Lake City's is \$1,017,344. Compare that to Tooele's assessed value per student of just \$261,690, which is 39% of the state average and just 8.6% of Park City's.

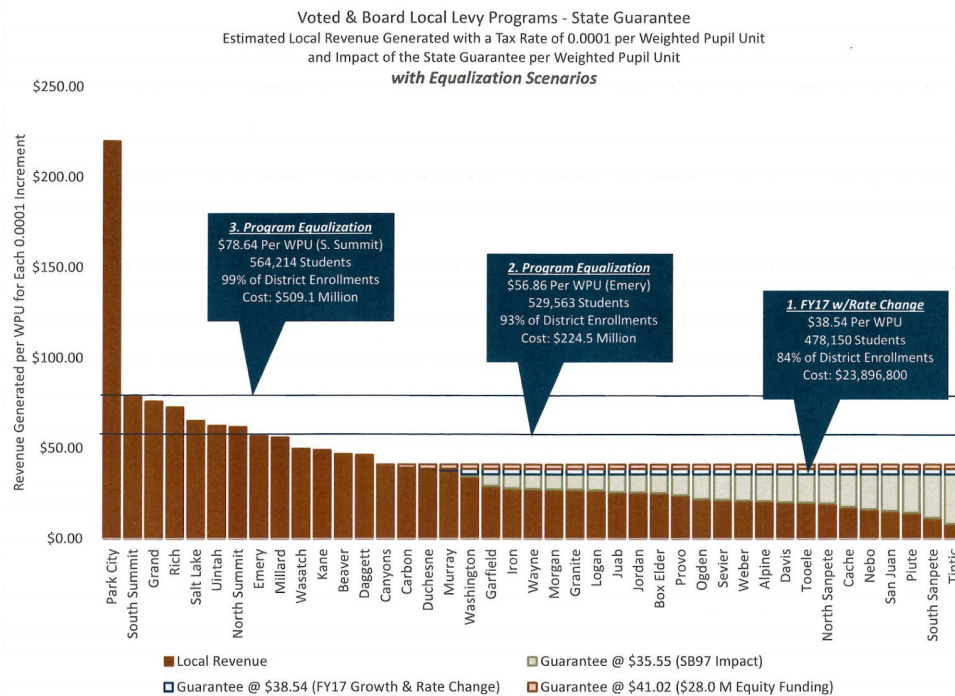
When it comes to tax rates, the disparities in school property tax burdens perpetuated by legislative failure to equalize more broadly are striking: Park City's tax rate is just 50% of the 41 district average while Tooele's is 158% (Column K). Poor districts tend to have higher tax rates while property taxpayers in rich districts generally enjoy lower tax rates. Equal treatment of school children across the state demands that tax effort yields similar funding per student, but it does not.

Current Status of Property Tax Equalization

The brown bars on the Voted & Board Local Levy chart demonstrate the tax yield per student in each district for one single tax increment (one increment is equal to 0.0001 on the School District Financial Data Chart). As can be seen, Park City's tax yield per increment is approximately ten times the average of the 41 districts. This

is why Park City can spend nearly twice as much per student while imposing just half the state average school district tax rate.

The shaded space above the brown on the right portion of the bar chart represents the amount of equalization which has been achieved so far. This has been accomplished by the legislature without the support of Utah's school districts. The biggest recipients of the \$164 million for property tax equalization are the large urban districts with low tax base per student: Alpine \$33.3 million, Cache \$10.6 million, Davis \$35 million, Granite \$17.1 million, Jordan \$9.5 million, Nebo \$15.3 million Tooele \$10.7 million, and Weber \$9.6



million. [\[Click here for a complete list by district\]](#)

The equalization effort going forward is two fold: First, to equalize all local school Voted and Board property tax effort, not just the first 20 increments as is currently the case. Some of the lowest tax base districts are levying nearly 40 increments but are only equalized for the first 20. Second, the legislature should increasingly equalize the property tax yield per increment until the state reaches the second place district. (It would be politically impossible to equalize the yield per increment at the same level as Park City.)

Who's Looking Out for Kids?

When was the last time you heard a single public education advocate, elected school board member, superintendent, or school business administrator mention the savage inequalities in per student funding among Utah's 41 school districts, much less hear them call for correction to these wrongs?

Who's looking out for the school children in low funded districts who have too many less than acceptable teachers because their district repeatedly sees its best teachers poached by better funded districts? And who would blame the most effective teachers in these financially strapped districts for leaving their district for an instant \$8,000 raise plus better benefits?

Working Toward Equity

In 2009 I sponsored a bill which would have pooled the local property taxes levied by each district and distributed it back equally per student depending on the tax rate imposed by each district. Collectively, the State School Boards, Superintendents, and Business Administrators Associations opposed my bill. Fortunately, they had a better plan: take one-third of the annual growth in income tax revenues which would otherwise be allocated for the Weighted Pupil Unit student funding formula and use it for equalization of local property taxes so that over a decade or so, all districts would be generating the same number of dollars per student from their local property tax effort.

Unfortunately, as I and other legislators including Senator Aaron Osmond and later Senator Lincoln Fillmore sought legislation to implement this proposal, collectively, the State School Boards, Superintendents, and Business Administrators Associations opposed the very solution they had proposed! And they continue to oppose further equalization unless taxes are raised to fund it.

Three years ago as I worked as a Senator to convince those districts which had the most to gain into supporting expanded equalization, I spoke at the Capitol with Alpine School Superintendent, Business Administrator and a Board Member, asking why they opposed the equalization I was trying to give them. Without their support, our equalization efforts had already provided Alpine Schools with \$33 million more annually than their local property tax rates had generated. I was urging them to support my proposal to get Alpine equalization funds to approximately \$100 million annually over several years as the legislature hopefully equalizes all local property taxes to the level of the second richest district in Utah. Frustrated by their excuses that they didn't want to create discord with the better funded school districts, I asked them, "What if your teachers knew you were fighting our proposal to give Alpine \$77 million more to ensure your ability to hire and retain great teachers? What if district parents knew you were turning away the equalization funds we're fighting to get for you? What if district taxpayers knew your next property tax hike would be absolutely unnecessary because you're getting as much as other districts from the taxes you're already imposing on property owners in the district?"

Their response was like something from the Twilight Zone. Following my series of questions, Alpine District officials' wrote to Senate President Wayne Niederhauser describing my encounter with them and demanding the Senate censure Senator Stephenson for bullying them.

Ironically, the following year Alpine School District brazenly raised property taxes, disregarding the advice of your Taxpayers Association.

Most people are incredulous when they hear this. I'm sure readers are thinking there must be more to explain logically why almost all of the lowest funded school districts in the state are not only refusing to support this legislation to overcome these gross inequities, but are actually joining with the well-funded districts in actively opposing equalization.

I have learned, after fighting this equalization battle for nearly two decades, that most of Utah's local school district officials are more concerned about their relationships with their colleagues in other districts who shame them if they speak out and violate the cabal's rule of silence, than they are about having resources to better serve their own kids. If space permitted I could provide specific examples of how and when this shaming has occurred. The bottom line is that school officials feel more pressure from their colleagues who know about the equalization proposals than they do from district patrons, teachers, parents and taxpayers who know nothing

about their own district officials turning away funds. Similarly, too many legislators turn a deaf ear to the equalization proposals because their own districts are fighting against them.

Isn't it time we convince local school officials to put their own students, teachers, and taxpayers ahead of their desire not to upset their colleagues in wealthier districts?

Tax Task Force Examined Increasing the Gas Tax, Road Usage Charge, and Earmarks for Transportation as it Closes in on Recommendations

As the Tax Restructuring and Equalization Task Force moves toward the finishing line of recommending what Utah's tax reform should look like, in September, they took a deep dive into Utah's transportation budget and how it is funded.

With \$1.74 billion appropriated in FY 2020 to statewide transportation, it's important to understand how roads and other modes of transportation are funded.

Interestingly, Utah's Constitution mandates that the proceeds of any tax, fee, and other charges related to the operation of motor vehicles on public highways must be used for highway purposes, with few exceptions. These taxes and fees include the motor fuel tax (gas tax), the special fuel tax (mostly diesel fuel), and motor vehicle registration fees.

Utah's Department of Transportation (UDOT) receives funding from two primary funds, the Transportation Fund (TF) and the Transportation Investment Fund (TIF).

First, The Transportation Fund (TF) revenue is used exclusively for highway purposes, as prioritized by the Utah Transportation Commission. This commission meets regularly to determine and order the greatest transportation infrastructure needs in the state. The Transportation Fund primarily funds maintenance projects on state highways. This fund is financed heavily by the gas taxes paid at the pump.

UDOT told the Task Force that the Transportation Fund, which is used primarily for maintenance and operation of existing state roads and is roughly \$534 million in FY 2020.

Meanwhile, the TIF is used to pay for the creation of new state roads, as deemed by projects prioritized by the Transportation Commission. The TIF has appropriated \$622 million in FY 2020.

However, UDOT told the Task Force that the 2019 Unified Plan for Transportation, which is created by UDOT, the Wasatch Front Regional Council, and Mountainland Association of Governments,, shows from 2019 to 2050, Utah will need to invest a total of \$109.7 billion into transportation in order to keep up with population growth and expanding housing across the state.

Based on current revenue projections and funding sources, roughly \$74 billion of that would be funded, leaving a gap of \$35.4 billion from now until 2050. Keep in mind, Utah's sales tax already funds transportation projects to the tune of more than \$600 million each year. Generally, using sales tax to pay for roads is poor fiscal policy. Your Taxpayers Association has long held that it is best to keep the connection between the items being taxed and how government uses the tax as close as possible. In prior years, the Legislature has created sales tax earmarks for transportation, without regard to possible consequences of such actions. Placing sales taxes into road funding is an easy out to increasing road funding without technically calling for a direct tax increase. All in all, there are earmarks for transportation that total \$644 million for FY 2020.

In addition, the Task Force examined the possibility of raising the gas tax in order to make the sales tax available for General Fund purposes.

Raising the gas tax, while sound tax policy, cannot be entirely relied on, the Task Force was told. As vehicles become more fuel efficient, they are consuming less gas, therefore paying less into the system. Construction costs for transportation are also increasing, according to UDOT. The average annual growth rate for the gas tax from 2003 is 1% per year. Compare that to the 7% annual growth rate in construction cost over that same time period.

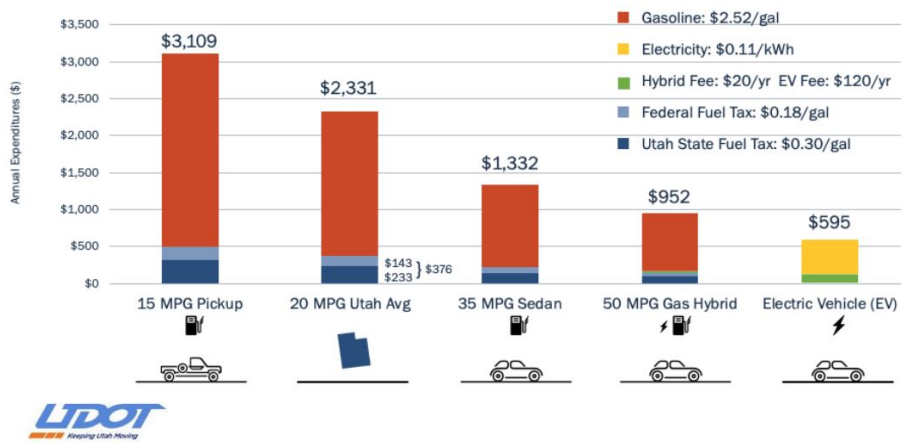
If the Legislature opted to raise the gas tax, which is tied to the consumer price index currently, revenue would increase by \$90 million for every 5 cents that it was increased by.

Another option that was presented to the Task Force, perhaps in tandem with increasing the gas tax, was Utah more fully adopting a road usage charge (RUC). RUC is essentially paying for the mileage you drive within the state, rather than the gas tax. The Utah Taxpayers Association's Vice President Rusty Cannon serves as a member of the Road Usage Charge Committee, organized by UDOT. This committee is investigating ways to implement RUC statewide over the coming years.

Utah is already implementing a voluntary RUC program, geared towards vehicles that do not pay into the transportation system (electric vehicles, primarily). In fact, according to UDOT, electric vehicles only pay a total of \$595 in annual costs, which includes electricity and a \$20 hybrid fee. Compare that to a vehicle that averages 20 miles per gallon (the statewide average), which pays \$376 annually into the transportation

system, plus all the additional costs associated with vehicle ownership, for a total of \$2,331.

Total Annual Costs for Typical Utah Drivers



RUC does have its challenges, even though it would directly tie the user of the system into paying for it and is significantly more sustainable than other methods. The Task Force noted that concerns over privacy and technology may not make RUC widely available in the near future, but ought to be looked into as being part of the long-term plan for funding roads.

If Utah were to move entirely to a RUC-funded model, it could generate 1.7 cents per mile, or \$363 million for all state highways, \$200 million for interstates, and \$131 million for urban interstates.

The Task Force discussed other options including tolling on state roads (generate \$1 billion if implemented on all state roads), enacting a carbon tax (your Taxpayers Association remains firmly opposed to this option), and increasing registration fees for vehicles.

Expect conversations to continue on transportation funding, considering Utah's growth and the strong earmarks and funding gaps associated with it.

Utah Taxpayers Association Takes Positions on November Bond Proposals

Each year, your Utah Taxpayers Association reviews all of the various bond proposals floated by taxing entities around the state. Passage of General Obligation bonds can significantly affect property taxes within the entities proposing the bonds for typically 15 to 20 years. Bonding is an appropriate way to finance capital projects for essential public facilities but Utah law requires a public vote to determine just how 'essential' the proposed facilities are. State General Obligation bonds require concurrence of a majority of each house in the legislature and the Governor's signature. Because the bonds require a vote of the people, taxes to retire bonds are not subject to Utah's Truth-in-Taxation law.

Years ago, taxing entities could propose special elections throughout the year to seek voter approval of bonds. However, your Taxpayers Association was successful over the years in limiting the dates with the final result that ballot questions for bond elections can now only be held during regular November general (even numbered year) and municipal (odd numbered year) elections

Your Taxpayers Association is often approached by many of the entities seeking bond approval so they can present and discuss their situation and plans with us and get our support. In other cases, we contact them ourselves and gather the data that we need to form a position. In many cases Taxpayers Association staff tours existing facilities to help evaluate needs.

Here is the list of 2019 bond proposals on which the Association has taken a position of Support, Neutral, or Opposed:

Support

- Tooele School District- \$190 MM proposal to construct a new high school, junior high and elementary school as well as security upgrades. Tooele is seeing significant growth in housing and population and that is forecast to continue well into the future. In fact, Tooele School district is one of the fastest growing school districts in the nation. More facilities are needed to accommodate this growth. For more than a decade, Tooele School Board has agreed to use the most cost-effective construction methods to ensure taxpayers are not paying for unnecessary frills.
- South Summit School District- \$87 MM proposal to construct a new high school. The surrounding area is seeing robust growth in addition to the nearby Heber Valley. In order to avoid overcrowding and provide for the continued growth a new facility is needed. The old high school will remain in use for the junior high. Voters rejected a similar bond proposal two years ago in spite of support from your Taxpayers Association. The School Board has committed to follow the most cost-effective construction methods in order to avoid unnecessary costs.

Neutral

- Provo School District- \$245 MM proposal to repair about 90% of Timpview High School that is suffering from some shifting and movement under the school, and rebuild Dixon, Wasatch and Westridge Elementary Schools, as well as security upgrades for 10 schools. Although the proposal has a large price tag, we visited Timpview High School to get a look at the shifting and movement damage and view it as a problem that may need to be corrected in the future in order to make the school safe. The building is not currently unsafe for occupancy.

