



# The Utah Taxpayer

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World Renowned Economist Addresses 2002 Utah Taxes Now Conference

## Utah's High Taxes Reduce Growth

If Utah wants to make it through its current tough economic times and ensure sustained economic growth, it must avoid tax increases at all costs, according to Dr. Richard Vedder, Ohio University Economist who spoke at the Utah Taxpayers Association's annual conference on May 17.

"The evidence is overwhelming that you will be a more prosperous people if you allow the private sector lots of freedom and minimize the cost and scope of government and the taxes levied to finance it," Vedder said. "States that tax their citizens highly have lower rates of economic growth as a consequence of taxation."

### Low-tax vs. High-tax States

Looking over the 40 year period 1957 to 1997, Vedder compared the growth in real per capita income of the 10 highest-taxed states with that of the 10 states with the

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lowest tax burdens. The growth in the high tax states averaged 115%, compared with 138% in the states with the lowest tax burden. That extra growth in the lower tax states amounts to about \$8,000 greater annual income by the end of the period for a typical family of four. Moreover, population growth tends to be greater in states with lower taxes, so total personal income over time rose on average more than twice as much in the low tax states as

opposed to high tax states.

Citing specific examples, Vedder explained that neighboring states Kentucky and Tennessee are very much alike with diverse economies. Historically, income per person was somewhat higher in Kentucky. In 1957, the tax burden was lower in Kentucky than in Tennessee. Over time, Kentucky aggressively raised taxes, particularly on income, while Tennessee did not — not even implementing a personal income tax. By 1997, state and local taxes were 25% larger as a percent of income in Kentucky compared with Tennessee. Yet Kentucky, which had 5% higher per capita income than Tennessee in 1957, now has 10% lower income per person.

Vedder also compared sun belt states Florida and California. In 1957, income was higher in Florida, but over the next 40 years the differential largely disappeared.

*(Continued on page 3)*

## Leavitt: Invest More in People, Less in Capital

At the 2002 Utah Taxes Now Conference, Governor Micheal Leavitt said, "Utah's current tax structure is not aligned with Utah's new economy and significant changes need to be made". The Governor also emphasized the importance of marketing the "Utah brand" and addressed recent budget shortfalls.

Leavitt maintained that Utah's tax structure needs to be overhauled because the economy has changed. Leavitt mentioned that the State loses more than \$100 million per year in sales tax revenue due to remote sales, a figure that is expected to increase dramatically every year as Utahns purchase more items on-line. Leavitt also pointed out that Utah's economy, like the rest of the nation, is becoming more service-based and less manufacturing-based. The Governor also emphasized that the state's reliance on capital gains tax revenue, a one-time revenue source, to finance on-going projects

has contributed to the FY2002 and FY2003 shortfalls.

Leavitt stated that Utah needed to decide whether an asset-based investment strategy or a human-based strategy would be pursued. Should Utah invest in people or equipment? "Our primary investment, given the nature of our economy, should clearly be made in people. This is a new economy, one driven by brainpower, not brawn", the Governor stated. The Governor criticized the current tax structure that creates incentives to further capital investment alone.

Leavitt criticized Utah's current policy of subsidizing water development and operation through property tax revenue instead of user fees. Utahns use more water per capita than virtually any state in the country, probably because Utah water rates are among the lowest in the country. "I don't understand the logic of subsidizing what we have a severe shortage of - water -

and the undersupporting of something we have an abundance of - children".

Other than mentioning water subsidies and the need for protecting public education, Leavitt did not specifically detail how Utah should divert investments from capital to people. Many members of the audience wondered if the Governor intends to revisit the manufacturing sales tax exemption.

Leavitt also discussed the budget shortfalls for FY2002 and FY2003. He said three factors have contributed to the nearly \$400 million shortfall in FY2002 and \$173 million shortfall in FY2003. First was the aforementioned lack of alignment between Utah's new economy and the current tax structure. Second was the volatile revenue sources, particularly capital gains income (and also corporate franchise tax income). Third was the national economy which has officially been in recession since March 2001.

# My Corner

By Howard Stephenson

During the last five months the Utah Legislature successfully resolved a revenue shortfall of nearly \$400 million in the 2002 state budget (which ends June 30), without a tax increase. This is a huge difference from the tax increases of the 1986 legislature. The state faced a similar economic downturn sixteen years ago but the legislature solved the budget shortfall in part with a \$202 million tax increase.



Mr. Stephenson

In late June and early July the legislature is planning to meet in a special session to solve a projected 2003 budget shortfall of \$173 million. Utah's education community is already expressing concern about potential cuts in public education funding. Some districts have announced that if education is to receive its proportionate 45% share of trimming, class sizes will have to increase significantly and hundreds of teaching positions will have to be eliminated.

But any predictions of drastic education cuts just don't add up, especially given the history of how the legislature dealt with education in the 2002 budget trimming. It could have been reasonably expected, since most of the \$400 million 2002 budget problem resulted from shortfalls in taxes earmarked for education, that most of the spending cuts would be made in the education budget. From another perspective, since public education comprises 45% of the state's combined education and general fund budgets, it could be reasonably expected that public education would receive 45% of the cuts.

But because the legislature was convinced that public education continued to be a top priority, the cuts in 2002 education spending amounted to approximately \$40 million, or just 10% of the total. Additionally, in addressing the ongoing revenue shortfall the 2003 education budget is down just 1.7% from the original 2002 budget.

## Ten Commandments of Economic Prosperity



Noted economist Dr. Richard Vedder shared 10 fiscal commandments for state governments that will help maintain or restore economic prosperity:

1. *Thou shalt keep taxes low.*
2. *Thou shalt reduce taxes on income and wealth.*
3. *Thou shalt keep marginal tax rates on income and wealth.*
4. *Thou shalt not engage in corporate welfare by giveaways to favored investors.*

5. *Thou shalt limit taxes and/or expenditures constitutionally.*
6. *Thou shalt be diligent and moderate in collecting and spending rainy day funds.*
7. *Thou shalt protect employees from extortion of their funds for political purposes..*
8. *Thou shalt privatize much of current expenditure of funds.*
9. *Thou shalt provide help to children, not schools, in promoting learning.*
- 10 *Thou shalt pay your public servants according to their contribution to prosperity.*

From the negative feedback and criticism legislators have received about these cuts from many in the education community, I don't think many educators have any idea how fortunate they were that the Utah Legislature is committed to holding education relatively harmless.

In fact, the past decade has shown the legislature to have been very generous with school funding. Since 1992, education funding has increased \$1 billion or 82% while student enrollments have increased only 6% and inflation has been just 32%. This has enabled Utah schools to reduce class sizes to just 20.7 students per teacher and has produced increases in teacher salaries and benefits, ranking Utah total teacher compensation highest of all six neighboring states.

Utah's 40 local school boards are currently in the process of setting budgets for the 2003 school year and many are talking about drastic cuts in teaching staff and increases in class sizes. One large district has suggested that it may have to reduce teaching staff by 8%. Observers wonder how a 1.7% cut in overall spending can translate into an 8% reduction in number of teachers. Districts claim that there are increasing costs of operations and maintenance. They're right, but these costs are not beyond their control.

One of the biggest yet little-known annual cost increases is the automatic

step and lane changes built into district salary schedules. These automatic pay raises are on top of the usual cost-of-living adjustments. Steps - which are given to all teachers who are not at the top of the salary schedule - typically increase salaries by 4% to 6% each year. Lane changes - which are given for advanced college education - typically range from 2% to 5%. These automatic increases add about \$20 million or more each year to education budgets and in lean years like these, cause class sizes to increase or other student-related services to suffer.

In these years of low inflation and revenue shortfalls, automatic pay raises are inappropriate. When you hear that no cost-of-living adjustments are being given this year, remember, it doesn't mean teachers are not getting pay raises.

### Waste Watch

The Department of Natural Resources (DNR) has been in the news lately for closing state parks to accommodate budget cuts amounting to about \$1 million. But while it's closing parks, the DNR is spending a boatload of money on equipment it won't need for nearly two years.

DNR this spring took bids for turf equipment to be used at the new Soldier Hollow Golf Course which is now under construction. The quarter million dollars of equipment will be purchased before July 1st and warehoused until the golf course is finished in either fall 2003 or spring 2004.

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# Utah's High Taxes Reduce Growth

(Continued from page 1)

While several factors were at work, California raised its tax burden more than Florida did. While the top rate on the state income tax in California reached over 9%, in Florida it remained zero.

Dr. Vedder said the examples abound: Illinois and Ohio, New York and New Jersey, New Hampshire and Vermont, Delaware and Pennsylvania. In each case, the state that raised their tax burden the least over time had the higher rate of growth in income.

## Utah an Exception?

"You might say that Utah is an exception to the rule," Dr. Vedder said, pointing to the fact that Utah has a very high aggregate state and local tax burden, ranking 9<sup>th</sup> in 1999 in total state and local taxes as a percent of personal income. Yet by most measures, Utah's economic growth in recent times has exceeded the national average. Vedder said the Utah situation proves that non-tax factors also impact economic growth. Utah is a state that has a fairly well educated population and in modern times knowledge-based skills have

commanded a larger premium in labor markets. Utah's tradition of intact families has produced comparatively lower welfare costs.

Still, taxes matter and Utah's growth would have been even greater had policymakers moderated taxes.

## Utah vs. Colorado

Dr. Vedder compared Utah and Colorado. In 1957, per capita income was 14% higher in Colorado than in Utah. Today, it is more than 34% higher. Typically, over time, income differentials narrow between states as capital migrates into low wage areas - but that did not happen with Utah compared with Colorado. In 1999, the typical citizen of Colorado paid \$14.53 less in state and local taxes of each \$1,000 earned than the citizen of Utah. For someone making \$50,000 a year, that translates into \$726. Whereas, Utah ranks 9<sup>th</sup> in overall tax burden, Colorado ranks 41<sup>st</sup>. Moreover, the two states took divergent paths over time. In 1977, the tax burden was actually significantly higher in Colorado than Utah. Over the next 22 years, the overall tax bur-

den fell rather sharply in Colorado, while it actually rose in Utah. Vedder explained that is a major reason why Colorado is considerably above the national average in income per capital, and Utah is below. Vedder said that by any measure Utah is rated as a generally unfriendly state from the stand point of earning and income, accumulation wealth, or operating a business. "Your tax and fiscal climate compares favorably with none of your neighbors." He cited five studies that either graded or ranked the states on their fiscal policies or more generally on their environment for business. Vedder converted all the rankings into letter grades. Utah's highest grade, from Boomburg and Beacon Hill was a so-so B-. The Small Business Survival Committee gave Utah a C-. The American Legislative Exchange Council gave Utah a D. The median of all studies is a C-. The median grade for Nevada and Wyoming is A and Colorado a B. Arizona rates a C+. Only Idaho does as poorly as Utah, with a C-.

## Truth-in-Taxation: Let it Be

Truth-in-Taxation is working exactly as it was intended according to former tax commissioner Mark Buchi. Buchi addressed the issue of protecting property taxpayers at the 2002 Utah Taxes Now Conference. Buchi discussed the various attempts in the recent past to dilute Utah's Truth-in-Taxation law and reviewed property tax bills from the 2002 legislature.

Buchi defended Utah's frequently misunderstood Truth-in-Taxation (TNT) law. The essence of TNT is notification, disclosure, and the elimination of automatic property tax increases. Prior to TNT's enactment, local governments received an automatic tax increase when property valuations increased. Taxpayer advocates had argued that local governments should not receive an automatic 12% revenue increase simply because property valuations increased 12%. Counties had been claiming that taxes were not increasing if the tax rate was not increasing even though the actual tax bill was increasing due to the increased valuation.

TNT corrects this problem in two ways. First, property tax rates are recalculated every year. As property valuations increase, the tax rate is reduced accordingly so that the local tax entity does not

receive an automatic revenue increase. Second, if the local tax entity wishes to increase the newly calculated rate, known as the certified rate, TNT requires the local tax entity to publicly disclose its intention to increase property taxes. The tax entity must then conduct a public meeting to discuss the increase. Buchi noted that local tax entities can still increase property taxes, but at least they must now go through the notification and hearing process. Buchi cited data showing that statewide property collections had been increasing 12% annually prior to TNT, but since then the growth had decelerated to 5.5%. Buchi's advice to policy makers regarding TNT was simply "Let it be".

Buchi also discussed two property tax bills addressed by the 2002 legislature: HB305 and SB84. HB305 was passed by the legislature to prevent counties from placing onerous disclosure requirements on primary residence owners. Utah grants a sizeable 45% property tax exemption for primary residences. Buchi stated that this exemption poses unique problems to assessors in counties like Summit and Washington since both counties have a large number of secondary residences located in neighborhoods that are com-

prised basically of primary residences. Consequently, counties have been requiring that property owners submit annual affidavits stating that the property serves as a primary residence.

HB305 permits counties to require primary residence affidavits only under certain conditions, such as when property ownership changes hands.

SB84 was an attempt to address the issue of non-certified "tax reps" providing services to property owners who believe their property appraisal is too high. Buchi noted that while the mass appraisal system used by counties to assess property valuations is very efficient and accurate, it is by no means perfect. Since a certified residential appraisal can cost more than \$500 and a certified commercial appraisal can cost thousands of dollars, many property owners are discouraged from contesting the assessor's valuation. Therefore, tax reps provide a valuable service by operating on a contingency fee basis instead of charging an upfront fee like certified appraisers.

The legislature did not pass SB84, but Buchi commented that tax reps play a major role in ensuring that valuations are accurate.

# Association Reviews 2002-03 Local Budgets

The Association annually reviews the budgets of local school districts, counties and the state's largest cities. To date, 14 school districts and one city indicate that they plan to increase property taxes. Members will receive Tax Alerts detailing property tax increases in their area.

Many school districts notified the Association that their final budgets will not be determined until the legislature meets in June to address the FY2003 budget shortfall. Therefore, additional school districts may be increasing property taxes. In the event that this does occur, the Association will advise its members.

**Layton City:** City officials are proposing an enterprise fund to improve the storm sewer utility. The fund would accrue money via a new user fee which is based on parcel size and amount of impervious surface area of parcel.

**Millard School District:** Last year, voters authorized the school district's recommendation of a voted leeway of .0004. This year, officials are proposing to raise taxes 5.92% to compensate for a loss on centrally assessed property valuation. Officials are also proposing to impose a new .0002 recreation levy. The existing rate increase plus the recreation levy would equal a tax increase of 9.78%.

**Cache School District:** Last year, school district officials maximized the voted leeway by increasing taxes .000097. This year, the district is planning to increase the 10% of basic to cover the \$600,000 shortfall. The proposal would have the following impact on a \$135,000 property: \$15 residential, \$27 commercial.

**Morgan School District:** Last year, the district imposed an increase of .000057 in the 10% basic, capital outlay and board leeway. This year, officials are proposing to increase the 10% of basic and capital outlay from .004963 to .005635. The funds from the increase would be put aside in a building reserve for building renovation, property purchases and new construction. The proposal would have the following impact on a

SCHOOL	PUBLIC				
	HEAR - ING	TIME	TAX HKE	COLA	HEALTH INS.
Alpine	6/18	6:00 PM	No	0.00%	10.70%
Beaver	6/4	2:00 PM	Yes	1.50%	14.00%
Box Elder	6/19	6:45 PM	No	0.00%	6.20%
Cache	6/20	7:00 PM	Yes	0.00%	15.00%
Carbon	6/18	5:00 PM	No	0.00%	0.00%
Daggett	6/12	7:00 PM	No	0.00%	6.00%
Davis	6/18	5:30 PM	No	0.00%	9.60%
Duchesne	6/13	7:25 PM	No	0.00%	0.00%
Emery	8/13	7:00 PM	Yes	6.00%	0.00%
Garfield	6/13	7:00 PM	No	0.00%	6.00%
Grand	6/19	6:00 PM	No	0.00%	10.00%
Grant	6/18	8:00 PM	No	0.00%	13.00%
Iron	6/18	6:00 PM	Yes	0.00%	13.07%
Jordan	6/11	7:00 PM	No	0.00%	16.00%
Juab	6/19	6:00 PM	No	0.00%	1.00%
Kane	6/21	6:00 PM	Yes	0.00%	6.00%
Logan	6/11	6:00 PM	Yes	TBA	TBA
Millard	6/13	6:00 PM	Yes	0.00%	14.40%
Morgan	6/18	6:00 PM	Yes	TBA	TBA
Murray	6/12	7:00 PM	Yes	0.00%	17.00%
Nebo	6/18	6:00 PM	No	0.00%	15.00%
North Sanpete	6/18	7:00 PM	No	0.00%	14.00%
North Summit	6/12	7:30 PM	Yes	1.00%	6.00%
Ogden	6/19	5:30 PM	No	0.00%	0.00%
Park City	6/19	7:00 PM	Yes	0.00%	13.00%
Piute	6/11	TBA	No	0.00%	6.80%
Provo	6/18	7:00 PM	Yes	TBA	TBA
Rich	6/19	TBA	No	TBA	TBA
Salt Lake	6/18	7:00 PM	No	0.00%	15.00%
San Juan	6/17	2:00 PM	No	0.00%	0.00%
Sevier	6/25	6:00 PM	Yes	0.00%	0.00%
South Sanpete	6/12	6:30 PM	No	0.00%	14.10%
South Summit	6/20	7:00 PM	No	0.00%	14.00%
Tintic	6/15	5:00 PM	No	3.00%	5.00%
Tooele	6/18	6:00 PM	No	0.00%	TBA
Utah	5/28	7:00 PM	No	0.00%	1.00%
Wasatch	6/13	7:00 PM	No	0.00%	1.00%
Washington	6/11	2:00 PM	No	0.00%	11.80%
Wayne	6/19	7:30 PM	No	0.00%	7.00%
Weber	6/12	6:00 PM	Yes	0.00%	15.00%
CITY	PUBLIC				
	HEAR - ING	TIME	TAX HKE	COLA	HEALTH INS.
Bountiful	6/11	7:00 PM	No	2.00%	10.00%
Layton	6/20	7:00 PM	Yes	4.50%	0.00%
Logan	NA	NA	NA	NA	NA
Murray	6/4	6:45 PM	No	3.00%	7.00%
Ogden	6/4	5:00 PM	No	2.00%	8.50%
Orem	6/4	6:20 PM	No	1.70%	15.00%
Provo	6/4	7:00 PM	No	1.00%	20.00%
Roy	6/4	7:00 PM	No	3.00%	28.00%
Salt Lake	5/21	TBA	No	3.00%	11.00%
Sandy	6/4	7:05 PM	No	4.00%	6.00%
South Jordan	5/21	TBA	No	4.00%	6.20%
St. George	6/6	5:00 PM	No	4.00%	10.00%
Taylorsville	6/15	6:30 PM	No	2.75%	11.00%
West Jordan	5/28	TBA	No	2.50%	0.00%
West Valley	6/7	6:30 PM	No	0.00%	2.50%

\$100,000 property: \$36.96 residential, \$67.20 commercial.

**Emery School District:** School officials want to increase the voted leeway by .0004 to finance the increase cost associated with step and lanes; and health/dental insurance. The proposal would have the following impact on a \$100,000 property: \$22 residential, \$40 commercial.

**Beaver School District:** School district officials are expecting to recover the cost of a \$80,000 rebate by imposing a judgment levy.

**Murray School District:** School district officials are proposing to increase 10% of the basic and the capital outlay by .000678. The funds from the increase would go to text books, supplies and the renovation of a junior high school. The proposal would have the following impact on a \$100,000 property: \$37 residential, \$68 commercial.

**Logan School District:** Last year, school district officials maintained the 2000 property tax levy instead of adopting the lower 2001 certified tax rate. This year, officials are continuing the practice of increasing property taxes by using the previous year's rate instead of the certified rate.

**Weber School District:** School district officials are proposing to increase taxes by 2% by increasing the voted leeway.

**Provo School District:** School district officials are proposing a 15% increase in property taxes. The tax increase would go to fund textbooks, supplies and remodeling. The proposal would have the following impact on a \$100,000 property: \$46.70 residential, \$84.90 commercial.

**Sevier School District:** School district officials are proposing to raise both the transportation levy and tort liability. The combined rate increase would be .000087. The proposal would have the following impact on a \$100,000 property: \$4.79 residential, \$8.70 commercial.

**North Summit School District:** School district officials are proposing a board levy of .0004. The funds from the increase would generate approximately \$149,000 and go to teachers' salaries. The proposal would have the following impact on a \$100,000 property: \$22 residential, \$40 commercial.

# Association Honors Hansen, Workman and Bullock

Three community leaders were honored at the recent Utah Taxes Now Conference for their contributions to the taxpayers of Utah.

## Lifetime Service Award

Association President Howard Stephenson presented the 2002 Lifetime Service Award to **Congressman Jim Hansen**. With the end of the cold war in the early 1990s, the United States Congress began the process of downsizing the U.S. military. Base closings were at the forefront of congressional action during the closure rounds of 1991, 1993 and again in 1995. Utah's largest employer is Hill Air Force Base with 22,000 jobs. Due to Congressman Hansen's efforts, Hill survived all three rounds, even as bases in more politically powerful states such as California and Texas were closed.

This is just one example of Jim Hansen's successful service to the citizens of the state of Utah. Stephenson noted "We could spend the rest of the afternoon enumerating Congressman Hansen's successful work in fighting to protect other military installations, his work advocating for NASA and the Space Shuttle, Thiokol (now Alliant Tech), Utah defense contractors, Utah State University, public lands and natural resources, National Parks, National Monuments and Heritage Areas, the Central Utah Project, payments in lieu of taxes, disaster assistance for Utah counties, transportation and public works, and the list goes on and on." He sponsored the legislation to return to the states the right to set their own speed limits on highways.

Mr. Hansen was the longest-serving member in history on the House Ethics Committee. Because of his integrity, he was entrusted to investigate the abuses by some members of the House bank, the ABSCAM bribery scandal, and investigations of Speakers Jim Wright and Newt Gingrich.

Jim Hansen is the only Utah Congressman to ever chair a full Congressional Committee and he chaired two: The Ethics committee and the Committee on Resources.

Many national taxpayer groups and citizen groups have given Congressman Hansen their highest awards including the following: Americans for Tax Reform, The Watchdogs of the Treasury, Inc., Citizens for a Sound Economy, National Federation of Independent Business, and the U.S.

Chamber of Commerce.

## Taxpayer Service Award

Association Vice President Mike Jerman presented the 2002 Taxpayer Service award to Salt Lake County Mayor **Nancy Workman**. When voters approved the Mayor-Council form of government, observers were all a little nervous about whether the new form of government would be more or less costly for taxpayers. Then when the outgoing three commissioners balanced their final budget with a massive property tax increase, everyone wondered if the new Mayor and Council would just accept it as a new, higher spending base to give them more wiggle room, or whether they would accept the challenge from taxpayers to trim spending.

Taxpayers were thrilled to see this new mayor's leadership in taking on department heads – with whom she had become so close as the elected county recorder. Mayor Workman stood her ground and actually proposed a nearly \$1 million cut in the property tax which had been adopted by the commissioners.

But convincing the council was a difficult task. It looked like the Mayor's tax proposal was one vote shy of passage when she and the Taxpayers Association began lobbying the council. In the meeting where the vote was taken, the message given by the Mayor and Taxpayers Association was compelling: Taxpayers had had enough. The vote was then called and we saw the Mayor's proposal to reduce the municipal services tax increase pass by a narrow 5 to 4 vote.

But Mayor Workman still wasn't satisfied. Last fall, she made sure the first budget she presented to the Council was virtually flat, requiring departments to trim spending in order to accommodate inflationary costs.

This legislative session, members of the Salt Lake County Council were hoping the county could get the legislature to authorize a 6% utility franchise tax in the unincorporated areas of the county. This tax could have a devastating impact on jobs which rely on energy consumption. Mayor Workman told council members that she would be opposing the utility franchise tax. Advocates of the tax decided this was not the year.

For her fiscal toughness and her refusal to be intimidated, Mayor Nancy Workman received the "2002 Taxpayer

Advocate of the Year Award."

## Excellence in Public Service

Association Chairman Paul Judd presented the Excellence in Public Service Award to **Fraser Bullock**. With 20/20 hindsight, Utahns seem to be universally pleased with our hosting of the 2002 Winter Olympic Games. But three years ago many of us seriously wondered if Utah had made a mistake in winning the Olympic bid.

At that time the Salt Lake Organizing Committee for the Olympic Games faced a budget deficit of \$400 million. In addition, a scandal had paralyzed the organization and made several sponsors want to disassociate themselves from the Games. At that point, it looked highly unlikely that the \$59 million repayment to the state and localities for their sales tax diversion or the promised \$40 million endowment to the Utah Athletic Foundation would ever be paid. It was also uncertain whether the Games would need to be rescued in some form by Utah taxpayers. Arguing had begun over whether the City of Salt Lake or the State of Utah would be left holding the bag for the legal liability of cost overruns. Now, three years later, the 2002 Olympic Winter Games were a complete success. Not only did SLOC repay the \$59 million and \$40 million, but it paid the amounts back early. SLOC also contributed \$141 million to the development of sport and entertainment facilities. It made over \$6 million in charitable contributions. And SLOC ended up with a \$56 million surplus, to further enhance the legacy of the Games and sport in Utah.

In his address to the Utah Legislature immediately following the Olympics, Mitt Romney made it clear that there is no one more responsible for the financial success of the Games than Fraser Bullock.

## Utah County ZAP Tax?

City councils throughout Utah County are submitting resolutions to the Utah County Commission urging the commissioners to place a ZAP (Zoo, Arts and Parks) sales tax proposal on the November general election ballot. Your Taxpayers Association is monitoring this situation very closely and urges Utah County members to express opposition to this proposal by contacting Commissioners Gary Herbert, David Gardner, and Jerry Grover at (801) 370-8133.

## Economic Experts and Business Leaders Discuss Economy

"Increasing Economic Activity to Fund Education Growth" was the theme of the Utah Taxpayers Association's 24<sup>th</sup> Annual Utah Taxes Now Conference at the Hilton Hotel in downtown Salt Lake City on May 17<sup>th</sup>. The Association invited economic experts and business leaders to discuss Utah's demographic and economic climate and how education funding could be increased without increasing taxes. Association Chairman Paul Judd opened the conference and set the tone for the event by stating "The Utah Taxpayers Association's support for education funding has not always been well understood because of the Association's opposition to tax hike proposals. The Association is working towards being a part of the solution". Judd noted that Utah is facing serious challenges over the next eight years as an additional 100,000 students enter the system while the state grapples with a potential shortage of math and science teachers.

**Mike Christensen**, Director of the Office of Legislative Research and General Counsel, addressed major economic and demographic trends impacting Utahns and compared these trends with the rest of the nation.

Christensen noted that Utah's high birth rate- 2.5 births per women in Utah compared to 2.0 in the U.S.- poses significant challenges for funding education. The percentage of Utah's population that is of school age is 21% higher than the national average while the percentage of Utah's population that is of working age

is 4% below the national average.

Utah's per student education spending increased dramatically during the 1990s for two reasons. Public school enrollment was relatively flat while total personal income increased dramatically.

Regarding economic incentives, Christensen conceded that Utah did not offer as many business incentives as other

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***"The Utah Taxpayers Association's support for education funding has not always been well understood because of the Association's opposition to tax hike proposals."***

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**Paul Judd**

states nor were these incentives as large. Nevertheless, companies are still coming to Utah because of Utah's young, growing workforce.

The Taxpayers Association invited **Paul Ahlstrom** of V-Spring Capital, **Rip Rippetoe** of the Utah Tourism Industry Coalition, and **Chris Roybal** of the Economic Development Corporation of Utah to discuss the issue of increasing economic activity in lieu of raising taxes to fund economic growth.

Ahlstrom stated that raising taxes kills corporate initiatives and diminishes the revenue base. Ahlstrom noted that while Utahns are highly innovative, this ability to innovate has not translated into large companies being created in Utah.

Ahlstrom proposed a tax reduction contract, which he also characterized as a Laffer Curve strategy. As the economy and tax revenues grow, tax rates will be reduced.

Rip Rippetoe discussed the impact tourism has on the Utah economy. Tourism has been ranked in the top five industries in Utah for the past decade. Approximately \$340 million in state and local taxes are derived from tourism, and tourism comprises 7% of Utah's gross state product while providing employment for 12% of Utah's non-agricultural workforce. Rippetoe echoed Governor Leavitt's message about the importance of promoting the "Utah brand".

Chris Roybal elaborated on the factors that determine whether or not a company decides to locate to Utah. Roybal identified four major factors: labor, location, costs, and infrastructure. Utah's young, loyal, well-educated labor force is a major incentive for businesses to relocate to Utah. Utah's location provides businesses a low cost western alternative to California. Utah's business cost structure, which includes labor costs, utilities, property taxes, and workers compensation, are seriously reviewed by companies considering locating in Utah. Utah's infrastructure, which includes the Delta Airlines hub in Salt Lake City, is generally viewed as favorable