



The Utah Taxpayer

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Government Living Large in Utah

By nearly every measure, state and local government revenues and tax burdens in Utah are higher than the national average, according to an analysis by the Utah Taxpayers Association based on Census Bureau data.

State and Local Tax Burdens and Revenues as % Personal Income

Measure	U.S.	Utah	Utah Rank	Utah as % U.S.
All State/Local Govt Revenue incl Federal	25.27%	29.24%	7	115.7%
State/Local Govt Revenue excl Federal	20.88%	24.34%	5	116.5%
State/Local General Revenue	15.86%	17.98%	8	113.4%
Taxes and Fees	14.07%	16.01%	5	113.8%
Taxes/Fees less Higher Education Charges	13.31%	14.42%	8	108.4%
Taxes	10.98%	11.13%	19	101.4%
Individual Income Taxes	2.41%	2.94%	16	121.7%
General Sales Taxes	2.63%	3.33%	13	126.3%
Motor Fuel Taxes	0.36%	0.54%	10	149.4%
Property Taxes	3.36%	2.73%	36	81.3%
Other Taxes not listed above	2.21%	1.60%	40	72.4%

Calculations by Utah Taxpayers Association based on Census Bureau and Bureau of Economic Analysis data

Utah's tax burdens are historically higher than the national average.

The following charts illustrate Utah's tax burdens and government revenues from 1995 to 2005.

Attempts have been made by some to minimize Utah's state/local tax and fee burdens by excluding "voluntary" or "non-mandatory" fees such as higher education tuition and charges. In an Op-Ed published in the *Herald* on December 30, 2006, the Association identified several flaws with this approach:

- Even if fees are "voluntary", they are still a form of taxation and government has a responsibility to keep fees low.

Fees should be included because there is a direct linkage between decreased reliance on taxes and increased reliance on fees. In some cases, increased reliance on user fees makes sense in certain situations, especially if user fees encourage efficient use of resources such as water and transportation.

What about so-called "voluntary" fees?

- Fees should be included in tax burden analyses since governments frequently increase fees in order to avoid increasing taxes.

- While no one is forced to attend a public university, attending a public university is the only option for most Utahns who want to attend college. This is especially true since BYU has capped enrollment and draws most of its students from out of state. For most Utahns, attending a taxpayer-supported university is only voluntary for those who don't want to attend college in the first place.

Last year, the Association pioneered the idea of excluding higher education tuition in one of its tax and fee burden measures to demonstrate the impact of Utah's unique age demographics, not to dismiss higher education charges as simply "voluntary" charges.

Why are tax burden calculations by the Tax Foundation of Washington D.C. sometimes different than calculations by the Utah Taxpayers Association?

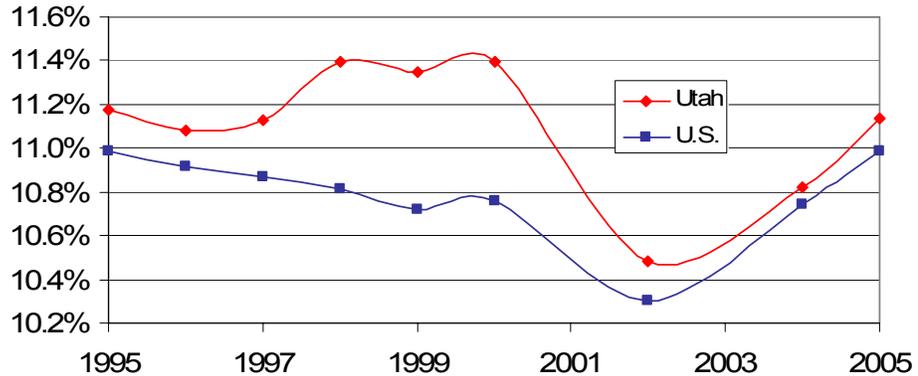
Every year, the Tax Foundation and the Utah Taxpayers Association independently release 50-state tax burden studies. Frequently, the results are different, mainly because the Tax Foundation's

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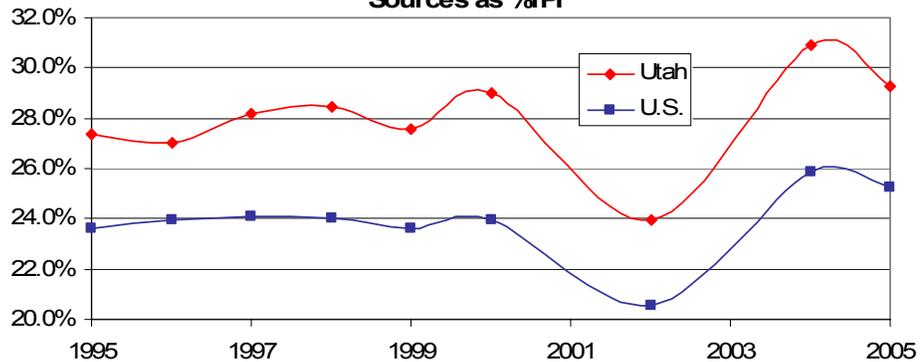
calculations are based on estimates for state and local government expenditures and personal income for the current year, while the Utah Taxpayers Association's calculations are based on official Census Bureau data that is usually two years old. The most current Tax Foundation calculations are for FY2007, and the Association's most current calculations are for FY2005.

This analysis highlights the need for serious transportation reform, including congestion pricing, corridor preservation, common prioritization of roads and rails projects, and increasing gas taxes while reducing income taxes.

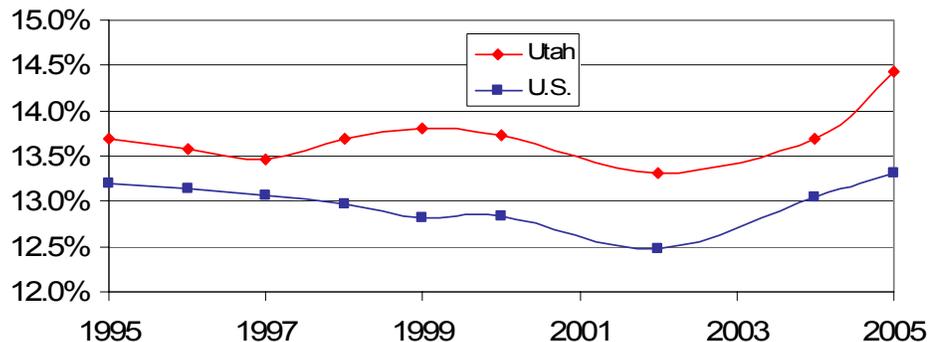
State/Local Taxes as %TPI, FY95 to FY05



Total State/Local Government Revenue including Federal Sources as %TPI



State/Local Taxes and Fees less Higher Education Charges as %TPI, FY95 to FY05



Calculations by Utah Taxpayers Association based on Census Bureau and Bureau of Economic Analysis data. This analysis is based on 2005 data and therefore does not reflect the tax cuts enacted in the 2006 and 2007 legislative sessions.

This analysis highlights the need for serious transportation reform, including congestion pricing, corridor preservation, common prioritization of roads and rails projects, and increasing gas taxes while reducing income taxes. Without transportation reform, Utahns can look forward to even higher tax burdens.

Everyone knows that, if vouchers are approved by the voters, many of the same people and groups who are yelling, "Let the people decide," will wait a full two nanoseconds before yelling, "Let the courts decide."

Right after the polls closed on election night, Dan Jones confidently and cheerfully predicted that Initiative 1 would pass by about a 60-40 margin. When the dust settled, support for the tax increase came in at 45.1%.

When voters understand the tax savings of vouchers, they'll vote yes.



My Corner - by Howard Stephenson Arguing against vouchers requires sleight of hand

Voucher opponents, confident that they will prevail in a popular vote, are demanding, "Let the people decide on vouchers".

What they really mean is, "Let the people decide on vouchers, unless they vote in favor of vouchers. Then let the courts decide." Everyone knows that, if vouchers are approved by the voters, many of the same people and groups who are yelling, "Let the people decide," will wait a full two nanoseconds before yelling, "Let the courts decide." Most voucher opponents will not abide by a decision of the people, if the voters support vouchers.

Here's how the 5-step process works.

1. Let the Legislature decide? Yes, unless they decide to support vouchers.
2. Let the people decide? Yes, unless they decide to support vouchers.
3. Let the state courts decide? Yes, unless they decide to support/uphold vouchers.
4. Let the federal courts decide? Yes, unless they decide to support/uphold vouchers.
5. Let voucher opponents decide? Yes, even though they are a minority, there are enough of them to justify stopping the program.

This is how our political process works (at least the first four steps), but let's make sure we understand what is meant by, "Let the people decide."

A little too confident about victory in a popular election?

Current polls show wide opposition to vouchers with people believing that they're just to help rich kids to attend private schools.

But what do polls mean? In 2004, supporters of Initiative 1, a statewide sales tax increase to preserve open space and build convention centers were confident of victory. The polls showed overwhelming support, about 2 to 1 in the early and intermediate stages of the campaign. They had the money, organization, smart consultants, and overwhelming media support. The mantra was, "Let the people decide, because we don't like the Legislature's decision not to impose this tax increase."

Right after the polls closed on election night, Dan Jones confidently and cheerfully predicted that Initiative 1 would pass by about a 60-40 margin. Supporters partied on TV in a swanky downtown hotel, and opponents sat at home watching the results come in on their lap tops. When the dust settled, support for the tax increase came in at 45.1%. Even opponents were surprised because, after all, Dan Jones had already told us who would win.

Since steps three and four were not available, supporters of the tax increase went straight to step five and argued that even though they didn't get 50%, they got 45% and that was enough support to convince the Legislature that "something" had to be done about open space.

When voters understand the cost-savings, they'll vote for vouchers

I predict that when the people really understand that vouchers simply allow parents to volunteer to have taxpayers spend an average of \$2,000 per year for their child, instead of the \$7,500 currently being spent, they'll vote overwhelmingly for vouchers.

When voters understand the tax savings of vouchers, they'll vote yes. The pro-voucher Friedman Foundation recently released a study demonstrating that school choice programs have saved school districts and taxpayers \$444 million from 1990 to 2006.

Dr. Susan Aud, who prepared the study, wrote "To keep our analysis conservative, we have not only excluded from our analysis all reductions in cost outside the category of current expenditures, but we have excluded all reductions in current expenditure costs other than instructional costs." In other words, when calculating savings, the study does not include capital and debt service costs and non-instructional operating costs such as administration, transportation, and facility maintenance.

Aud also wrote, "We make this conservative assumption to ensure that our analysis takes into account the widespread complaints brought by school choice opponents about fixed costs." This is a very conservative approach, especially from a Utah perspective, since Utah's school enrollment is rapidly increasing and nearly all educational costs -- except for district administration and possibly some others -- are clearly variable. Even in areas where enrollment is not growing, costs are variable in the long run due to the possibility of consolidating schools.

Quote of the Month #1

"My duty to my client is to tell them to obey the law ... Sometimes what we say, our client doesn't want to hear."

Attorney General Mark Shurtleff on The State School Board's recalcitrance in implementing HB174.

Source: *Deseret Morning News*, 5/29/07

Friedman's study accounts for the costs of providing vouchers to students who were attending or would have been attending private schools even without vouchers.

If Friedman says that vouchers save money, why did the Legislative Fiscal Analyst say vouchers would cost money in Utah?

When preparing the fiscal note, the Fiscal Analyst did not even include any savings due to students leaving public schools for private schools due to vouchers, even though past analyses showed savings, and the analyst admitted that there clearly would be savings this time as well.

We've experienced other subterfuge in the voucher debate, including the State School Board deciding to disregard the law requiring them to implement the part of the voucher law that was not subject to the referendum, and the Office of Legislative Research and General Counsel's decision to write the ballot language in a way that leaves voters confused about whether a vote for the proposition supports vouchers or opposes vouchers.

Despite these attempts to confuse voters, I'm confident right will prevail when the people have all the information.

Does proposal to create smaller school districts violate the 14th Amendment

Grassroots efforts have focused attention on the need for smaller school districts, and the Legislature recently outlined procedures to split 1 large school district into 2 smaller ones (SB 30, 2007 General Session). Based on the best legal analysis available, the Taxpayers Association believes this bill may violate the 14th Amendment, which established one man one vote and equal protection.

To evaluate SB 30's legal questions, the Jordan School District asked the law firm of Mackey Price Thompson & Ostler to issue an opinion (JSD opinion) examining the constitutionality of SB 30. Under the bill, a city or county may call

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The Supreme Court is very protective of the right to vote, generally requiring that policies limiting voting rights pass the 14th Amendment's "strict scrutiny" test.

Cities, school districts and the Legislature continue to study how best to create smaller, child-centered school districts, and the Taxpayers Association applauds these efforts.

Every year your Taxpayers Association analyzes the budgets of Utah's major cities and school districts. The following chart shows which cities and school districts will be increasing taxes. Several entities have not yet responded. Please check back to this chart online for updates.

Budget Hearing Dates for School Districts & Cities

School District	Public Hearing	Time	Tax Hike	Pay Raises step & lane	COLA	Health Insurance
Alpine	19-Jun	7:00				
Beaver						
Box Elder	13-Jun	6:30	No			
Cache	21-Jun	5:30				
Carbon						
Daggett						
Davis	5-Jun	5:30				
Duchesne	19-Jun	7:45				
Emery	13-Jun	7:00				
Garfield						
Grand						
Granite	12-Jun	7:15				
Iron						
Jordan	12-Jun	6:00				
Juab	19-Jun	6:00				
Kane	14-Jun	7:00	No			
Logan						
Millard	18-Jun		No	Yes	0-4%	10.75%
Morgan						
Murray	16-Jun	7:00	No	Yes		4.80%
Nebo	19-Jun	6:00	No	Yes	1%-5%	2.45%
No. Sanpete						
No. Summit	13-Jun	6:30	No	Yes	4.00%	0.00%
Ogden	13-Jun	6:00	No	Yes	3.58%	
Park City	19-Jun	4:00	Yes			12.00%
Piute						
Provo						
Rich	19-Jun	6:00				
Salt Lake	5-Jun	6:30	Yes		2.50%	5.00%
San Juan	13-Jun	4:00	No	Yes	2.5-5.5%	10.25%
Sevier	20-Jun	6:00	Yes	Yes	0-3.25%	10.25%
So. Sanpete	12-Jun	5:30	Yes	Yes	3.50%	10.75%
So. Summit	21-Jun	7:00				
Tintic						
Tooele						
Uintah	19-Jun	7:00				
Wasatch						
Washington						
Wayne	13-Jun	8:00				
Weber						
City	Public Hearing	Time	Tax/Fee Hike	Pay Raises Merit	COLA	Health Insurance
Bountiful	12-Jun	7:00	No		3.5%	6.00%
Bluffdale	12-Jun	4:30	Yes			
Brigham City						
Cedar City						
Layton	21-Jun	7:00	Yes		3.7%	0.00%
Midvale						
Murray	5-Jun	6:40	No		3.1%	4.60%
Ogden	12-Jun	6:00	Yes	Yes		7.50%
Orem	12-Jun	6:15	Yes	Yes	4.5%	4.00%
Provo	19-Jun	7:00	No		2.0%	8.00%
Sandy	29-May	7:00	Yes	Yes	3.0%	3.00%
Salt Lake City						
South Jordan	15-May		No		2.5%	7.00%
St. George	21-Jun		No			6.50%
Springville						
Taylorsville						
West Jordan	5-Jun	6:00	No		2.5%	7.40%
West Valley						

Check back at www.utahtaxpayers.org for updates to chart

an election to create 2 new school districts. If a county calls the election, voters throughout the entire district cast a vote. If a city calls the election, only voters in the area wishing to form its own school district decide whether to create the new districts.

Because creating 2 new school districts from an existing district would dramatically change property tax rates in both districts, residents of the whole district worry about the election's results. But if a city has called the election, the residents living outside the area trying to break off can't vote on the question. SB 30 effectively denies them their right to vote.

The Supreme Court is very protective of the right to vote, generally requiring that policies limiting voting rights pass the 14th Amendment's "strict scrutiny" test. Under this test, the state can only limit voting rights if that is the least painful way of accomplishing a "compelling state interest." In effect, the Supreme Court says, "If you want to limit the right to vote, you better have the best possible reason for doing so. And even then, it may not be good enough."

The JSD opinion notes, "Avoiding the cost of school construction in areas that have high population growth is not likely to be seen as a compelling state interest because all residents . . . would prefer to pay less in taxes and bonds for new schools."

Even more troubling, SB 30 applies different standards about who may vote based only on who calls for the election. Voters don't care whether the city or the county called the election; the outcome is the same. So cutting out voters just because the city—and not the county—called the election just doesn't pass constitutional muster.

Senator Carlene Walker ([Salt Lake Tribune, June 1, 2007](#)) and talk show host Bob Lonsberry have criticized the JSD opinion by comparing SB 30's process to creating a new city from unincorporated county land ([Deseret Morning News, May 30, 2007](#)). Senator Walker's analogy just doesn't work, because all of Utah falls into 1 of 40 school districts. From the perspective of a school district, unincorporated land, like that used to incorporate Cottonwood Heights, doesn't exist – it's all incorporated.

Cities, school districts and the Legislature continue to study how best to create smaller, child-centered school districts, and the Taxpayers Association applauds these efforts. We are committed to helping parents get the best education possible for their children, but we won't support efforts that limit your right to vote.

Royce Van Tassell replaces Mike Jerman as Association V.P

The Taxpayers Association is pleased to welcome Royce Van Tassell as its newest Vice President, replacing Mike Jerman who recently accepted a position with U.S. Charter Development. Royce brings a wealth of public policy experience to the Taxpayers Association, having previously served as Communications Director with Parents for Choice in Education, Research Director with the American Civil Rights Institute and Education Policy Fellow with the Pacific Research Institute.



Mike Jerman



Royce Van Tassell

For the past 5 years, Mike Jerman has been a leader in the Utah Taxpayers Association. His tenure with the Association has included some of the most important policy successes the Taxpayers Association has ever enjoyed. During the past 2 legislative sessions, the Association convinced the Legislature to cut annual taxes by nearly \$400 million. These ongoing tax cuts have helped Utah enjoy the nation's "most dynamic economy" ([2007 State New Economy Index, Ewing Marion Kauffman Foundation](#)), and to attract and retain employers who provide good jobs for Utah families.

Mike's work with the Association also helped convince the Legislature not to raise taxes during the recession in 2002-03. This accomplishment is all the more remarkable given that it was accomplished without cuts in public education spending. Rather than accepting higher taxes, the Association helped the Legislature use Utah's precious tax dollars more effectively, and thus pave the way for our current economic boom.

Mike and the Association have been instrumental in getting vouchers through the Legislature this past year. Mike's encyclopedic knowledge of public education spending and insightful research (e.g., "[Urban School Districts Benefit from Declining Enrollment](#)," February 2004) helped legislators, the media and the public understand how parental choice is improving education for all Utah children.

Mike's effective advocacy is perhaps best illustrated in the words of the Legislators with whom he worked. Senator Mark Madsen said,

"I've been truly impressed by Mike as someone both prolific and profound. He's a person I've never had to explain anything to; rather, he has always been in a position to explain things to me,

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and he's been gracious enough to do it. He consumes and analyzes detail like a machine. His understanding of proper principles is without flaw.”

While we are losing the full time services of a tremendous taxpayer advocate, Mike will continue to do research for the Association on a contract basis.

AZ Study Shows Utah’s Instructional Pay Ranks 17th

Utah Teacher Pay ranks 17th in the nation according to Arizona Tax Research Association’s May newsletter. Using NEA and U.S. Bureau of Economic Research data, the ATRA study shows that Utah teachers earn substantially more than their counterparts in most other states, when measured as a % of per capita personal income of each state. They write:

“Comparing the competitiveness of salaries in different states requires one to consider the costs associated with living in the respective economies and tax jurisdictions. For example, a teacher would not be enticed to leave Arizona to teach in California without a considerable wage increase. Comparing each state’s average teacher pay expressed as a percent of the state’s per capita income is a standard approach to account for wealth differences in respective markets.”

As the accompanying table shows, the average Utah instructional worker earns 150.9% of Utah’s per capital personal income, placing Utah 17th in the nation, and above states like New York, New Jersey and the District of Columbia. And in the intermountain west, Utah is second only to Arizona who leads the nation in this measure of instructional pay. Certainly by this measure, Utah’s elected officials are excellent stewards of the taxpayers’ money.

Setting the Record Straight on Highway Funding

Utah’s two big daily newspapers recently discussed gas taxes. Not surprisingly, most Utahns are not supportive of increasing gas taxes.

Response to *Deseret News*

The *Deseret Morning News* had a recent article on gas taxes reporting that a Dan Jones poll found only 13 percent of Utahns would support a gas-tax increase; 19 percent would support an increase if the state income or sales taxes were reduced proportionally.

Rank	State	Average Salary	Per Capita Income	% of Per Capita Personal Income
1	Arizona	\$54,836	\$30,019	182.7%
2	Michigan	\$56,973	\$32,804	173.7%
3	Louisiana	\$40,838	\$24,664	165.6%
4	Alaska	\$57,673	\$35,564	162.2%
5	Illinois	\$57,989	\$36,264	159.9%
6	Rhode Island	\$56,196	\$35,324	159.1%
7	Arkansas	\$42,412	\$26,681	159.0%
8	Georgia	\$48,889	\$30,914	158.1%
9	Ohio	\$50,225	\$31,860	157.6%
10	Pennsylvania	\$54,795	\$34,937	156.8%
11	Oregon	\$50,628	\$32,289	156.8%
12	California	\$57,876	\$36,936	156.7%
13	South Carolina ..	\$44,245	\$28,285	156.4%
14	Indiana	\$48,026	\$31,173	154.1%
15	Mississippi	\$38,005	\$25,051	151.7%
16	West Virginia	\$39,897	\$26,419	151.0%
17	Utah	\$41,233	\$27,321	150.9%
18	Idaho	\$42,168	\$28,478	148.1%
19	New Mexico	\$41,071	\$27,889	147.3%
20	Kentucky	\$41,076	\$28,272	145.3%
21	New York	\$57,300	\$39,967	143.4%
22	Wisconsin	\$47,631	\$33,278	143.1%
23	Delaware	\$52,480	\$37,088	141.5%
24	Tennessee	\$43,744	\$30,969	141.3%
25	Maine	\$43,386	\$30,808	140.8%
26	Vermont	\$45,994	\$32,717	140.6%
27	North Carolina ..	\$43,348	\$31,041	139.6%
28	Hawaii	\$47,575	\$34,489	137.9%
29	Washington	\$48,111	\$35,479	135.6%
30	Alabama	\$39,939	\$29,623	134.8%
31	Texas	\$43,500	\$32,460	134.0%
32	New Jersey	\$58,612	\$43,831	133.7%
33	Montana	\$38,485	\$29,015	132.6%
34	Iowa	\$41,945	\$31,670	132.4%
35	Oklahoma	\$39,359	\$29,948	131.4%
36	Missouri	\$40,911	\$31,231	131.0%
37	Minnesota	\$48,518	\$37,290	130.1%
38	Nebraska.....	\$42,575	\$32,923	129.3%
39	Massachusetts .	\$56,006	\$43,501	128.7%
40	Nevada	\$45,797	\$35,744	128.1%
41	Maryland	\$53,133	\$41,972	126.6%
42	Florida	\$42,842	\$34,001	126.0%
43	Connecticut	\$59,431	\$47,388	125.4%
44	Kansas	\$40,489	\$32,866	123.2%
45	Colorado	\$46,052	\$37,510	122.8%
46	New Hampshire	\$45,990	\$37,768	121.8%
47	North Dakota	\$37,915	\$31,357	120.9%
48	Virginia	\$44,401	\$37,503	118.4%
49	District of Colum	\$60,310	\$52,811	114.2%
50	Wyoming	\$41,930	\$37,305	112.4%
51	South Dakota ...	\$35,313	\$32,523	108.6%
	United States	\$49,377	\$34,471	143.2%

Calculations by the [Arizona Tax Research Association](http://www.aztaxresearch.org)

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“Comparing the competitiveness of salaries in different states requires one to consider the costs associated with living in the respective economies and tax jurisdictions.

In the intermountain west, Utah is second only to Arizona who leads the nation in this measure of instructional pay.

The article mentioned the Utah Taxpayers Association's transportation reform proposal which includes

1. Increasing gas taxes while cutting individual income taxes;
2. Congestion pricing;
3. Prioritizing rails and roads projects based on cost-effectiveness of reducing congestion;
4. Corridor preservation.

The article didn't mention that the transportation lobby will be pushing for increasing sales taxes every five to ten years for the next couple of decades.

Obviously, a newspaper article can't cover every issue in transportation reform, so there was at least one point that was left out. The article didn't mention that the transportation lobby will be pushing for increasing sales taxes every five to ten years for the next couple of decades. People we've talked to on the Hill anticipate that sales tax rates could reach 7.5% or even higher by 2020. Currently (2Q 2007), sales tax rates are 6.85% in most of Salt Lake County and 6.5% in most of Utah County.

When evaluating transportation funding proposals, taxpayers need to be aware of the proposed sales tax increases that the transportation lobby is pushing.

Spending groups like to push for sales tax increases because voters are most likely to approve them. They are not very visible because taxpayers do not receive a statement showing how much sales taxes they pay in a given year. A typical Utah family pays more in sales taxes than in property taxes, but most taxpayers are completely unaware of that. Sales taxes are also very regressive.

The article provided an example of the head-in-the-sand thinking surrounding the transportation debate. A "disgusted" Richard Drake of Millcreek called increasing gas taxes a "hare-brained idea" and suggested increased reliance on state sales taxes. Truth be told, increased reliance on sales taxes for transportation is the "hare-brained" idea, because unlike increased gas taxes or congestion pricing, sales taxes do not provide financial incentives for commuters to change driving habits.

Response to Tribune

Three weeks ago, the *Salt Lake Tribune* responded to the Association's proposal. The Tribune wrote: "We agree with the Taxpayers Association that a fuels-tax increase would make people much more aware of the cost of highways and oblige those who use them most to pay most for them. It would encourage fuel conservation, cut demand for new roads and improve air quality. So why not increase the gasoline tax without cutting other taxes?"

The Tribune got a couple of things wrong

Do tax burdens have to be increased to fund transportation? The Tribune asserts that the Association's proposal "doesn't solve the biggest problem, which is how to raise new money for roads." The Tribune incorrectly assumes that the only way to "solve the biggest problem" is to raise taxes. There are alternatives.

Raising gas taxes – while cutting income taxes – coupled with congestion pricing, will slow the growth in vehicle miles traveled.

Congestion pricing also increases the effective capacity of existing and future transportation infrastructure by shifting discretionary traffic to off-peak hours and getting commuters to change their driving habits to include more carpooling, telecommuting, leaving earlier or late for work, or living closer to work.

Corridor preservation and prioritization of rails/road projects based on cost-effectiveness of reducing congestion will ensure that tax dollars are more efficiently spent than they are right now, which means more congestion can be alleviated with the same amount of dollars.

Instead of reflexively calling for tax increases, elected officials and opinion leaders should first ensure that existing transportation dollars are efficiently spent.

Could this proposal "move revenues away from general government services, including health care and virtually everything else the state does, and toward transportation?" No. All major areas of government continue to receive the same amount of funding, including general government. In terms of revenues, everything balances out.

- The increased gas tax revenue for transportation is offset by transferring an equal amount of general fund money out of transportation into general government (which includes higher education).

- The increased general fund revenue for general government (which includes higher education) is offset by transferring the same amount of income tax money out of general government (specifically higher education)

- The increased income tax revenues for K-12 is offset by an income tax cut.

These kinds of transfers, which happen every year during the general session, demonstrate how fungible state government revenues really are.

However, since gas taxes can't be appropriated for general government and since general taxes would be cut, doesn't that reduce the amount of state revenues that potentially could be used for general government? This is an unrealistic concern because the trend over the past twelve years

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Moreover, slowing the growth in vehicle miles traveled by raising gas taxes and implementing other transportation reforms will allow more funding to be spent on general government or, Marx forbid, allow the Legislature to enact a net tax reduction, or both.

Some would argue that sales taxes should be cut instead of income taxes, because the transportation subsidy is coming from sales taxes. First of all, an offsetting sales tax cut would be better than no tax cut at all.

has been to shift general fund revenues from general government to roads, not the other way around. Therefore, fears that general state programs like Medicaid will be “short-changed” due to the state’s increasing reliance on gas taxes, which can’t be appropriated for general government, are unrealistic. Unless the Association’s proposal is adopted, no one expects the state to start shifting general fund dollars from transportation to general government.

Moreover, slowing the growth in vehicle miles traveled by raising gas taxes and implementing other transportation reforms will allow more funding to be spent on general government or, Marx forbid, allow the Legislature to enact a net tax reduction, or both.

Third, even with the transfer of \$350 million in general funds from transportation to general government, hundreds of millions of general fund dollars will continue to be spent on roads. This means that the state will still have the flexibility of transferring general fund dollars from transportation to fund general government.

Some might argue that most of the remaining general fund money in transportation would be “one-time” money, but about \$34 million would not be. Besides, transportation has been receiving “one-time” money every year for several years, and the amount continues to grow.

Moreover, the 25 cent-per-gallon gas tax increase would be phased in over a couple of years. This means that the amount of ongoing general funds appropriated and earmarked for transportation would be much higher than the FY08 amounts, meaning that significant amounts of general funding would be used for transportation, even after shifting \$350 million in general funds from transportation to general government.

Therefore, even after shifting \$350 million in general funds out of transportation and into general government, sufficient general fund money would be left in transportation, which would still allow the Legislature to shift tax dollars to general government.

Why not cut sales taxes instead?

Some would argue that sales taxes should be cut instead of income taxes, because the transportation subsidy is coming from sales taxes. First of all, an offsetting sales tax cut would be better than no tax cut at all. However, cutting income taxes is a better way to promote economic growth than cutting sales taxes.

In a globally competitive economy, cutting state income taxes increases the incentive to produce and invest locally. Cutting sales taxes increases the incentive to increase consumption, and most of the products we consume are made elsewhere. In the long run, economic growth will be higher if Utah incentivizes production over consumption.

Arguing that sales taxes should be cut because, “That’s where the subsidy is coming from” ignores the fact that state general revenues are largely fungible. Even though sales taxes are being used to fund transportation, shifting sales taxes from higher education increases the diversion of income taxes from public education to higher education.

Is the Tribune correct in assuming that it is “unlikely that most low-income people would file just to get a refundable credit? No. About 75% of low income people eligible for the federal earned income tax credit currently apply. Participation rates for state-level refundable credits for low income households varies from 60% to 90%.