



# The Utah Taxpayer

A Publication of the Utah Taxpayers Association  
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## May 2007 Articles

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## USDOT Advocates Congestion Pricing

Congestion pricing is essential to increase capacity of existing highways. Fifty percent of rush hour traffic is discretionary. If rush hour discretionary traffic were decreased only 5% Utah commuters would achieve free flow of traffic during rush hour according to David Horner, Chief Counsel in the Federal Transit Administration of the U.S. Department of Transportation. Horner addressed the attendees of the 2007 Utah Taxes Now Conference regarding the benefits of congestion pricing.

### The costs of congestion

Using data from the Texas Transportation Institute, Horner noted that Americans annually experience 3.7 billion hours in traffic delay and waste 2.3 billion gallons of fuel due to congestion. USDOT's own analysis concludes that the total economic cost due to congestion is nearly \$200 billion per year.

### USDOT's Urban Partnership Agreement

Horner outlined the four "T's" of USDOT Urban Partnership Agreement

- Tolling (congestion pricing)
- Transit – particularly cost effective transit options such as Bus Rapid Transit
- Telecommuting
- Technology and Operations – using cutting edge approaches to improve system performance

### Congestion pricing: what it is and how it works

Congestion pricing is a form of variable tolling which expands the effective capacity of existing and future transportation infrastructure by charging motorists user fees to drive on roads during periods of congestion. Most state transportation costs are related to expanding road capacity to handle morning and afternoon rush hour traffic. Congestion pricing reflects the true cost of providing this capacity by charging user fees to motorists who drive during peak congestion hours. By exposing the real cost of providing transportation infrastructure, congestion pricing encourages efficient use of transportation infrastructure by incentivizing commuters to carpool, telecommute, live closer to work, or leave earlier or later for work. Horner added that more than 50% of all rush hour traffic is discretionary (not commuting to and from work). Discretionary traffic during rush hour would be reduced if congestion pricing were implemented.

Horner noted that congestion pricing enjoys consensus approval among economists as the single most viable approach to reducing congestion. Horner also mentioned that congestion pricing is no longer just a theory as demonstrated by positive results in the U.S. and internationally. Existing technology – dashboard/window mounted transponders -- allows easy implementation and eliminates the need for toll booths.

### Congestion pricing's track record

Horner used examples in Stockholm, London, and Singapore to illustrate congestion pricing's

### Quote of the Month #1

*"I have been out at the Tax Commission for almost nine years now and didn't realize that we did humor."*

Tax Commissioner Bruce Johnson addressing the Utah Taxes Now Conference, Commenting on Commissioner D'Arcy Dixon-Pignanelli's earlier humorous comments.

Source: Taxes Now Conference

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*Horner emphasized that the federal government does not prohibit congestion pricing on existing interstates but requires that states obtain approval from the USDOT before implementation.*

*Last week the Utah State School Board refused to implement HB 174 – Utah’s newest education voucher law – because the original voucher law – HB 148 – has been referred to the ballot.*

*Utah is facing an educational funding crisis: We are facing an increase of over 150,000 additional students in the system over the next ten years without a known funding source to pay for their education.*

positive impact

Stockholm: reduced traffic by 25% in downtown, increased transit ridership by 5%, reduced vehicle emissions by 14%

London: increased vehicle speed by 37%, reduced delays by 30%

Singapore: reduced traffic by 13% and increased vehicle speed by 22%.

#### **What about congestion pricing on existing interstate highways?**

Horner emphasized that the federal government does not prohibit congestion pricing on existing interstates but requires that states obtain approval from the USDOT before implementation. States cannot implement congestion pricing on existing interstates unilaterally.

#### **Responding to the critics**

The Utah Taxpayers Association strongly supports congestion pricing as a means to address Utah’s transportation crisis. Critics have argued that congestion pricing is a form of “double taxation” because motorists already pay gas taxes at the pump. The association has responded that government typically relies on several revenue sources to fund various programs, and that includes transportation. Currently, roads in Utah are funded by federal gas taxes, state gas taxes, state sales taxes, city and county sales taxes, city and county property taxes, city impact fees, state and county motor vehicle registration fees, and proportional registration fees. Yet no one argues that roads should be funded by only one source of revenue to avoid “double taxation”.

Hypocritically, opponents of congestion pricing who maintain that congestion pricing is a form of “double taxation” advocate for higher gas taxes and sales taxes, which obviously would have to be a form of “double taxation”.

Other opponents argue that congestion pricing should not be implemented on roads that have already been paid for. However, motorists currently pay gas taxes to drive on roads that have already been paid for. Additionally, congestion pricing is not just a funding mechanism for roads but rather a means to make sure that transportation infrastructure is efficiently utilized, even if the road is already paid for.



#### **My Corner - by Howard Stephenson**

### **Get Ready for Confusion and Lawsuits Regarding Implementation of Education Vouchers**

Last week the Utah State School Board refused to implement HB 174 – Utah’s newest education voucher law – because the original voucher law – HB 148 – has been referred to the ballot. Seems the twelve of fifteen board members who voted to violate the law ought to take their own state mandated course in character education.

#### **The truth about vouchers and the need for them**

The media and government school defenders have done an effective job in demonizing Utah’s voucher law by repeating the question: “Why should we spend tax dollars for private schools?”

The answer is simple: Because competition is lacking in the education marketplace and is needed to improve education for all children – those whose parents make a choice to go elsewhere and those who remain. Competition is what will reduce the mediocrity of government schools as administrators finally view children and their parents as customers who must be served rather than a captive audience.

And if you don’t think there are problems in America’s public schools, just take a look at the dozens of independent studies between the 1983 *A Nation at Risk* report – which stated that our schools were so bad that if a foreign power had forced them on us we would have considered it an act of war – and this year’s U.S. Chamber of Commerce study which revealed, among other things that most 8<sup>th</sup> and 4<sup>th</sup> Graders (the grades tested for the national study) are not proficient in math or English. The Chamber study also showed that states often inflate their results to look good to the home crowd but when the data are compared state by state, their grade inflation is obvious. This strikes close to home in Utah as education officials often show that Utah student scores are generally above the national average, but when the data are disaggregated by ethnicity and income level Utah students score lower than their national peers in all categories except African-Americans.

Utah is facing an educational funding crisis: We are facing an increase of over 150,000 additional students in the system over the next ten years without a known funding source to pay for their education. Vouchers are a way to get parents to take their students elsewhere for a fraction of the cost taxpayers would otherwise spend on them in the public schools.

Why would anyone oppose allowing parents to volunteer to take an average of \$2,000 of the current \$7,500 spent for their child if they agree to make up the difference between the \$2,000 and private school tuition with their own money or with financial assistance from charitable foundations or private schools?

*The National Education Association – the biggest and most powerful teacher union in the country – is about to spend millions of union dollars in Utah to convince voters to support the repeal of Utah's new voucher law – the first universal education voucher law to be enacted in any state.*

*Attorney General Shurtleff's legal opinion states that the voucher law must be implemented without delay, despite the union's claims that their mistakes on the referendum should be overlooked and implementation of vouchers halted.*

This is a bargain for taxpayers because it leaves an average of \$5,500 per voucher in the system to spend on those who remain and to cover the costs of growing student enrollments. The Utah Taxpayers Legal Foundation is prepared to defend vouchers in the courts but we need your financial support to make it happen.

#### **The union's false claims**

The National Education Association – the biggest and most powerful teacher union in the country – is about to spend millions of union dollars in Utah to convince voters to support the repeal of Utah's new voucher law – the first universal education voucher law to be enacted in any state.

Trouble is, their petition is flawed and doesn't call for the repeal of vouchers at all. Instead, as Utah's Attorney General Mark Shurtleff's legal analysis of the referendum language (have it clickable) shows, the referendum substantially repeals only the part of the voucher law which would have given five years of ransom payments to school districts for each student whose parents receive a voucher redeemed at a private school of their choice. These payments were to be made to school districts for students not in their classrooms – and really ought to be repealed.

But rather than starting a new petition after discovering the referendum doesn't do what they

wanted it to do, the teachers union brazenly submitted signature sheets anyway, which are now being verified by county clerks. After the signatures are verified, the union expects to "re-write" their petition in the minds of the voters to make them think they're voting for repeal of vouchers. By doing this, the unions expect the courts to back them up and rule that it doesn't matter what the ballot language says, since public opinion polls show many *think* the referendum repeals vouchers, then the court should rule that the approval of the referendum on the ballot will repeal vouchers, when in fact, the plain language of the petition does not repeal vouchers at all.

#### **State School Board is in cahoots with the unions**

Attorney General Shurtleff's legal opinion states that the voucher law must be implemented without delay, despite the union's claims that their mistakes on the referendum should be overlooked and implementation of vouchers halted.

And the chair of the State School Board is on the side of the unions! In a recent news article in the *Davis Clipper* chair Kim Burningham said, "Now that the petition got enough signatures, we'll stop and wait and do nothing until the public speaks and a decision is made."

According to the **AG opinion** (and a separate, independent opinion by **Clark Waddoups** of the law firm Parr Waddoups Brown Gee & Loveles, for the State School Board to "do nothing" to implement HB174 would violate state law. However, if the School Board follows the direction of the Attorney General the National Education Association is expected to challenge their decision in the courts. If the State Board violates the law and refuses to implement HB174, citizens must take them to court. In either event, the Utah Taxpayers Legal Foundation will defend the law in the courts. If you would like to assist in defending this law, send your tax deductible contributions to Utah Taxpayers Legal Foundation 1578 W 1700 S #201, SLC UT 84020 .



## 2007 Taxpayers Legislative Scorecard Now Available

The Utah Taxpayers Association annually issues a legislative report card to its members and the public. To view the 2007 scorecard go to [www.utahtaxpayers.org](http://www.utahtaxpayers.org) and see where your legislator ranked. The 2007 scorecard rates legislators on 15 key tax and spending related bills in the House and 15 in the Senate. In both chambers, eight of the seventeen votes (two of the fifteen votes – HB38 and HB148 -- are double weighted) were supported by the association and passed unanimously, meaning the lowest possible score on this year's scorecard was 47%.

The average score in the House was 72.9%. Six Representatives scored 100%: Glenn Donnelson, Wayne Harper, Mike Morley, Patrick Painter, Aaron Tilton, and Carl Wimmer, all Republicans.

The lowest scores in the House were Phil Riesen (47.1%), Neal Hendrickson (50.0%), Lynn Hemingway (50.0%), Jennifer Seelig (52.9%), Kay McIff (52.9%), Brad King (52.9%), Carl Duckworth (52.9%), Tim Cosgrove (52.9%), and Ralph Becker (52.9%).

The average Score in the Senate was 81.0%. Two senators scored 100%: Margaret Dayton and Howard Stephenson.

The lowest scores in the Senate were Scott McCoy (62.5%), Kevin Van Tassell (64.7%), Pat Jones (64.7%), Brent Goodfellow (64.7%), Fred Fife (64.7%), and Mike Dmitrich (64.7%).

*A median-income Utah household consisting of two parents and three children pays 25.3% of its income in direct federal, state, and local taxes, according to an analysis by the Utah Taxpayers Association.*

*The following diagram illustrates the association's proposal. By raising gas taxes by \$350 million, the Legislature can shift \$350 million in general funds from transportation to higher education.*

### Quote of the Month #2

*"When fate and luck happen to fall your way, smile be gracious, and move on."*

House Speaker Greg Curtis talking about the voucher referendum which would repeal HB148 but inadvertently leave in place HB174 which contains the guts of the voucher law.  
Source: Taxes Now Conference

## Taxes on a Typical Utah Family

A median-income Utah household consisting of two parents and three children pays 25.3% of its income in direct federal, state, and local taxes, according to an analysis by the Utah Taxpayers Association. A

median-income Utah family earns \$57,700 in wages and salary. Additionally, the family earned \$4,967 in the form of employer-paid payroll taxes for a total income of \$62,667.

The corresponding chart illustrates the tax impact. These taxes do not include the taxes that businesses pay and pass on to their customers in the form of higher prices, to employees in the form of reduced compensation, and to shareholders in the form of reduced dividends and stock prices.

To read the complete report, go to [www.utahtaxpayers.org](http://www.utahtaxpayers.org).

## Increasing Gas Taxes and Cutting Income Taxes

Utah Taxpayers Association Vice President Mike Jerman proposed a four-pronged approach to addressing state transportation issues at the recent Utah Taxes now conference These prongs are:

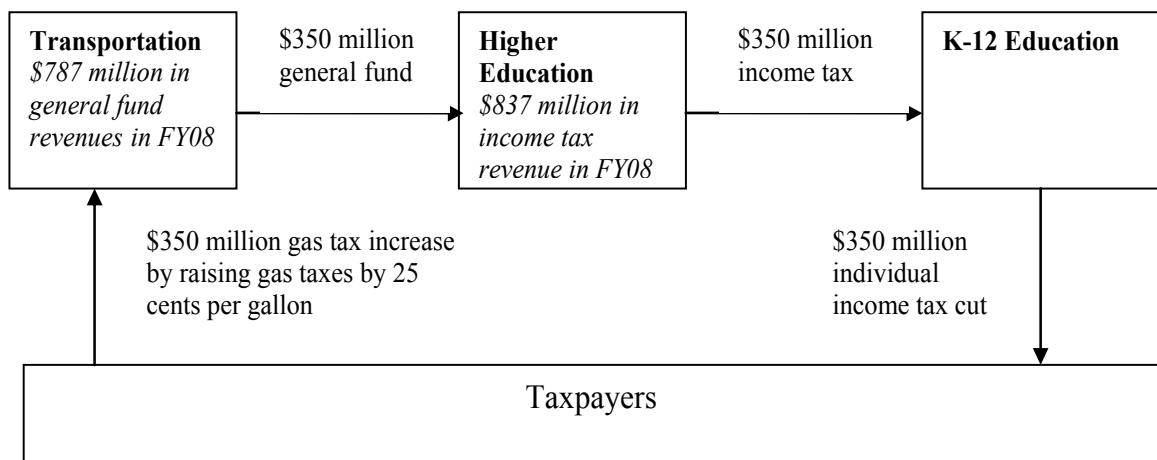
1. Congestion pricing
2. Transportation corridor preservation
3. Prioritization of rails and roads projects based on cost-effectiveness of reducing congestion.
4. Raising gas taxes by 25 cents per gallon (\$350 million per year) and cutting income taxes by

*Up until the early 1990s, Utah relied almost entirely on gas taxes and other user fees to fund state transportation needs.*

*Since iProvo is government owned, it is not subject to taxes. Unlike Qwest, Comcast, satellite providers, and wireless companies, iProvo does not pay federal and state corporate income taxes, local property taxes, and state/local sales taxes.*

*Qwest offers the same prices and service throughout its entire multi-state service area. Comcast's long-term pricing is independent of whether the customer lives in a city with government-owned telecommunications system.*

\$350 million to maintain revenue neutrality without reducing education funding and while still maintaining a “working” rainy day fund. The following diagram illustrates the association’s proposal. By raising gas taxes by \$350 million, the Legislature can shift \$350 million in general funds from transportation to higher education. This would allow \$350 million in income tax dollars to be shifted from higher education to K-12 education which would allow \$350 million to be shifted from K-12 education to taxpayers in the form of a tax cut.



### Why raise gas taxes?

Like congestion pricing, gas taxes expose government's real cost of providing transportation infrastructure and maintenance. As the user cost increases, the growth in usage is reduced. Basic economics tells us that anything that is underpriced gets overused. Sales taxes, on the other hand, do not encourage efficient use of transportation infrastructure. Moreover, slowing the growth in vehicle miles traveled is good for the environment.

Up until the early 1990s, Utah relied almost entirely on gas taxes and other user fees to fund state transportation needs. In FY2008, the state will be spending \$787 million from the state general fund (about 88% sales taxes when earmarks are included) on transportation. The split between one-time and ongoing revenues is about 50-50.

## iProvo: The Rest of the Story

Recently, Provo Mayor Lewis Billings wrote an **op-ed** in the *Deseret Morning News* extolling the virtues of iProvo, a taxpayer funded municipal broadband network similar to multi city UTOPIA project. We would like to cover some points that Mayor Billings overlooked.

### iProvo is losing money

Last year, iProvo lost nearly \$1 million and is expected to lose about \$2 million this year. Provo originally projected that they would need 10,000 subscribers to break even, but now that number is being ratcheted upward.

Of course, iProvo was supposed to make money.

### iProvo competes with unfair tax advantage

Since iProvo is government owned, it is not subject to taxes. Unlike Qwest, Comcast, satellite providers, and wireless companies, iProvo does not pay federal and state corporate income taxes, local property taxes, and state/local sales taxes.

Defenders of government-owned telecommunications systems argue that companies that provide services over iProvo's network are subject to taxes. However, iProvo's infrastructure is tax exempt, and private sector competitors like Qwest, Comcast, and wireless companies have to pay taxes on their infrastructure. Payment of some taxes by iProvo providers does not negate iProvo's exemption from other taxes.

Recently, the Legislature partially addressed this issue by exempting certain telecommunications purchases from state and local sales taxes.

However, the bottom line is that iProvo competes directly against private sector companies but does not pay property taxes or corporate income taxes. Some may argue that non-payment of federal and state corporate income taxes is a moot point since iProvo is losing money. Nevertheless, iProvo's competitors are subject to federal and state corporate income taxes.

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**Does the airport analogy justify iProvo?**

UTOPIA and iProvo supporters have used the airport analogy to justify government-owned telecommunications systems. Supporters argue that it would be unrealistic for each airline to build its own airport. Therefore, government builds an airport and charges airlines to use it.

That's not a bad analogy from a PR sound bite perspective, but the analogy is seriously flawed from a logical fiscal policy point of view. Prior to iProvo's and UTOPIA's creation, private sector companies had invested hundred of millions of dollars in Utah's telecommunications infrastructure, and cumulative total private sector investment now exceeds \$1 billion. It's simply not fiscally responsible to walk away from this investment, which is subject to taxes and does not expose taxpayers to risk, in order to start something from scratch and expose taxpayers to financial risk.

The airport analogy could make sense if the private sector had not been willing to build telecommunications infrastructure in the first place, but that has not been the case.

**But haven't Qwest and Comcast have lowered their prices because of iProvo?**

Qwest offers the same prices and service throughout its entire multi-state service area. Comcast offers certain short-term promotional pricing which proponents of government-owned telecommunications systems cite as proof that iProvo and UTOPIA are benefiting taxpayers. However, Comcast's long-term pricing is independent of whether the customer lives in a city with government-owned telecommunications system.

## **Audio Recordings of Conference Available Soon**

Recordings of the recently concluded Taxes Now Conference will soon be available online at [www.utahtaxpayers.org](http://www.utahtaxpayers.org). The conference was a huge success, speakers including Governor Jon M. Huntsman Jr., House Speaker Greg Curtis, and Senate President John Valentine discussed the recent tax changes and what is in store for the future.

The keynote address was given by David Horner of the U.S Department of Transportation, who discussed congestion pricing as a means of helping solve the transportation crisis.

Other panels discussed topics such as transportation, Education, future tax initiatives, and recent tax changes from the legislative session. Check our website to get audio files or call 801-972-8814.

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