



# The Utah Taxpayer

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September 2007 Articles

[Utah Charter Schools Still Receive Fewer Dollars per Student Than district Schools](#)

[My Corner – Vouchers: Introducing the Power of the Marketplace](#)

[Truth in Taxation Hearings](#)

[UTOPIA fast becoming outdated yet more cities look to sign on](#)

[Fees + Taxes = Double Taxation?](#)

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## Utah Charter Schools Still Receive Fewer Dollars per Student Than District Schools

Utah charter schools have had to make do with less money per student than the average district school student amount since the inception of charter schools nine years ago. This is especially significant in a state where district schools receive less per student funding than any state in the nation. In spite of nine years of legislative efforts to achieve funding parity, charter schools still lag behind.

In FY2006, Utah charter schools received \$5,329, per student while district schools received \$6,001, according to an analysis by the Utah Taxpayers Association based on Utah State Office of Education data.

In 1998, the Utah Legislature passed HB145 which authorized the creation of charter schools in Utah. Since that time, charter schools have absorbed a large share of enrollment growth in Utah. Currently, charter schools enroll more than 24,000 students, which is the equivalent of one and a half years of public school enrollment growth. Charters could absorb an even larger share of enrollment growth, if the Legislature did not cap charter school enrollment growth.

In addition to being funded at a lower amount than district schools, charter schools face challenges with regards to permanent facilities. Unlike district schools, charters do not have taxpayer-guaranteed bonding capability and must rely on private investors willing to finance construction of facilities while risking the possibility that the charter school will not be able to pay its debts.

**FY2006 Revenues per Student: Districts vs Charters**

Source	Districts	Charters
Local/grants/donations	\$2,204	\$321
State	3,556	4,679
Federal	436	669
Subtotal	6,196	5,669
Less Federal startup	0	297
Less Transportation expenditure	195	43
<b>Grand Total</b>	<b>\$6,001</b>	<b>\$5,329</b>

*Calculations by Utah Taxpayers Association based on data from Utah State Office of Education. Figures exclude fund 23 (non K-12 programs) and funds 49/51 (food service). See end of article for additional notes.*

To ensure that the district-to-charter comparison is valid, non K-12 funds and food service funds were excluded, and transportation expenditures were deducted since most charter schools do not provide these services. In order to demonstrate the structural differences between districts and charters, federal startup funding for charter schools was deducted from the total, since these funds expire three years after the charter school is founded. Unlike state one-time funding, these federal funds will not be replaced by additional one-time or ongoing funds.

**Why the difference?**

Some of the \$672 funding difference is attributable to differences in student demographics. As a percent of enrollment, charter schools have fewer English language learners and special education students. However, none of the FY2006 funding difference can be attributed to grade distribution since charter enrollment is nearly identical to district enrollment in this regard.

At least half of the difference is attributable to charters being shortchanged on local replacement funding. If local replacement funding were calculated correctly, the amount for FY2008 would be \$1,527 per student. Instead, the Legislature appropriated \$1,184 per student in FY2008, up from \$1,142 and \$1,051 in FY2007 and FY2006.

Currently, the local replacement funding formula excludes principal repayment (fund 31) and state revenues for voted leeway, board leeway, and school buildings.

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Fund 31 principal repayment was excluded because legislators feared that its inclusion would result in double counting if bond revenues were already included in the local replacement funding formula. However, bond revenues have never been included and therefore excluding principal repayment has never been justified.

Part of the disparity is also attributable to the local replacement funding formula being based on district revenues that are two years old.

#### **It could get worse**

Legislators will be considering a proposal to *reduce* local replacement funding by excluding all revenues for principal repayment *and interest* as well as revenues from property tax levies for transportation, recreation, voted and board programs, and K-3 reading programs. Excluding these revenues would nearly eliminate local replacement funding, exacerbating the funding disadvantage that charter schools have compared to district schools.

#### **Technical Note**

The FY2006 revenue figure of \$6,001 is different than the association's FY2006 expenditure figure of \$6,529 for the following reasons:

- \$6,001 is a revenue figure. \$6,529 is an expenditure figure

- \$6,001 excludes food service and transportation.

- \$6,529 includes food service and transportation.

Finally, the association's forecasted expenditure of \$7,500 per student is for FY2008.

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*Why is Utah so important to them? Because, while other states have passed narrow school choice options, Utah is the first state to enact a universal voucher system.*

*The point guard on the team fighting against the family's right to choose is State School Board Chairman Kim Burningham.*



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

## **Vouchers: Introducing the power of the marketplace**

The National Education Association has committed to spend at least \$3 million in union money from big states to convince voters in the little state of Utah to reject the right of parents to choose how and where their children are educated. To get voters to reject the option for parents to voluntarily agree for their child to receive an average of \$2,000 in education tax dollars rather than the \$7,500 currently spent per child – if they agree to make up the difference in private school tuition out of their own pockets!

Why is Utah so important to them? Because, while other states have passed narrow school choice options, Utah is the first state to enact a universal voucher system. The measure would grant scholarships ranging from \$500 to \$3,000 per student, depending on the annual income of the parents.

The arrogance of those who would deny parents the ability to throw a floundering child an education life preserver is hard to understand in a culture which is founded on the power of free markets to create a tide which lifts all boats. Somehow many have come to believe that free enterprise is OK for something as insignificant as our food supply, but when it comes to the education of our children, a socialized system (meaning that the means of production is owned and controlled by government) is the only appropriate method of educating children, except for those who are able to pay twice for their child's education: once through taxes and again through private school tuition.

As we approach the election which will decide the fate of vouchers, it is important that Utah voters see through the rhetoric of the powerful and well-funded out of state interests fighting against family educational freedom.

#### **The social engineer who would “throw children together”**

The point guard on the team fighting against the family's right to choose is State School Board Chairman Kim Burningham. He's the same guy who got the State School Board to give diplomas to high school seniors who fail the state basic skills test (we wouldn't want students to feel bad about their incompetence) and the same person who chaired the meeting when the Board refused to follow a legislative imperative to adopt world-class math standards (pretty good standards are good enough for a pretty good state).

Burningham's latest volley against vouchers turns to the age-old canard of “diversity,” a common theme among voucher opponents across the country. As he notes in a recent [Salt Lake Tribune](#) article, “We are best served by schools that throw children together. . . . One of our greatest faults as a society is that we have become fragmented. Separation is not to be encouraged.” While that theme may be laudable, it's hard to see how the school system he has overseen for 8 years fulfills that mandate.

According to the Civil Rights Project, a joint project of Harvard University and UCLA, Utah's public schools are among the most racially segregated in the country. As the accompanying table, extracted from page 22 of their 2006 report, [“Racial Transformation and the Changing Nature of Segregation.”](#) indicates, Utah public schools are more racially isolated than all of our neighboring

states except Idaho. (And no one points to any state in the intermountain west as a bastion of racial integration.

By this measure, Utah public schools are hardly “throwing students together,” to use Mr. Burningham’s phrase. Given the way public schools are *designed* to stratify along economic lines, that’s hardly a surprise. The wealthy and

Percent of Students in Multiracial Schools by Race, 2003-04					
	%White in	%Black in	%Latino in	%Asian in	%American Indian in
State	Multiracial School	Multiracial School	Multiracial School	Multiracial School	Multiracial School
Utah	2	14	14	21	5
Nevada	43	74	58	69	33
Colorado	11	54	16	26	29
Arizona	11	27	14	17	21
Idaho	1	0	2	1	10

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*Public schools will always educate the vast majority of Utah students, because most Utah families are satisfied with the job they do for most kids. More than 9 of 10 families prefer to send their kids to school*

affluent people buy houses near each other, because they can, while the rest of the community lives in the nicest neighborhood they can afford. Then public schools mimic this economic segregation by using geographic boundaries to dictate who attends which schools.

**Vouchers are good for public schools**

While we have supported school choice for decades, the Utah Taxpayers Association supports Utah public schools. We have a long history of opposing erosion of the school property tax base and have pushed to get money into the classroom and supported performance pay for all teachers and differential pay for teachers in shortage subject areas.

Public schools will always educate the vast majority of Utah students, because most Utah families are satisfied with the job they do for most kids. More than 9 of 10 families prefer to send their kids to school with the neighborhood kids. However, it is disingenuous at best for Mr. Burningham, or any representative of Utah public schools, to criticize vouchers on the grounds of segregation, diversity or some other racial codeword. Hard geographic boundaries like those used in public schools are hardly the model for achieving it.

You’re going to hear more claims from Mr. Burningham and his friends at the NEA during the next eight weeks. They’ll be telling us through slick TV ads that vouchers will empower parents to send their kinds to polygamist schools, schools for witches, and schools for Nazis, just to name a few. While these and many of their other claims are preposterous, their purpose is to plant doubts in the minds of voters knowing that when in doubt, the voters will vote no.

Your Taxpayers Association and many other important advocates will also be involved in providing accurate information to counter the outrageous attempts to bust the union monopoly of education.

Please contact us at [taxwatch@utahtaxpayers.org](mailto:taxwatch@utahtaxpayers.org) with questions and to learn how you can help.

**Truth in Taxation Hearings**

Utah taxpayers have been in an uproar the past several weeks, fuming that so many taxing entities have hiked taxes. From Gunnison City to the Davis County Mosquito Abatement District to Wasatch School District, property taxes are going up. Your Taxpayers Association spoke at several truth-in-taxation (TNT) hearings, making sure taxpayers concerns were heard.

**Wasatch School District TNT Hearing**

The Wasatch School District TNT hearing was one the worst. In justifying their 49.34 percent property tax increase to the packed house of residents, the school district repeatedly blamed the county’s substantial appreciation in property value. For example, the 11<sup>th</sup> slide of [their TNT presentation](#) said,

“A majority of the homeowners in Wasatch County saw an increase in the market value of their property on the 2007 Notice of Property Valuation. This reassessment is the major contributing factor in the increase in property taxes those homeowners are experiencing this year.”

As we pointed out in that meeting, this statement is simply false. Under Utah’s TNT law, rising property values *never* increase property taxes districtwide. A TNT hearing is only necessary when the taxing entity (in this case, the Wasatch School District) raises property taxes above the certified tax rate.

Unfortunately, this error was not the only one in the Wasatch School District’s presentation. The 16<sup>th</sup> slide in the presentation notes that the new budget provides teachers a 3.5% pay raise. In this case, the error is one of omission, in that the district leaves the impression that their wisdom provided this 3.5% raise. The reality is that the vast majority of this pay raise came as a specific ap-

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propriation from the State Legislature, who provided \$2,500 for every public school teacher in Utah. For the district to take credit for the Legislature's decisions is unconscionable.

**Draper Raises Taxes To Pay for Dead Trees**

These errors highlight how important it is for residents to carefully evaluate proposed tax increases, and to make their voices heard. The Draper TNT hearing provided further insight into the errors taxing entities rely on to justify tax hikes.

In Draper's case, the City Council proposed increasing property taxes 90 percent. While the city had not increased property taxes in years, the city's sales tax revenue increased by 36 percent last year. The opening of IKEA will increase sales tax revenues by another 30 percent this year. These dramatic increases in sales tax revenue should have offset any need for the city to increase revenues.

As your Taxpayers Association explained to the City Council, residents had further reason to oppose the tax hike. Hundreds of trees on city land, worth tens of thousands of dollars, died because the city failed to care for them properly. Rather than raising property taxes, the city should reexamine management practices. The council cut tax hike to 70% on a 3-2 vote.

**The Problem with California's Prop 13**

These and other cases of deception or mismanagement have led many residents to ask whether Utah should adopt an initiative like California's Prop. 13. Prop.13 prevents increased tax rates from being applied to existing property owners. When the property is sold, the increased property taxes apply.

The popular appeal of Prop. 13 is clear: as long as I hold onto my property, property taxes won't go up (except for voter approved bond levies). However, Prop. 13 has caused notable problems. First, voters have had to confront several additional initiatives to resolve problems in funding California schools that were created by Prop. 13. Today, there aren't 10 people in California who understand how public education is paid for.

Second, Prop. 13 is largely responsible for the inability of young families to own a home in California. Because property taxes only increase when someone buys the property, Prop. 13 provides a strong disincentive for young families to move there. With in-migration from California such an important component of Utah's economy, a Prop. 13-style limit could significantly slow our booming economy.

Finally, unless tax changes are very carefully crafted, they have unintended, uncertain consequences. And ballot-box style initiatives like Prop. 13 are too blunt an instrument to solve these problems. Property owners should urge elected officials to prevent significant property tax increases such as those in Draper and Wasatch School District. By engaging directly with your Taxpayers Association in the legislative discussion, all property owners can help craft well-considered tax policies.

**UTOPIA fast becoming outdated, even as more cities look to sign on**

Last month the blog [FreeUtopia](#) noted that [Corning](#) has developed fiber-optic cables that are much more flexible and tough than traditional fiber optics. That FreeUtopia should celebrate this technology breakthrough speaks volumes about the lack of foresight in the UTOPIA model. While researchers push the boundaries of communications technology ever outward, UTOPIA wants to saddle cities with today's technology.

Twenty years from now, when UTOPIA's member cities have finally paid the last of their multi-million dollar annual fees, UTOPIA's heralded 2007 fiber optic technology will look like dial up connections do today. The problem is that UTOPIA's financial model isn't generating the revenue necessary to profitably upgrade their system with the latest technology.

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**Quote of the Month #1**

***"We are best served by schools that throw children together. . . . One of our greatest faults as a society is that we have become fragmented. Separation is not to be encouraged."***

State School Board Chair Kim Burningham explaining that education voucher should be opposed because they will lead to segregation.

*Salt Lake Tribune, 8/6/07*

**Quote of the Month #2**

***"He's full of crap. He's naive if he believes that. Vouchers will undo a lot of the segregation that already exists in the public schools. When you are free to go to any school you want, that will eliminate any segregation."***

Representative John Dougall Commenting on Kim Burningham's claim that vouchers will lead to segregation.

*Salt Lake Tribune, 8/6/07*

The evidence of UTOPIA's inability to improve their system is substantial. First, like its sister iProvo, UTOPIA has been unable to cover their operating costs, let alone improve its infrastructure. As the accompany chart shows, UTOPIA is suffering a substantial operating loss.

*While apologists ascribe these \$38,413,948 in actual and projected losses to the costs of a new, capital-intensive company, the record of municipal broadband projects across the country does not inspire confidence.*

*This non-pledging member status looks suspiciously similar to the very business model the private sector already uses, and which UTOPIA and its backers railed against, before they actually had to build a network.*

*However, the real question to those who argue that these fees are double taxation is why do government services have to be either 100% funded by general taxes or 100% funded by fees but not a combination of both?*

**Summary of UTOPIA 2007 Financial Statement**

	FY 2006	FY 2007	FY 2008
	Actual	Amended	Projected
Subscribers		6,493	13,000
Revenue	\$1,807,323	\$2,247,087	\$4,700,000
Expenses	\$12,162,075	\$12,998,284	\$22,008,000
Net Income	\$(10,354,752)	\$(10,751,196)	\$(17,308,000)

Source: Utah Telecommunication Open Infrastructure Agency, Board Meeting Packet, June 11, 2007

While apologists ascribe these \$38,413,948 in actual and projected losses to the costs of a new, capital-intensive company, the record of municipal broadband projects across the country does not inspire confidence.

The Pacific Research Institute's recent survey of 52 municipal telecom networks reports, "Muni telecom systems have proven to be nothing but a digital white elephant, costing the public much more than they're worth." With \$840 million in collective losses and fewer than 1 in 4 are able to "pay their own way" (Sonia Arrison, Dr. Ronald Rizzuto, and Vince Vasquez, "[Wi-Fi Waste: The Disaster of Municipal Communications Networks](#)," February 2007), UTOPIA's predecessors across the country paved the path UTOPIA is leading its member cities down.

Second, in presenting the results of the Cottonwood Heights feasibility study to the CH City Council, UTOPIA noted that the city would have to secure the bonds with an annual fee for 30 years, not 20 years, like previous member cities. This requirement highlights UTOPIA's Achilles heel. Their bonds are twice as large as iProvo's, yet they have half as many subscribers. Unable to develop long term financial stability with subscribers, they are now extending the length of their membership pledge.

Unrelated to the above concerns, one other UTOPIA development is noteworthy. UTOPIA justified themselves originally by professing to build out an entire city. While Comcast, Qwest and other private providers only built their networks in parts of a city, UTOPIA would build out an entire city.

In the past several months, however, UTOPIA has begun recruiting non-pledging member cities. In cities like Vineyard, Farmington, Apple Valley and Cottonwood Heights, UTOPIA only proposes to build out new neighborhoods. This non-pledging member status looks suspiciously similar to the very business model the private sector already uses, and which UTOPIA and its backers railed against, before they actually had to build a network.

These data and experiences point to UTOPIA's being cash poor. If they can't even break even on their operations, it's hard to see how they can repay their debts, or maintain their professed advantage—a 2007 state of the art fiber optic network to every house and business. More likely, member cities will be paying for UTOPIA's 2007 technology long after today's technology has become obsolete.

**Fees + Taxes = Double Taxation?**

Recently the [Deseret Morning News](#) reported on the increased reliance on entrance fees to fund national and state parks. One of the persons quoted in the article suggested that having to pay taxes *and* fees is the same as paying twice. We've heard the same argument with regards to congestion pricing. Such "paying twice" or "double taxation" reasoning leads to some very interesting conclusions.

For example, should cities stop sending residents monthly water bills because federal taxes, state sales taxes, and local property taxes are used to fund water projects? Should the state eliminate the gas tax (really a user fee) because state and local general sales tax dollars and local prop-

**Quote of the Month #3**

***"I think we need to be a little concerned about the future if we make a decision today to not allow the voters to consider a minimal amount."***

County Council member Jenny Wilson speaking in support of a \$65 million zoo bond We are not sure how many people consider \$65 million dollars a minimal amount.

Salt Lake County Council Meeting 8/23/07

*It's fairly obvious to most people that if government were to eliminate these fees that general taxes would have to be raised elsewhere or government programs would have to be streamlined (including those that were being funded in part by fees).*

erty tax dollars are used to fund roads? Should the state stop charging for lunches in public schools because federal taxes and state liquor taxes are used to fund school nutrition programs?

It's fairly obvious to most people that if government were to eliminate these fees that general taxes would have to be raised elsewhere or government programs would have to be streamlined (including those that were being funded in part by fees).

However, the real question to those who argue that these fees are double taxation is why do government services have to be either 100% funded by general taxes or 100% funded by fees but not a combination of both? Reliance on user fees makes sense in many instances, particularly if user fees encourage personal responsibility and more efficient use of resources.