



The Utah Taxpayer

A Publication of the Utah Taxpayers Association

1578 West 1700 South ♦ Suite 201 ♦ Salt Lake City, Utah 84104 ♦ (801) 972-8814

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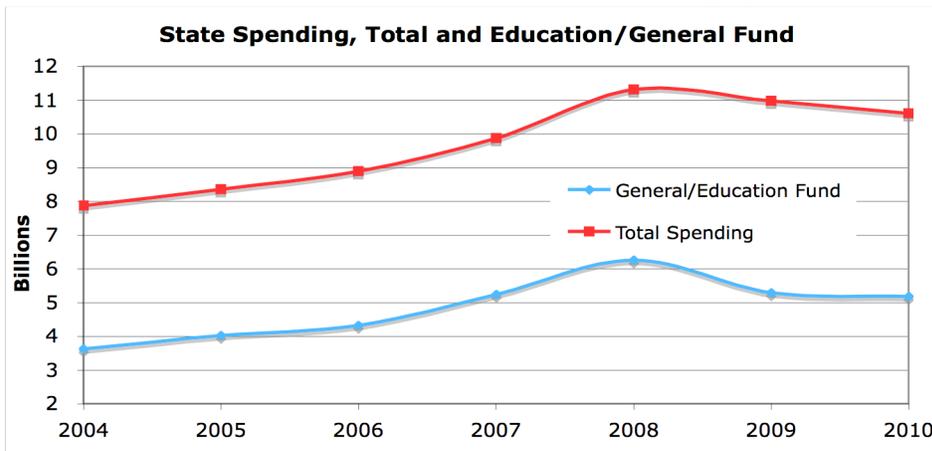
H. Val Hafen
At Large

After Years of Record Growth Huntsman Proposes Budget cuts

Dealing with the worst economic crisis in decades, Governor Jon M. Huntsman Jr., released his annual budget proposal two weeks earlier than normal as state revenues continue to tank to levels not seen for a couple of years. Huntsman’s proposal includes spending cuts up to 7% of FY2010’s base budget. The Legislature is considering cuts up to 15%. Despite the large overall spending cuts, Huntsman’s budget maintains state general/education spending for public education at \$2.6 billion.

The Lean Cows Eat the Fat Cows

State general revenues are projected to increase at a healthy 6% annualized rate from 2004, when the last budget crisis ended, to 2010. However, the current economic downturn has reduced state general revenue, including earmarks and transfers, from \$6.2 billion in FY2008 to \$5.1 billion in FY2010. The following graph shows the dramatic increases in state spending from FY2004 to FY2008 and the noticeable decrease from FY2008 to FY2010 (projected).



Source: GOPB with additional calculations by Utah Taxpayers Association. General fund expenditures include earmarks and transfers.

Working Rainy Day Fund

In addition to spending cuts, a tax increase, and bonding, Huntsman plans on shifting state funding from roads to higher education to hold public education harmless. For years, Utah has been using ongoing general revenue to fund transportation projects. Some have referred to this as a “working” rainy day fund since these funds can be tapped during bad times to balance the budget. The state can then use bonding to keep the transportation projects going.

Huntsman proposes the following shifts for FY2010:

- General funds for roads are reduced by \$692 million from FY2008 to FY2010
- Education funds for higher education are reduced by \$630 million but are mostly offset by increases in general funds of \$520 million, made possible by reductions in general funds for transportation
- By reducing higher education’s reliance on education funds by \$630 million, public education maintains education funds of \$2.6 billion despite significant drop in overall revenues.

Quote of the Month #1

“There is nothing inherently unsustainable about employing a high-priced, unionized work force.”

“When the UAW exposed the Big Three to insurmountable competitive disadvantages it cuts it’s own throat”

Associate professor of sociology at Wesleyan University Jonathan Cutler on how unionizing U.S.-based, foreign-owned plants would level the playing field for the big three.

Source: SLTribune 12/11/08

The following chart shows the shift in funding from transportation to higher education to hold public education harmless.

General and Education Fund Appropriations, FY2008 and FY2010 (Recommended)

	FY2008 Actual		FY2010 Recommended		Change FY08 to FY10
	Education Fund	General Fund	Education Fund	General Fund	
Public Ed.	2,593,935,400	2,665,100	2,551,555,600	2,766,600	42,278,300
Higher Ed.	839,467,700	60,870,900	209,943,300	580,714,300	-109,681,000
Transportation	0	792,523,400	0	100,604,500	-691,918,900

Source: GOPB Budget Recommendations with additional calculations by Utah Taxpayers Association

Notes: Appropriations include capital expenditures and earmarked general funds and transfers from general fund.

While many are calling Huntsman's proposed increase a "fee" increase, it's really a tax increase since the increase is based on automobile ownership instead of automobile usage.

\$50 Million Tax Increase

Huntsman is proposing raising motor vehicle registration fees by \$50 million, clawing back some of the \$400 million tax cuts of the 2006 and 2007 general sessions. While many are calling this increase a "fee" increase, it's really a tax increase since the increase is based on automobile ownership instead of automobile usage.

Tapping into the Rainy Day Fund

Utah's rainy day fund peaked at \$414 million in FY2008. Huntsman is proposing drawing this balance down to \$270 million in FY2010 to balance the budget. Some rainy day funds will be used to balance the FY2009 budget as well. During the last recession, the state's rainy day fund balance decreased from \$120 million to \$20 million.

\$2.5 Billion Bond for Transportation

Huntsman is proposing a \$2.5 billion bond to keep transportation projects funded. Huntsman cited the need for continued investments in transportation for long-term growth and as well as the need for short-term stimulus to prop up the construction industry.

Currently, Utah's constitutional debt limit, based on 1.5% of total fair market value of taxable property in the state, is \$4.23 billion. Since current outstanding debt is \$1.03 billion, the state can issue up to \$3.2 billion in debt. By issuing \$2.5 billion in debt, the state would be using 75% of its remaining bonding capacity. Utah's statutory bonding capacity is \$820 million, but the Legislature routinely exempts transportation projects from the statutory limit.

The federal government doesn't have to balance its budget. They can simply print more money or incur more debt to pay for whatever projects they want to, including the occasional "bridge to nowhere."



My Corner - by Howard Stephenson

Federal Stimulus Package: The Other White Meat?

State and local governments across the nation are lining up for federal stimulus money, submitting lists of "shovel-ready" projects that could be funded with "free" federal money. The exact amount, which will also most likely include individual and corporate income tax cuts, is yet to be determined, though some D.C. insiders say the price tag could top \$1 trillion.

President-elect Obama and congressional leaders have promoted the idea of federally funded infrastructure as a means to provide a short-term boost to the economy, as well as provide roads, bridges, and other facilities that are necessary for long-term economic growth. However, not all of the "shovel-ready" proposals by state and local governments are wise infrastructure investments.

There's little doubt that the state of Utah, and a host of Utah cities and counties will gladly accept whatever money spills from the federal trough, because they don't have to pay for this largesse. Whether taxpayers should celebrate the stimulus package as "manna from Heaven" is an entirely different question. After all, the federal money comes from only one place – taxpayers' pockets.

Unlike Utah and most other states, the federal government doesn't have to balance its budget. They can simply print more money or incur more debt to pay for whatever projects they want to, including the occasional "bridge to nowhere." Whether they are printing or borrowing money, taxpayers must foot the bill.

If Congress and the Federal Reserve just print more money, inflation inevitably follows. Inflation is one of the worst economic policies a country can adopt. The interest rate lending institutions charge on new debt goes up, as they try to keep up with inflation. And the increasing interest rate means fewer people can afford to assume debt, which suppresses economic activity. Of course, that's just the opposite of what an "economic stimulus" package is supposed to do.

If Congress decides to pay for the economic stimulus package by incurring more debt, the consequences are just as dangerous. Our children and grandchildren will have to repay all of the creditors who loan the federal government the hundreds of billions, perhaps trillions of dollars that make up the federal deficit.

Precisely because the right to a secret ballot is so fundamental, it is critical to prevent anyone from intimidating or bribing employees to support or oppose a proposal to unionize. Perhaps the clearest example of how critical the secret ballot is came over the summer in the movie “Swing Voter.”

In the hyper-stylized movie, Kevin Costner’s daughter votes for her Dad’s presidential vote, but voting machine errors prevent the county elections officials from definitively identifying for whom Costner’s vote was cast. As it turns out, this ambiguous vote is the one vote deciding who will win the presidency. Once the two presidential candidates learn who this one person is, they engage in a series of increasingly silly hi jinks designed to entice, bribe or scare Costner into voting for them.

Of course, the premise of this movie is silly when applied to electoral politics. The secret ballot means only the vote counter knows how anyone voted. But if card check passes, scaled-down versions of the “Swing” Voter shenanigans would become commonplace. These decisions of conscience and choice must be free of coercion, bribery and intimidation.

The Utah Taxpayers Association wholeheartedly endorses Rep. Wimmer’s proposal, and encourages all taxpayers to urge their legislators to support it as well.

Taxpayers Association helps resolve Tax Commission Lien Filing problem

Last month several tax preparers contacted your Taxpayers Association with concerns about lien notices the Tax Commission had sent their clients. A mere 15 days after notifying the taxpayer that a tax payment was delinquent, the Tax Commission notified the taxpayer of a lien filed against the taxpayer to collect the delinquent tax.

Your Taxpayers Association researched the issue, and found that the Tax Commission’s operating policy had several flaws. First, the Tax Commission mailed the notice of a filed lien before they even filed the lien. Second, the 15-day notice before filing the lien was much too short.

In discussing the matter with the Tax Commission and tax preparers, we learned that the Tax Commission has historically mailed two notices. The first notice indicated that the payment was late, and that a lien would be filed if payment was not made within 15 days. The second notice went out 15 days later, and indicated that a lien had already been filed.

In fact, the Tax Commission did not file for a lien until 30 days from the original notice. However, Tax Commission staff felt that the lien notice would better prompt taxpayers to pay the delinquent tax, while at the same time avoiding having to actually file the lien. (Even if after the delinquent payment is made, it can take six months to remove the lien from the taxpayer’s credit record.)

The Tax Commission’s desire to collect the tax without filing the lien is laudable, but the policy ignores the heartburn suffered by taxpayers whose check is in the mail when the notice is sent out, or by taxpayers who could not possibly respond within the 15-day time frame. For example, a taxpayer who was traveling either personally or on business could easily be away for 15 or even 30 days, and only receive the first notice of a delinquent payment after the notice of a lien was already filed.

In a lengthy discussion with Commissioner Darcy Dixon-Pignanelli and Tax Commission staff, your Taxpayers Association was able to help the Tax Commission design a policy that would meet the needs of the Commission, without unnecessarily scaring the taxpayer. Going forward, the Tax Commission’s first notice will indicate their intent to file a lien if the delinquent tax payment is not received within 30 days. A second notice indicating that a lien has been filed will go out 30 days later, after the lien has actually been filed.

2009 Board of Directors Elected

Margo Provost of Log Haven Restaurant was Elected to continue to serve as the Chairwoman of the Utah Taxpayers Association’s board of directors. Ms. Provost brings the perspective of a small business owner, and will continue to guide the association to advocate for principles of lower taxes and sound tax policy. Ms. Provost is a champion of keeping Government from competing with the private sector and ensuring that Utah will continue to embrace the free market system.

Others joining Ms. Provost on the Executive Committee are Jack Towsley (Vice- Chair), John Ward (Secretary), Kathryn Hymas (Treasurer), Maxwell Miller (Immediate Past Chair), Mark Buchi (Legislative Chair), H. Val Hafen (at large). Others on the board include Bill Barton, Lee Brown, John D’Arcy, Jerry Fenn, Greg Fredde, Robert Fredericks, Morris Jackson, James Hewlett, Heather Lare, Stan Lockhart, Joe Lyon, Ken Macey, Ken May, Keith Prescott, Jeff Valentine, and Phil Ware.



Margo Provost

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Since 1922

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1578 West 1700 South #201
Salt Lake City, Utah 84104

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Taxpayers Pre- Legislative Conference January 13

Join your Utah Taxpayers Association for an engaging discussion of the critical issues facing Utah in 2009. Speakers at our annual pre-legislative conference will include:

- Senate President Michael Waddoups
- House Majority Leader Kevin Garn
- House Revenue and Taxation Chair Todd Kiser
- Senate Revenue and Taxation Chair Wayne Niederhauser
- Appropriations Committee Co-chairs Ron Bigelow and Lyle Hillyard
- Many other influential Senators, Representatives and industry leaders

Topics to be discussed include:

1. Budget crisis – How do we get through the tough times?
2. Property tax reform – Do we need to make changes?
3. Transparency in government – Who's Next?
4. Transportation funding – How much bonding is too much?
5. Paycheck protection – US Supreme court arguments Tobacco
6. Tobacco taxes – Are tobacco users paying enough?
7. Special Service Districts Property Taxes – Taxation without representation?
8. Reconfiguring education funding – Does anyone understand education funding?
9. RDA Reform – The Cottonwood Mall debacle
10. Performance pay/Differential Pay – Shouldn't the best teachers get paid more?
11. TNT ads – Getting the full story on tax increases
12. Severance tax – Amendment B passed – now what?

What: Utah Taxpayers Association's Annual Pre-Legislative Conference

When: Tuesday, January 13, 2009

9 a.m. to 12 p.m.

Where: Utah State Capitol

Capitol Board Room (2nd floor, opposite the Governor's office)

To RSVP, please call Fallon 801.972.8814, or send an email to taxwatch@utahtaxpayers.org.