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THE UTAH TAXPAYER

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2011 Truth In Taxation Hearings

Cities and school districts witness overwhelming opposition to tax increases

August is Truth In Taxation time in Utah and this year nineteen cities and towns, nine school districts, six special districts and one county proposed property tax increases. Your Taxpayers Association altered taxpayers, attended hearings and testified throughout the state. At each of the hearings the public response was overwhelming. Hundreds of taxpayers turned out to oppose property tax increases and insist that city councils and school boards cut their budgets before pushing a higher burden on taxpayers.

Some local governments responded to the outcry of citizens and rejected property tax increases, while others casually dismissed the pleas of residents and increased taxes. Following are six of the largest and most controversial tax hike proposals this year.

Heber City

Earlier this summer the Heber City Council voted 3-2 to propose property tax, and fee increases to balance their budget. Despite increased revenue from the previous year, the property tax hike was intended to fund a 3% pay increase for employees and absorb increased healthcare costs.

Heber City residents filled City Hall and testified in overwhelming opposition to the property tax increase. Your Taxpayers Association testified that in tough economic times when the private sector cannot afford pay increases, the public sector should not fund pay increases out of the pockets of taxpayers. As a result of public outcry and opposition by your Taxpayers Association, the Heber City Council reversed their previous decision and voted 3-2 to reject a property tax increase to balance the budget.

Davis School District

After approving a $60/year property tax increase last year, Davis School District was back again this year asking taxpayers for even more. If a second property tax hike wasn't bad enough, the Davis School District's justification for the tax hike made the proposal even more appalling.

In the 2011 legislative session, Representative Merlynn Newbold proposed House Bill 301 to simplify and cap public school tax levys. For most school districts (including Davis School District) the tax rate cap was set at .0018. However, a rare exception was made in the legislation for school districts that already had tax rates above .0018. For those few school districts the cap rate was set at .0025.

Not wanting to be limited to the tax rate of .0018, Davis School District proposed a tax increase this year to get above the .0018 threshold (before House Bill 301 goes into effect) and therefore be able to tax all the way up to the .0025 rate in future years.

The Davis School District Truth In Taxation hearing was packed with hundreds of residents in opposition to the hike. After hours of testimony from concerned citizens and your Taxpayers Association, the Davis School Board voted 7-1 to approve the tax increase.

West Valley City

West Valley City already imposes one of the highest property tax rates in the state. But, this year they insisted they needed $3.5 million more from taxpayers. It was no coincidence that the $3.5 million they needed from taxpayers was

SEPTEMBER 2011
VOLUME 58

almost exactly the amount of their UTOPIA bill.

Your Taxpayers Association has encouraged West Valley City to get out of the UTOPIA telecom scheme, but despite our warnings West Valley City has continually voted to spend more and more taxpayer dollars on UTOPIA. This year is another example of taxpayers paying the price.

The West Valley City Council voted overwhelmingly in favor of the tax increase. Your Taxpayers Association is disappointed in West Valley City's blatant abuse of taxpayers to cover their UTOPIA debt.

Provo

Your Taxpayers Association closely followed the proposal by Provo Mayor John Curtis and the Provo City Council to fill their budget gaps. Provo was considering both a fee increase to cover the costs of their iProvo network and a tax increase for other municipal services. Your Taxpayers Association strongly encouraged Provo to avoid both a fee and tax increase.

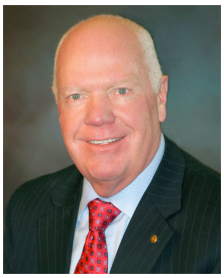
At the beginning of the Provo City Council Truth In Taxation hearing, before hearing even a word of testimony, the Provo City Council promised to not raise property taxes to balance this year's budget. Your Taxpayers Association applauds Provo City for protecting taxpayers and making hard decisions to balance their budget.

West Bountiful

West Bountiful proposed a 67% tax increase to fund road maintenance and construction. The local community responded loudly to the tax increase proposal, asking the City Council to reconsider their budget and avoid a tax increase. Your Taxpayers Association advised the council that road maintenance should be part of a general budget that is predictably funded every year, not funded through a property tax increase. Despite these strong objections, the West Bountiful City Council approved a 35% property tax increase.

Syracuse

Unlike West Bountiful, Syracuse is approaching their road and transportation needs in a more fiscally responsible way. Syracuse recently proposed a 28% property tax increase for one-time road repairs. One-time projects should always be paid for with one-time money, instead of on-going revenue from a tax increase. After consulting with your Taxpayers Association, the Syracuse City Council decided to propose a one-time funding solution for their one-time project. The City Council will propose a bond to allow voter the chance to decide if they are willing to temporarily pay higher property taxes to fund road construction.



Association President Howard Stephenson

My Corner: Government Employee Union Power Challenged Across the Nation and Utah

Last month marked a political turning-point in Wisconsin, and across the nation. Until this year, no state had ever had more than two legislators recalled in an election. Following Governor Scott Walker's legislative showdown over union bargaining power in the public sector, a coalition of national unions forced recall votes on six Republicans in the Wisconsin state senate. Backers of Gov. Walker retaliated by forcing two Democrat state senators to face similar recall elections.

The 2010 elections swept Gov. Walker and Republican majorities in both houses of the Legislature into power. Given the Badger State's strong tradition of support for liberal Democrats like U.S. Senator Russell Feingold, this Republican tide presented a rare opportunity for the Legislature to rein in the spending created by lavish pensions and health care plans the government employee unions had negotiated.

Governor Walker obtained passage of a budget with several provisions designed to plug Wisconsin's $137 million budget hole. The first provision prohibited government employee unions from negotiating anything beyond salaries. The second provision required annual recertification by union members for every government employee union.

Third, public employers were prohibited from using taxpayer dollars to collect union dues. Finally, the governor's proposal required public employees to contribute to their pension and health care plans. These changes saved Wisconsin taxpayers hundreds of millions of dollars. They also put Wisconsin in the firing line of the national unions.

Democrats in the Wisconsin Senate tried to prevent Governor Walker's package from passing by fleeing the state (and thus denying the necessary quorum to take action). After that failed, the unions sued to prevent the package from becoming law. When the unions lost in court, they launched recall elections against six sitting Republican senators.

Union money from across the country poured into Wisconsin in sums I can't even fathom. A typical Utah senate race costs between $50,000 and $100,000. Estimates place the cost of these six Wisconsin senate races at a mind-numbing $30 million.

While two of the six Republicans lost their recall elections, Gov. Walker and his Republican colleagues retained control of the Senate. (The two Republicans who did lose would have lost in virtually any conceivable set of circumstances. One was a philanderer who'd moved out of his district to live with his mistress, and his wife campaigned against him. The second had won the general election in a fluke, as his district is very Democratic.)

Defending Teaching Professionals in Utah and Other States

Wisconsin is not the only state to rein in public sector unions and the extravagant spending negotiated through collective bargaining. Ohio, Indiana and Idaho have also made significant progress in thwarting the ability of public sector unions to drain the public coffers.

Additionally, Utah legislators and school board members are starting to take similar actions to rein in excess union power. As noted in last month's edition of this newsletter, the Ogden School Board gave their teachers an ultimatum to accept the generous contract which the board had offered or face the loss of their jobs. All but one of 697 teachers signed their contracts.

Canyons School District this year refused to include in the teacher contract specific district policies that have nothing to with teacher salaries and benefits. As a result of their split with Jordan School District, Canyons inherited from the Jordan School District contract policies which are clearly outside

appropriate contract content. The school board this year decided to remove from the contract requirements regarding school advisory councils and policies regarding discipline of students. Canyons School Board said they reserve the right to pull other items from the contract in future years such as how the district handles reductions in force.

Other Utah local school officials have complained that previous school boards basically gave away the store in allowing the unions to negotiate district policies which have no place in a teaching contract. They also are concerned about the numerous instances in which union negotiators in closed door sessions have essentially rolled rank-and-file teachers under the bus by advocating for changes which benefit negotiators compensation or pet programs at the expense of the other unsuspecting, trusting teachers.

To address these abuses, the Utah Legislature is expected to consider legislation which elevates the teaching profession by taking power from the union bosses. Some of the Wisconsin-like legislation being discussed includes ending taxpayer funded collection of union dues, ending collective bargaining, eliminating or reducing tenure, and paying the most effective teachers more.

Federalism as the Way Forward

Examining the budget crisis and its relationship with federalism

Congressman Rob Bishop

The history of our nation has been, by and large, a history of centralization and consolidation of government and politics. Contrary to the vision of the Framers of the Constitution, the national government today dominates American politics. The Founding Fathers would undoubtedly be shocked by just how massive and intrusive the federal government has become despite safeguards they provided in our founding document, such as the 10th Amendment. This growth cannot be pinned on one political party; both equally share the blame for helping our nation grow beyond its intended size.

While many have lamented the explosive growth of the the federal government, it is less common for people to connect the federal government's overbearing intrusiveness as one of the contributing factors to today's economic woes. As our country finds itself on the brink of economic and budgetary upheaval, this may finally be changing.

Last month, years of wasteful spending and federal overreach exceeded the spending cap placed by Congress known as the "debt limit." The congressionally-established debt limit was designed to serve as a check and balance and to constrain Washington's insatiable desire to borrow and spend beyond its means. For decades, many in Washington chose to carry on as though the debt limit was merely a cautionary suggestion, rather than a rule or law. For the first time in memory, House Republicans were able to change that mentality. We struck a deal that cut spending and that ensured a vote on a Balanced Budget Amendment.

One thing that was lost amongst the debt limit discussion was the concept of federalism. This arrow in our nation's quiver is the essential tool that will allow us to reduce both spending and the size of government while empowering states at the same time. Restoring the proper balance between state and federal government must be an essential component of our plans moving forward.

This isn't to say that spending cuts aren't important, but they are simply part of a much bigger picture. It is my hope that the bipartisan, bicameral 12-member commission established in the final debt limit package will make federalism a core premise of their discussions. I hope they consider that just because the federal government can do something, doesn't always necessarily mean it should.

Many of the current programs funded by the federal government today can and should be handled at the state level. This is assuming of course that the states even want them in the first place. I say we let the states decide, and no longer enable the federal government to intervene at every passing chance.

The 12-member commission will be charged with finding cuts to offset the second phase of the debt limit increase. Programs that the federal government has no business managing or funding should be among the first to be considered. However, there are some in Congress who believe that targeting national defense as a way to cut spending is the easiest way to help balance the books. This may be low hanging fruit, but does absolutely nothing to address the real problems. What many fail to recognize is that we have a constitutional obligation to provide for the national defense of our country, and cutting defense funding is the wrong course of action, especially when there are far more worthy programs that deserve a place on the budgetary chopping block.

Many of the entitlement programs funded by billions of tax dollars each year are not necessarily bad programs. In fact most of them are well intentioned; however, with a $14 trillion national debt, we must find ways to reduce annual spending and empower states to be less beholden to the federal government. Raising taxes to keep these programs afloat is not the answer. **The fact of the matter is that Washington does not have a revenue problem, it has a spending problem. It is not merely that we are spending too much money. It is that we are spending money on too much.**

Taxpayers should not be forced to bankroll the spending spree of power hungry Washington lawmakers who, when it comes to the size of government, always believe more is better. Our federal government has become so large it has essentially become ineffective. Over the course of history Washington has lost sight of the fact that **our founding fathers intended for the federal government to do few things well, not many things poorly** and that is exactly where we are today. It is time for a shift of this paradigm and that begins by returning to the fundamental principles of federalism.

Washington will not give up power voluntarily. Citizens will need to elect leaders who are willing to leave Washington less powerful than it was when they arrived. The only way to put our fiscal house in order is to restore the balance of power between state and the national government and living under the constitutional limits our Founder's intended.

North Ogden Picks "Taj Mahal" Proposal and Higher Interest Rates

Ironically Insist They Are Saving Taxpayer Money

The North Ogden City Council continues to ignite controversy over their $7 million public works bond proposal. The City Council ironically insists that the city needs to choose the most expensive proposal and act quickly (avoiding a vote of the people) to save money. Actually, the City Council is wasting more money on interest and forgoing transparency.

The controversy began following the City Council's passage of a proposal to allow for a $10 million revenue bond to fund a new public works complex. Unlike a general obligation bond, a revenue bond does not require an election. The public vigorously opposed the measure. Citizen activists gathered nearly 3,000 signatures in support of putting the bond proposal to a full vote on the November ballot. The city disputed the petition and sued the citizen group to determine the validity of the signatures.

Throughout the ongoing controversy of the North Ogden City bond, your Taxpayers Association has determined that the primary opposition to the bond is not the construction of a new public works complex, but the cost. Cost estimates for the complex have ranged from $4.5 million to $7 million. Your Taxpayers Association testified in strong opposition to a lavish "Taj Mahal" public works complex and encouraged the council to consider efficient and practical building designs to conserve taxpayer money. Ignoring advice for fiscal conservatism, the council members moved towards passage of a $7 million bond. The Council argued that a $7 million revenue bond would allow the city to save money by completing the complex, including multiple buildings, at one time rather than in phases as other plans had suggested. The measure passed 3-2.

Despite promises that moving quickly and using a revenue bond will save taxpayer money, taxpayers aren't going to see those savings. The choice of a revenue bond instead of a general obligation bond will end up costing the city much higher interest rates and hundred of thousands of dollars in interest. A general obligation bond conservatively could have saved the city of North Ogden between .25% and .5% on the bond's interest rate, resulting in an estimated $290,000 to $575,000 in savings over the life of the bond.

The choice of a revenue bond instead of a general obligation bond will end up costing the city much higher interest rates and hundred of thousands of dollars in interest.

In addition, by side stepping a general obligation bond vote in November, North Ogden City has infuriated its citizens resulting in ongoing litigation. Since the city cannot be issued the bonds until the litigation is resolved, North Ogden City's bond progress continues to be delayed and may end up being slower than if they had just held a vote in November.

Salt Lake County Wouldn't Be Able To Fill Taxpayer Funded Hotel

Pushes Forward With Project Anyway

The Salt Lake County and Salt Lake City Councils are moving forward with plans to put taxpayer dollars on the line to build a 1000 room hotel. Despite failed publicly-owned hotels around the nation, and declining occupancy rates in the Salt Lake metro area, the Salt Lake County Council has already approved the hiring of a consultant to study the issue, and the Salt Lake City Council will also. Proponents of a new taxpayer-funded hotel insist that the new hotel will be the silver bullet to expanding Salt Lake City as a convention destination, but the numbers just don't add up and the risk to taxpayers is too high.

At a recent Salt Lake County Council hearing, Scott Beck, CEO of the Salt Lake Convention and Visitors Bureau testified that Salt Lake City is losing conventions to other destinations. Mr. Beck explained that the American Public Libraries Association would have brought 18,000 people to Salt Lake City, but chose another location due to a lack of hotel rooms. However, just a few weeks ago, the Outdoor Retailers convention was hosted in downtown Salt Lake City. It's attendance was 24,000 people. How did a convention with 6,000 more people manage what 18,000 could not? It is highly likely that there were other factors in the American Public Libraries Association not selecting Salt Lake City. And simply building a new, taxpayer funded hotel would not overcome the variety of obstacles which lead organizations to select alternative convention locations.

During the same County Council hearing, the Salt Lake Convention and Visitors Bureau disputed claims that a new taxpayer funded hotel would cannibalize from current hotels, stealing room stays from pre-existing hotels. The Visitors Bureau explained that Salt Lake City lost out on 70,000 room stays to conventions that went elsewhere. If Salt Lake City had a new, taxpayer-funded hotel, they claim those 70,000 room stays would have come to our community. But, the math doesn't add up.

The current taxpayer funded hotel proposals being considered include room estimates of 700-1200 rooms. In order to maintain a high occupancy rate (and preserve taxpayer investment), the new hotel would need to maintain a rate of 70-80% occupancy. In the context of a hotel with 700 rooms, Michael Johnson, Executive Director of the Utah Hotel & Lodging Association told your Taxpayers Association that a hotel with 700 rooms and 70% occupancy over the course of a year translates to 178,000 hotel room stays. The Visitors Bureau can only account for 70,000 lost rooms as a result of conventions not selecting Salt Lake City. In order to meet a 70% occupancy rate, the new taxpayer funded hotel would need to recoop every lost hotel room and then generate at least 108,000 more hotel stays.

Your Taxpayers Association testified at the County Council hearing that in these rough economic times with travel budgets and hotel stays declining, it is highly unlikely that the Salt Lake City Visitors Bureau would recoop all lost conventions and attract enough new organizations to occupy a new hotel. Instead, a taxpayer-funded hotel would lure visitors from current hotels, especially considering the subsidized rates that

have been proposed. Bob Farrington, Economic Development Director for Salt Lake City told the Salt Lake Tribune, "without a public subsidy, the debt service on such a large hotel would require room rates to hover near $350 per nigh."

Fortunately for taxpayers, some elected officials have raised questions. Salt Lake City Council members Luke Garrott and J.T. Martin have questioned the need for taxpayer funding of a hotel and convention hall. J.T. Martin told the Tribune that this is "something that would compete with other downtown hotels..." and that "we need to figure out a way to protect our city investors."

Your Taxpayers Association is concerned about the risk of using taxpayer money to fund this project. It is unlikely that a new hotel would generate enough new tourism and convention activity to meet an adequate level of occupancy. Clearly, a taxpayer funded hotel would unfairly compete with existing hotels. With so many questions surrounding the actual "need" for a new taxpayer funded hotel, Salt Lake City and County should oppose the project and protect taxpayers from this poor investment.

South SL City Adjusts Bond Proposal To Heed Association Recommendation

Modifies Fitness Center to Avoid Competition with Private Sector

South Salt Lake City is considering plans to purchase and convert the former Granite High School site to a multi-use community center. The historic property would provide the community with a city center steeped in community history. Your Taxpayers Association has evaluated the proposal and consulted with the city of South Salt Lake.

In discussions with the city, your Taxpayers Association expressed serious concerns over the length of the bond (30 years), the additional interest accrued from such a long term and the proposed fitness center design and services competing with the private sector.

After considering your Taxpayers Association's concerns, South Salt Lake modified their fitness center design to prevent competition with already available services in the private sector. Your Taxpayers Association was pleased to receive the following letter explaining South Salt Lake's intention to avoid private sector competition. While your Taxpayers Association is still concerned about the additional $9 million in interest that will accrue as a result of the bond term being 30 instead of 20 years, we are encouraged by South Salt Lake's changes.

"We have considered your advice about this project. Based of your feedback we are modifying our project…"

- Cherie Wood
Mayor of South Salt Lake City

SOUTH SALT LAKE CITY ON THE MOVE

August 15, 2011

Utah Taxpayers Association
656 East 11400 South Suite R
Draper, Utah 84020

Mr. Stephenson and Mr. Van Tassell,

We express our appreciation for your willingness to engage with our City about this important upcoming bond issue. Seeking the best ideas from thoughtful leaders like you has brought valuable perspective to this project. As you have agreed, we believe the purchase and re-use of the former Granite High School Campus is a once in a lifetime opportunity for our City.

South Salt Lake has a history of being fiscally conservative. This exceptional project has required that we balance our conservative fiscal approach to government with the size of our population, and the knowledge that we have the lowest median income of any city of our class in Utah. Considering this unique situation we believe we have come up with a measure that works for our taxpayers.

We have considered your advice about this project. Based on your feedback we are modifying our project to exclude any fitness center plans that would compete with private sector fitness centers. It was never the City's intent to compete, but via the feedback from your organization we have been able to fully address this concern. We can assure the Association that the City's community recreation center will not compete with the private sector.

Again, we thank you for reviewing this proposition and it is our hope that based on our revisions you will consider supporting this important project.

Sincerely,

Cherie Wood

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Mayor

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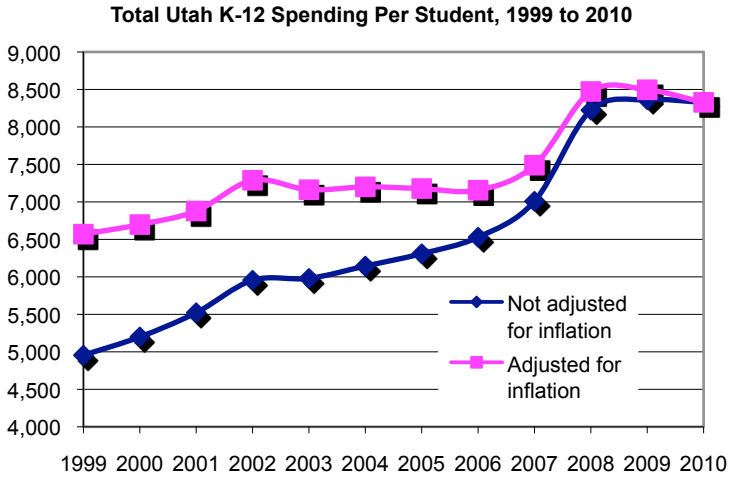
Taxpayers Association Releases Latest School Spending Report

Your Taxpayers Association has released its latest School Spending Report. Every year your Utah Taxpayers Association collects the financial and statistical data for Utah's school districts and charter schools. This information compares the spending trends between districts and outlines how the districts spend taxpayer dollars. The 2009-2010 report includes all 41 school districts (Canyons School District is included for the first time), and groups all charter schools into one line item.

In the 2009-2010 school year, school districts spent an average of $7,880 per student while charter schools spent approximately $7,185 per student. The accompanying chart shows total K-12 spending per student since 1999. Over the last decade public education funding in Utah has steadily increased. Even in the recent economic turmoil, education funding has remained relatively level.

To view the complete report and additional analysis, visit www.utahtaxpayers.org.



Calculations by Utah Taxpayers Association based on data from Utah State Office of Education and Bureau of Labor Statistics

"No one is more concerned about education than taxpayers…"

The Utah Taxpayer – February 1946

"No one else is as vitally concerned with the schools, as the taxpayer. For his children the schools are maintained. Then, it is his money which must pay the costs. He, above all people, should know what is going on. He should know what his children are taught and should assure himself that every dollar of his money is wisely and judiciously spent."