



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Vote FOR Amendment A

An Amendment to Require Severance Taxes to be Deposited in the Permanent State Trust Fund

Most people don't know it, but Utah collects severance taxes when companies mine minerals, or extract oil and gas from Utah's lands. The amount of severance taxes these companies pay depends on the price of these commodities. When prices are up, they drill and mine more, and pay more severance tax; when prices are down, they drill and mine less, and pay less severance tax.

Currently, most severance taxes go into the state's General Fund, the main fund the Legislature uses to pay for state programs like CHIP, Medicare, and transportation. Unfortunately, these resources are finite. At some point there won't be any more oil, natural gas or copper, which also means there won't be any more severance taxes. However, the programs severance taxes support will continue. This imbalance of infinite programs with finite resources is a structural budget problem for the state.

Frankly, your Taxpayers Association thought we had solved this problem in 2008, when 65% of Utah voters approved an amendment to Utah's Constitution allowing the state to save a portion of severance taxes in Utah's "Permanent State Trust Fund" (PSTF). As it turns out, we should have been more skeptical.

The 2008 amendment merely "allowed" the Legislature to deposit severance taxes into the PSTF. When faced with a tight budget in 2011, the Legislature siphoned \$11 million in severance taxes before it went into the PSTF. Your Taxpayers Association led a vigorous debate on the House floor opposing this severance tax money grab, but the Legislature still siphoned off the money.

Immediately we started working on Amendment A. Amendment A **requires** the Legislature to deposit a fixed percentage of each year's severance taxes into the Permanent State Trust Fund. As the 2011 budget showed, sometimes even the Legislature of the "best managed state" can't resist the allure of spending now what they should be saving for future generations.

The permanent state trust fund is a very secure rainy day fund. The Legislature can only spend money in the Permanent State Trust Fund if $\frac{3}{4}$ of both Houses of the Legislature and the Governor agree to spend that money. However, that money earns interest, which the Legislature can either reinvest in the trust fund, or spend for on-going programs.

By depositing severance taxes in the PSTF, Amendment A preserves the benefits of our natural resources forever. Instead of spending our grandchildren's legacy, Amendment A lets us save for that real rainy day, when Utah's oil, gas and minerals are gone.

Before the public votes on any amendment to the Utah Constitution, the Legislature must first approve it. In the case of Amendment A, not a single Democrat or Republican in the Senate voted against it; on the House side, well over the required $\frac{2}{3}$ approved it. Republicans and Democrats don't agree on many things, but support for Amendment A is wide and bi-partisan.

Amendment A is both a safety net, and our grandchildren's legacy. In the most extreme circumstances, voting for Amendment A gives the state a last safety net to protect critical programs. But because the Legislature manages the state budget so well, that scenario is unlikely. Whether Utah ever needs that safety net, we need Amendment A.

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My Corner: Public Education Inflates Student Performance, Fails to Report 29 Areas of Transparency



**Association President
Howard Stephenson**

I thought we were making significant progress in holding Utah public education accountable.

But now, I'm not so sure.

Last month a [report](#) by the Office of Legislative Research & General Counsel (OLRGC) revealed that the Utah State Office of Education (USOE) is failing to report the results in 29 areas of accountability.

Additionally, a [report](#) on Utah's success in literacy improvement appears to contain highly inflated

results.

Failing to report or overstating performance is not new for USOE. Last year it was discovered that USOE had claimed a 90% graduation rate for Utah high school students when a federal report showed the Beehive State completion rate at just 76%. In response, USOE spokespersons said the apparent discrepancy was merely a result of differences in assumptions used in the calculations.

It's curious to me that when there are differences in USOE's professed results and the national state-by-state results, USOE's figures are always higher.

Can you say, "Grade-inflation?"

Perhaps the worst case of USOE overstating Utah school performance came to light when in a public meeting I noted that the extra \$30 million being spent annually in the Olene Walker K-3 reading program hadn't moved the needle in student performance since its inception in 1985. My comment was met with a retort from State School Board Chair Debra Roberts who said proof of the value of the program was the fact that fully 90% of Utah eighth graders are proficient in reading and language arts.

I doubted that *any* state could claim that 90% of their students

were proficient in reading, so I looked to the National Assessment of Educational Progress (NAEP), which Utah education leaders have often described as the "gold standard" of assessment. The NAEP revealed that for 2011, Utah only 36% of Utah eighth graders were proficient in reading, a far cry from 90%. What's more, NAEP's Utah fourth grade reading assessment, the grade where the \$30 million reading program should reveal the most gains shows only 33% proficiency, and the average score is exactly the same as 1992. I presented this discrepancy in the next committee meeting. State Superintendent Larry Shumway didn't have a clear explanation for the eighth grade 54-point difference except to say that improvement is needed and that significant progress is being achieved, particularly with students whose native language is not English.

The legislative report showing failure of USOE to publicly report school data in 29 areas required by state law include the following: failure to report criterion-referenced-tests (CRT) by grade level, high school graduates taking college entrance tests, students taking and passing advanced placement tests, 3rd grade students reading at or above grade level, course taking patterns and trends in high school, student mobility, professional staff years of service and degrees or endorsements in their assigned teaching area, high school daily attendance by period, average grades in high school core subjects, student discipline incidents requiring suspension or expulsion or court referrals, and more.

When responding to the findings, Superintendent Shumway said there was no excuse for the non-reporting and assured that the failure would be corrected.

Superintendent Shumway has announced his retirement and his successor will be named on October 8. Additionally, half of the State School Board members will be elected in November. It is imperative that these leaders take educational accountability seriously and ensure authentic measures. Anything less cheats students and the taxpayers paying for their education.

Vote Against Salt Lake County's \$47 Million Prop 1

After eight years as Salt Lake County Mayor, Peter Corroon is finally promising a plan to eliminate \$26 million in deferred maintenance in the county's parks and recreation system. But before he presents that plan, he hopes Salt Lake County taxpayers will approve Proposition 1, a \$47 million bond for additional parks and trails. Until Salt Lake County has adopted a specific plan to eliminate the county's deferred maintenance,

taxpayers should vote *against* Proposition 1.

Salt Lake County is blessed with abundant recreational opportunities. City and county parks, federal campgrounds, wilderness areas and national forests dot the landscape. However, the county's demographics have changed significantly - from north and east to south and west - since many of these facilities were created. Because these population shifts are recent, the county's

Table 1: Proposed Allocation of \$47 million from Proposition 1

| Improvement | Area | Cost |
|-----------------------------|---------------------------------|---------------------|
| Complete Jordan River Trail | Along Jordan River | \$11.5 million |
| Portions of Parley's Trail | Parley's Canyon to Jordan River | \$9 million |
| Lodestone Park | Kearns | \$5 million |
| Regional park | SW part of Salt Lake County | \$10 million |
| Wheadon Park | SE part of Salt Lake County | \$6 million |
| Acquire land for a park | Magna | \$5.5 million |
| Total | | \$47 million |

Source: Brochure for Salt Lake County Park Bond, available online at <http://www.slco.org/parkbond/pdf/ParkBondBrochureV2.pdf>.

park system hasn't caught up with them.

To better align the county parks system with these population shifts, Mayor Corroon hopes voters will approve a \$47 million bond. As Mayor Corroon explains his proposal, he wants to complete the Jordan River Trail and additional portions of the Parley's Trail; build a new park in the southwest part of the county and another park in Kearns; buy property for a park in Magna; and improve Wheadon Park.

Many, perhaps all of these projects are worthwhile. If they are worth doing, Salt Lake County should do them right. Key to doing these projects right is being able to maintain them. By the county's estimation, completing these costs will increase the annual operating budget of the parks department by \$580,950.

The problem is that Salt Lake County's parks and recreation budget can't maintain the county's existing portfolio of parks and trails. Earlier this summer, Mayor Corroon estimated that

Salt Lake County has at least \$26 million in deferred maintenance for the county's existing parks and recreation portfolio.

Your Taxpayers Association objected to placing this bond proposal on the ballot, precisely because the county has no plan to eliminate the deferred maintenance. After we expressed these concerns to the county council, they asked Mayor Corroon how he planned to eliminate it. He responded by saying that plan would come out as part of the county's 2013 budget.

It is presumptuous for Mayor Corroon to ask taxpayers to fork over \$47 million *before* knowing how the county plans to care for its existing portfolio. It is even more presumptuous when you consider that he won't even be county mayor when "his" plan is implemented. We hope that all candidates for Salt Lake County Mayor and Salt Lake County Council will join us in encouraging taxpayers to vote *against* Prop. 1.

Voters Push Tax Referenda in Highland, Orem and Summit County

When taxpayers become angry about choices made by their state or local officials, they have several options to set things straight. The most common solution is to unseat them at the next election. Sometimes that strategy isn't enough; sometimes taxpayers need to stop the action immediately. That's why Utah's Constitution provides the opportunity for taxpayers to initiate a referendum.

Under a referendum, citizens vote on whether they agree with a decision by their elected officials. If a majority of the voters reject the elected official's decision, it doesn't take effect.

Under current Utah law, to initiate a referendum taxpayers must collect signatures from registered voters in the jurisdiction totaling 10% of the number of votes cast within the jurisdiction in the last gubernatorial election. Once those signatures are gathered and verified by the county's elections office, the action taken by the city (or school board, or county) is put on hold until voters have the opportunity to approve or reject the decision.

This year, taxpayers in three local jurisdictions are exercising their referendum rights. In Highland and Orem, taxpayers are upset with property tax hikes, and have gathered many more signatures than is required. The Orem standard this year is 3,129 signatures, and opponents of the property tax hike submitted more than 5,300 signatures. The Highland standard this year is 880, and opponents of their tax hike submitted 1,546. Taxpayers in Summit County are still collecting signatures right now. Because the Orem and Highland signature drives succeeded, those city councils will have to cut their current budgets so that they don't spend the money they hoped for in the tax hike.

Unsurprisingly, the officials in Orem and Highland are unhappy with "uppity" voters challenging their decisions. They have convinced the Utah League of Cities and Towns to approve a resolution calling on the Legislature to increase the "excessively low" threshold for getting a referendum on the ballot. That resolution argues that the current threshold allows "a small, fringe group" to "debilitate" the important services residents expect.

That claim seems a bit overwrought. Not only are referenda rare, but collecting sufficient signatures under the current threshold is very difficult. Finally, citizens in Orem and Highland submitted nearly double the number of signatures necessary to get the referenda on the ballot. That doesn't sound like a "small, fringe" group.

Before this year, Utah and Salt Lake Counties hadn't seen a successful referendum drive in at least five years. Citizens in Davis County cities have placed fewer than 5 referenda on the ballot over the last several years. To put those successful referendum drives in perspective, consider that elected officials in Davis, Salt Lake and Utah counties have approved thousands of ordinances and budgets in just the past five years. Fewer than five inspired so much angst that they succeeded in placing referenda before the voters.

Even Davis County's massive property tax hike in 2002 and the Jordan School District's 2010 property tax hike didn't inspire referendum drives. Thousands of angry taxpayers protested those tax hikes at their respective Truth-in-Taxation hearings, but they didn't succeed in organizing referenda on those tax hikes.

Furthermore, collecting signatures is hard. Signature gatherers must prepare and use precisely-worded and -formatted documents. In addition, most people aren't anxious to spend the time necessary to collect signatures. After all, spending time at a child's soccer game, watching a movie with your family or mowing the lawn is almost always a much higher priority than approaching strangers to ask for signatures.

This isn't the first time elected officials have tried to eliminate taxpayers right to overturn tax hikes via referendum. In 1994, your Taxpayers Association fought to restore those rights by passing SB 102. That statute was necessary because the Utah Supreme Court had upheld a previous statute that severely limited taxpayers constitutional right to a referendum. Because referenda are the last opportunity for taxpayers to get relief from inappropriate tax hikes, we will continue to protect your right to initiate referendums.

Notice of Utah Taxpayers Association's Annual Meeting

All members of the Utah Taxpayers Association are invited to attend the Association's Annual Meeting, which will be held on Monday, November 19, 2012 at 2:00PM. The meeting will be held at the offices of Holland & Hart, 222 South Main Street, Suite 2200, Salt Lake City, Utah. Nominations for the Board of Directors will be accepted from the general membership up until five days prior to the annual meeting.

Reducing the Cost of Business by Removing Tangible Personal Property Taxes

The Tax Foundation's recent report on tangible personal property (TPP) provides an opportunity to highlight an important issue being discussed by the Utah Legislature. In the 2012 General Session, Rep. Patrick Painter sponsored HB 41, which would have increased the tangible personal property tax exemption from \$3,500 to \$15,000. Unfortunately, HB 41 died in committee over concerns from county assessors. The proposal is alive, however, and has been heard by the Revenue and Taxation Interim committee.

Tangible personal property (TPP) is "property that can be touched and moved, such as equipment, furniture, and other possessions." Business owners will recall the annual notice from county assessors requiring them to account for every chair, desk, laptop, printer, etc. used by that business, and assign the proper value to each item.

Complying with TPP taxes are burdensome and time consuming. The Tax Foundation explains that "TPP taxation is "taxpayer active", meaning that individuals and businesses must fill out tax forms listing all of their taxable personal property, adding a compliance cost to the total cost of administering personal property tax." This differs from real property taxation

which is "taxpayer passive", where a property owner is sent a notice of what they owe, eliminating the compliance costs.

The amount of revenue to the government from TPP is relatively low when compared to real property (buildings and land), and data from the Tax Foundation suggests that those revenues are shrinking. They find that TPP values make up 5% to 15% of the total assessed property values. But in 2009, TPP accounted for just 2.25% of total state and local tax collections. In Utah, collections of TPP taxes in 2009 were \$119 per person, down from \$141 per person in 2000. TPP revenues have continued to decline as states eliminate or reduce TPP taxes. In fact, seven states have entirely eliminated TPP taxes and four have almost eliminated them. This has resulted in a 20 percent decrease in per capita collections from 2000 to 2009.

Your Taxpayers Association will continue to work with the Legislature to pass a form of HB 41 in the upcoming Legislative Session. By increasing the exemption or eliminating the tax on TPP altogether, businesses--which TPP taxes principally apply to--could see the cost of complying with government regulations reduced. Your Taxpayers Association believes that taxation should be simple and transparent, neither of which the TPP tax is.

Tangible Personal Property Tax Collections Per Capita 2009

