



THE UTAH TAXPAYER

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Will Taxpayers Get Their Overpaid Property Taxes Back?

In reviewing the budget Salt Lake County Mayor Ben McAdams inherited, he discovered that Salt Lake County has been overcharging taxpayers as much as \$50 million per year. That's right: property taxes in Salt Lake county have been \$50 million higher than they should have been, and have been for quite a while.

This \$50 million per year overpayment happened because administering some parts of the property tax is very complicated, especially when Redevelopment Agency's (RDA) are involved. When tax entities (like Salt Lake County) approve an RDA, they approve a budget describing how much money the RDA will receive each year, and how long that money will flow.

Historically, that budget described a fixed amount per year over a fixed period of time. When a participating taxing entity approved an increase in their tax rate, such as for a voter-approved bond or a property tax hike following Truth In Taxation, the RDA was not supposed to receive more money per year unless the participating taxing entities affirmatively agreed to increase the increase the RDA's budget.

Unfortunately, Mayor McAdams discovered that Salt Lake County has been automatically paying the RDAs more when the tax rates affecting its 91 RDAs went up. Cumulatively, these increases total an estimated \$50 million per year.

The Taxpayers Association, Mayor McAdams, the League of Cities and Towns, the Utah RDA Association and Senator Jerry Stevenson have worked throughout the 2013 legislative session to resolve this problem. Senator Stevenson's solution is simple and elegant: under SB 211 1st Sub, each RDA project's budget must cap the amount of money the RDA can receive. If a tax increase happens, the RDA can still receive the higher amount. However, the tax increment ends as soon as it reaches that cap, even if that date comes before the RDA was scheduled to sunset.

Some observers have worried that RDAs will get around this cap by setting the cap amount too high. Under this scenario, an RDA would never hit the cap. There is some validity to that concern. However, the taxing entities' elected officials can avoid that problem by properly evaluating the RDA's real needs, and approving projects with the lowest possible cap. Based on our analysis, other possibilities don't seem feasible.

Unfortunately, SB 211 1st Sub solves the problem prospectively, but does not guarantee a study on how taxpayers should receive be refunded the tens, if not hundreds of millions of dollars in overcharged property taxes they've paid. Taxpayers have a compelling case that they deserve a refund of the taxes they were overcharged. Exactly how to claw back some or all of those overpaid property taxes is a thorny question. In many cases, that money has already been spent or bonded against. Recovering that money could necessitate another tax increase.

Determining what money taxpayers might be able to claw back is probably the easiest part of solving this problem. A thornier question is who would receive how much money when property ownership has changed. Some properties will have changed hands several times, necessitating that we identify how much money each of those taxpayers should receive.

Despite these complex problems, your Taxpayers Association is urging passage of SB 211 1st Sub. In negotiations with relevant parties, we have received firm commitment that the Interim Revenue and Taxation Committee will study the claw back question. Taxpayers were overcharged hundreds of millions of dollars. The very least they deserve is a serious evaluation of whether they can receive any or all of that back.

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My Corner: Another Education Group, Same Result?

Due to Howard Stephenson's service in the Legislature, March's My Corner comes from Royce Van Tassell



**Association VP
Royce Van Tassell**

The Legislature is frustrated by the dissonance in Utah's education debates. They recognize that our students' achievement has stagnated, just like the rest of the country. They also recognize that inflation adjusted spending per student has doubled since 1971. To identify what will and won't work, they plan to convene a legislative task force to separate the educational wheat from the chaff.

Educational task forces and commissions have come and gone. Some have business participation. Others include only representatives of the education establishment. Some are national in scope, while others focus on individual states. They all have one thing in common: their recommendations don't get implemented.

Perhaps the most famous education task force of all time is the 1983 "National Commission on Excellence in Education." Chaired by Utah's own David P. Gardner, its final report famously intoned, "If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war."

Given that grave assessment, and the report's detailed recommendations, it's hard not to be surprised that student achievement has changed so little since then. Nevertheless, student achievement in U.S. K12 education has been stagnant for four decades. As the nearby chart shows, 9th grade reading scores have barely budged since 1971.

On a local level, in 2002 Governor Mike Leavitt convened the Employers Education Coalition. Composed of business, education reform and education establishment leaders, the Commission aimed to identify means of focusing the K-12 system on accountability, competency, and outcomes that meet the demands of Utah's 21st century economy.

Today, few policy makers, and even fewer members of the public remember the Employers Education Coalition. And its recommendations have been more or less ignored by the education establishment, even though the Coalition explicitly endorsed higher public education spending, if they were willing to embrace greater educational choice. The taxpaying businesses of the state endorsed higher education spending (read higher taxes), yet the education establishment turned it down. In other words, the Commission failed to bridge the ideological divide.

Nearly a decade later Governor Herbert convened the Education Excellence Commission. Following months of meetings, the Governor's Commission has agreed that 66% of

Utahns need to have a postsecondary degree or certificate by 2020. They further specify that 90% of Utah children need to graduate from high school, and that 90% of Utah students need to read and do math proficiently. These are all worthy goals, but when asked how to accomplish these lofty goals, the Commission's answers have been vague at best.

The vagueness of the Commission's recommendations reflects abiding divisions on the Commission about what will work. Those who run public education want more money – by some counts as much as another \$350 million per year. Education reformers argue passionately that how much is spent matters far less than how that money is spent. So Governor Herbert's commission has no specific, agreed upon recommendations.

Frankly, that shouldn't be much of a surprise. In my experience, commissions are incapable of bridging ideological divides. No matter how many commissions representatives of the teachers union sit on, they will not embrace using technology to allow teachers to effectively work with more students.

The reason they won't embrace technology is NOT a reflection of their leaders' character. As a rule, they are honest, good people who sincerely care about children, and improving education. However, their job is to get more union members. That's why they always promote the most expensive education reform possible, class size reduction (i.e., hire more teachers). Effective use of classroom technology reduces the number of teachers, and thus potential union members. When push comes to shove, union leaders want more members more than they want to improve student achievement.

The Legislature hopes its own Education Task Force, composed solely of legislators, will allow them to avoid the ideological differences over which previous commissions have stumbled, and instead find the solutions that will work. Even though the proposed task force will only have legislators on it, it will fall prey to the same ideological divides that have hindered previous blue ribbon commissions.

Those who want to protect the existing traditional system will have at least one surrogate on the task force. Those who support aggressive reform will also have at least one surrogate. Those surrogates are no more likely to diverge from their preconceived notions about what will improve education than actual representatives of the defenders of the status quo or the reformers.

Over the past two decades, meaningful education reform simply hasn't come from blue ribbon commissions. Reforms like charter schools, school grading, and technology in the classroom came from far-seeing leaders willing to bend the sclerosis of education politics to their will.

Again, the reason for these commissions' failures has nothing to do with the character or qualifications of the commissioners. They are good people who want to improve education. However, talk therapy simply won't change people's ideological lenses.

A Fiscal Discipline Reminder by Pete Sepp of NTU

Tax hike proposals in Washington are, unfortunately, as common as crabgrass. Variations on the theme include heavier government burdens on several economic sectors. The latest twists and turns on certain tax hikes have a self-imposed urgency,

thanks to the federal "sequestration" budgeting mechanism. However, the potential for capitulation on more taxes might actually be worse now that the sequester has taken effect.

With the sequester now a reality, many politicians are

expressing alarming openness to replacing it with something much worse-not smart, targeted program reductions, but rather, another round of tax increases.

President Obama and his allies have made no secret about wanting another bite at the tax increase apple. One targeted sector of the economy into which they'd sink their teeth is - as usual - oil and gas. Last month, House Minority Leader Nancy Pelosi said it was "almost a false argument to say we have a spending problem" and instead called for going after "Big Oil" because doing so "gives us a lot of money."

Although Senate Democrats crafted a sequester alternative that took a different tack from discriminatory ploys to strip oil and gas of provisions other businesses get, old bromides such as Representative Pelosi's never go away. That means new incarnations of past tax hike plans against "Big Oil" are likely to surface now-whether as a way to roll back sequestration, or as part of a Senate budget resolution.

Acceding to a swap like that would be a terrible mistake. Proposals to boost tax burdens on such a productive industrial sector concentrate upon taking away from this one industry alone a job-creation deduction and a foreign tax credit that are available to numerous other sectors. Such schemes are counterproductive, most ironically so for supporters, since their long-term impact on revenues could be negative.

Proponents of tax hikes seem willing to seize any political turf that will allow them to plant their agenda. Sequestration is just one piece of ground where such crabgrass can spread.

Hopefully all Members of Congress who support fiscal discipline will keep this noxious idea from taking root anyplace in the budget process.

Pete Sepp is the Executive Vice President of the National Taxpayers Union.

Non-Teaching Staff Growth Dwarfs Student Growth in Utah

School District	Teachers as % of Staff
Alpine	50%
Davis	48%
Granite	50%
Jordan	52%
Canyons	56%
Weber	52%
Nebo	48%
Washington	51%
Salt Lake	45%
Cache	41%
Provo	45%
Tooele	52%
Ogden	47%
Box Elder	49%
Iron	46%
Uintah	46%
Murray	51%
Logan	45%
Wasatch	48%
Duchesne	46%
Sevier	51%
Park City	50%
Carbon	43%
So. Sanpete	42%
San Juan	40%
Millard	44%
Morgan	51%
No. Sanpete	50%
Emery	48%
Juab	48%
Beaver	49%
Grand	44%
So. Summit	51%
Kane	42%
No. Summit	44%
Garfield	48%
Wayne	50%
Rich	55%
Piute	46%
Tintic	53%
Daggett	39%

Utah is one of 21 states that have more non-teaching staff than teachers, a new study by the Friedman Foundation shows. That means that more and more resources are not making it into the classroom, but are being tied up in administration and other costs. This finding is not a surprise, however. In our latest edition of our School Spending Report, 25 out of 41 school districts employ more non-teaching staff than teachers. According to our analysis, 51% of Utah's school district employees are non-teaching staff. The nearby chart shows a breakdown of teachers as a percentage of employees in Utah's 41 school districts.

As with any expenditures in education, the goal should be to improve student achievement. But, the outpaced growth of non-teaching staff compared to students has not resulted in improved student achievement. As the Friedman Foundation found in a study that we highlighted in November 2012, student test scores according to the National Assessment of Educational Progress (NAEP) have remained stagnant despite the growth in non-teaching staff. In fact, the average 4th grade NAEP reading score for Utah in 1992 was 220 and in 2009 it had dropped to 219.

The Friedman analysis shows that in Utah \$280M could have been spent on teacher salaries, lowering class sizes and other items had non-teaching staff kept pace with enrollment growth. Nationwide,

savings of over \$24 billion annually could have been realized, had non-teaching staff grown at the same rate as student growth. From 1992-2009, in Utah non-teaching staff increased 69%, while student enrollment grew 23%. Nationally, non-teaching staff increased 39% while student enrollment grew 17% during that same time period.

The Friedman report highlights the average annual salary increase for teachers if non-teaching staff had kept pace with student growth. If non-teaching staff increases kept pace with student growth, Utah teachers could be seeing an additional \$11,858 per year. Instead, Utah has added 7,013 extra non-teaching staff employees.

Comparatively, neighboring states have added fewer "extra" administrators except for Colorado. Colorado has added 13,162 "extra" administrators while Utah (7,013), Idaho (3,588), Nevada (-749) and Arizona (-1,350) have added less. As the numbers suggest, based on the formula used, Nevada and Arizona have seen a reduced number of non-teaching staff as compared to other states.

State	Administrators and Other Non-Teaching Staff, FY 2009	Administrators and Other Non-Teaching Staff if Increased/Decreased at the Same Rate as Students	"Extra" Administrators and Other Non-Teaching Staff, FY 2009
Colorado	53,874	40,712	13,162
Utah	25,400	18,387	7,013
Idaho	12,113	8,525	3,588
Nevada	13,825	14,574	-749
Arizona	50,852	52,202	-1,350

Source: The School Staffing Surge: Decades of Employment Growth in America's Public Schools. The Friedman Foundation for Educational Choice.

The Friedman report asks whether the savings could have gone towards raises for teachers, back to the hands of taxpayers or otherwise spent to get better student achievements. Based on the stagnant test scores, the answer appears to be overwhelmingly yes.

Taxpayers Association Priority Bills

The accompanying table shows some of the priority bills being monitored by your Taxpayers Association.

Bill	Title	Sponsor	Description	Position	Status
HB 67, 1 st Sub	Personal Property Taxation Revisions	Rep. Froerer	Increases the exemption of an individual's personal property from \$3,500 to \$10,000		Passed
HB 75, 2 nd Sub	Occupational and Professional Licensing Amendments	Rep. Greene	Establishes that licensing is only appropriate where state has a compelling health/safety interest		Passed the House and moved to the Senate for consideration
HB 94, 4 th Sub	Free Market Protection and Privatization Board Act Amendments	Rep. Stratton	Moves the PPB to the GOPB; allows board to hire outside staff by contract		Passed
HB 372	Cigarette, Tobacco, and Nicotine Amendments	Rep. Ray	Imposes a tax on cartridges used for inhaling vapors containing nicotine		Passed House committee and waiting for full House to consider
SB 33, 1 st Sub	Sales and Use Tax Revisions	Sen. Stephenson	Provides sales and use tax exemption for equipment used in gyms etc		Passed
SB 34	Special Election Date for Ballot Proposition	Sen. Stephenson	Prohibits local entities from holding a bond election on the primary election date		Passed
SB 35, 1 st Sub	Property Taxation of Business Personal Property	Sen. Harper	Increases exemption from personal property to \$10,000		Passed
SB 124, 1 st Sub	Sales and Use Tax Exemption for Database Access	Sen. Harper	Enacts a sales and use tax exemption for amounts paid or charged to access a database		Bill received from Senate for enrolling
SB 171	Sales and Use Tax Exemption for Electronic Financial Payment Systems	Sen. Stephenson	Enacts sales and use tax for certain electron financial payment systems		Passed
SB 226	Sales and Use Tax Amendments	Sen. Harper	Expands the definition of nexus for the purpose of collecting currently due sales taxes		Passed Senate and waiting for House to consider
SB 267	New Convention Hotel Development Incentive Act	Sen. Adams	Creates an incentive program for the development of a convention center hotel		Passed Senate committee and is waiting for full
SCR 5, 2 nd Sub	Concurrent Resolution Endorsing Utah Education Excellence Commission	Sen. Stevenson	Expresses strong support for achieving the goal that 66% of Utah's adults hold a		Passed Senate and waiting for House to consider

