



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Association Urges No Votes on Jordan and Cache bonds, Remains Neutral on Logan Bond

Several school districts are asking voters to approve bonds or property tax levies this November. Your Utah Taxpayers Association has reviewed the proposals in the Jordan, Cache and Logan School Districts. As detailed elsewhere in this and previous editions of The Utah Taxpayer, we oppose the Jordan School District's \$495 million bond. We also oppose the Cache School District's \$129 million bond, and take no position on the Logan School District's voted levy or \$55 million bond.

Cache District

Bond and Voted Levy

The Cache County School District has grown 21% over the past decade. Currently about 16,100 students attend two high schools and their feeder elementary and middle schools. The district plans to manage that growth by bonding for \$129 million, which will build two additional high schools and replace or provide seismic upgrades to a number of older elementary and middle schools. The district plans to repay this bond over 20 years. If Cache voters approve this bond, the average homeowner's property taxes would go up \$167 (the average home in the district is worth \$197,000). A business worth \$197,000 would see a \$304 property tax hike.

If voters approve this bond, in 2016 the Cache School District will ask voters to approve an increase in their voted levy to cover operating costs of the new school buildings. The higher voted levy would raise an additional \$1.8 million per year for the district, which translates into a \$52 per year hike in the average homeowner's property taxes. The higher voted levy would raise the average business's property taxes another \$95.

The District Wants the Bond

The Cache district's growth leaves little doubt that the district needs another high school. With an additional high school, about 2,000 students would attend each of the district's high schools.

The Cache district's shape is rather unique – it forms a donut around the Logan School District. Because of that shape, high school students living in the north end of the district have long had to travel through the Logan School District to get to school. If the school district builds one additional high school, some students will still have to drive from the north part of the district through Logan to get to school in the south end of the district.

Even though Cache students have been driving through Logan for years, the district prefers to avoid the drive through Logan and instead plans to build two new high schools. Under this option, each of the high schools will have between 1,000 and 1,400 students. The district could cut the cost of the bond by only building one additional high school. Families throughout the district are already accustomed to driving through Logan to get to high school. Avoiding that drive would be more convenient, but the tax hike would be \$48 less than what the district is proposing if it only built one new high school.

Your Taxpayers Association is also concerned that the proposed cost of building the two additional high schools is quite high. While charter schools cost between \$90 and \$110 per square foot, the Cache School District is estimating that its two additional high schools will cost between \$161 and \$172

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per square foot. For these reasons, your Utah Taxpayers Association opposes the Cache School District Bond.

Logan School District Bond and Voted Levy

The Logan School District is asking voters to approve a \$55 million bond, plus a \$1.3 million increase in the voted levy. If approved, the bond would increase the average homeowner's property taxes by \$72 per year, and the higher voted levy would increase property taxes on a residence by \$123 per year. For a business worth \$170,000, Logan School District's bond would increase property taxes by \$131, and the voted levy would increase property taxes by \$224.

Higher Voted Levy

Since 2009, the Legislature has restructured many of the line items it uses to distribute income tax dollars to local school districts. Among other things, the Legislature folded the money that used to be a line item for social security and retirement funding for school employees into the WPU (weighted pupil unit).

Because enrollment drives WPU dollars received by the district, the Legislature's change lowered the amount of state funding going to districts like the Logan School District that have flat student growth. In total, that change means that the Logan School District is receiving about \$2.5 million less today than it did in 2009.

To accommodate that decrease in funding the Logan School District has reduced salaries throughout the district, increased class sizes and eliminated some music positions. The district would like to restore \$1.3 million of that \$2.5 million cut with a

higher voted levy.

The district plans to spend \$900,000 to reduce class sizes, invest more in STEM classes, convert a part time band teacher to full time and restore an orchestra position. It wants to use the remaining \$400,000 to restore some of the salary cuts it made since the Legislature changed the funding formula.

The District Bond

The Logan School District has some of the oldest school buildings in Utah. The district has renovated them time and again to meet changing student demographics, technology and to keep up with various safety and accessibility requirements.

The dated buildings are the biggest reason why Logan School District is asking voters to approve this \$55 million bond, which it will repay over 20 years. The school district plans to remodel portions of Logan High School and Ellis Elementary School, and to replace the existing Hillcrest Elementary School with a new school.

Remodeling the schools will make sure they meet applicable seismic, safety and accessibility codes. Remodeling will allow both schools to better meet the needs of their student population. For example, the cafeterias in Logan and Ellis are too small for their enrollment. The remodels will also better accommodate parking for students and faculty and eliminate an unsafe mid-block crosswalk in front of Logan High School.

Hillcrest Elementary School faces many of the same safety and accessibility problems that Logan and Ellis do. However, it will be less expensive to build a new school than to upgrade it to meet current codes. The district plans to replace it on the same site.

My Corner: Utah's Growing Dependency Ratio Predicts Difficult Education Budgets Ahead



Association President

With all the recent discussion about school grading, the education establishment is redoubling its calls for more money, especially for schools that received a D or an F. The Salt Lake Tribune is complaining that Utah is "51st in the nation" (i.e., lower than all the states and the District of Columbia) in per pupil spending. If we could even get to 49th in the country, they suggest, Utah will see better student achievement.

As long time readers of My Corner know, simply spending more money on education will not lead to higher student achievement. Nationally, some of the districts spending the most per student have some of the lowest student scores. Dr. Matt Ladner of the Foundation for Excellence in Education gave a presentation this past month that convinced me that Utah will always be 51st in the nation. The reason is simple: demographics.

Elected officials can alter many variables as they pursue various public policies, but demography dictates whether even our most well-conceived policies hit the mark. Perhaps the best-known example is Social Security. When Congress enacted it in 1935, the average American's life expectancy was less than 62.

Relatively few people would live long enough to receive it, so

the working age population could afford to pay retiree benefits for the foreseeable future.

Since 1935 Americans' average life expectancy has climbed steadily; today the average American's life expectancy is nearly 79, and it continues to climb.

When combined with the Baby Boom following World War II, the dramatic increase in Americans' life expectancy almost guarantees that Social Security - as we know it today - will not exist when my children and grandchildren retire.

To better predict how demographics will affect public policies, and hopefully avoid problems similar to Social Security's, social scientists have developed a measurement known as the "dependency ratio." In coarse terms, the dependency ratio measures how many people are pushing the economic wagon, and how many people have to ride in the economic wagon. Those pushing the wagon are working age people, while those riding in the economic wagon are generally either too young or too old to push the wagon.

To calculate the dependency ratio, divide the number of people riding in the wagon by the number of people pushing the wagon, and multiply that result by 100. The higher the dependency ratio, the more difficult it is to move the economic wagon.

According to Dr. Ladner, in 2010 Utah had the nation's highest dependency ratio (68.2). By contrast, the dependency ratio nationwide was 58.9. Over the next two decades, Utah's

dependency ratio will increase to 77.4 as a growing proportion of our population becomes simultaneously younger and older.

Younger, in that by 2030 Utah's school age population will increase by 30%. Older, because Utah's senior citizen population will increase 75% over the same period. So even though all of Utah's population, including those pushing our economic wagon, will grow substantially, those pushing the wagon will have to push harder just to maintain our current velocity.

What does Utah's steadily increasing dependency ratio mean today? We can't realistically hope to spend greater and greater

proportions of Gross State Product on education and other social programs. By 2030 we'll have more children whose education we'll need to pay for, and more senior citizens, whose tax-funded programs must be paid for.

Assuming that current demographic projections are reasonably accurate, this steadily increasing dependency ratio means the sustainable education and social solutions must become more efficient, and we must do more with less. That is not a pleasant prospect, but ignoring these trends at the state level will create the same political and economic quagmires that have paralyzed the federal government.

How Utah Compares Preview

Utah's total tax burden of 14.5 percent of total personal income has significantly improved its rank from previous years, but is still high compared with neighboring states. After tax reform during the Huntsman administration, Utah moved from having the fifth highest tax burden in 2007 to the sixteenth highest tax burden in 2011. (Higher rankings indicate higher tax burdens.) The only neighboring state with a higher burden is Wyoming, ranking second in the country with a total tax burden of 19.05 percent of total personal income.

Utah's income tax rate as a percentage of total personal income decreased from 3.3 percent in 2006 to 2.5 percent in 2011. Utah's income tax rate is 5 percent, but because of deductions and tax credits, the effective rate is lower. As a result, Utah's income tax ranking went from fifteenth to eighteenth highest in the country. In addition, Utah's percentage of total income paid in sales taxes (2.66) is the nineteenth highest in the country.

Many of Utah's neighbors also show high tax rates. Arizona, New Mexico and Wyoming all pay sales tax percentages of total personal income that are higher than the national average and higher than Utah's. Wyoming's percentage of total personal income spent on property tax (4.63) is significantly higher than Utah's (2.78).

However, New Mexico, Arizona and Idaho have lower total tax burdens than Utah due to significantly lower tax rates in other categories.

For example, despite its high sales tax rate as a percentage of total personal income, Arizona pays less than the national average in percentage of total personal income in property and income taxes.

Most impressive of Utah's neighbors is Arizona, which has maintained low rates in most tax categories. Arizona's total tax burden as a percentage of total personal income (12.5) ranks forty-second in the country. Despite having its sales tax as a percentage of income ranking seventh (3.7), it is one of the lowest ranking states for FY 2011. In addition, Colorado's income, sales, property and total tax burden as percentages of total personal income are all below the national average. [Click here to view the complete report.](#)

Utah and Neighboring States Tax Burden Comparison, Fiscal Year 2011

State	Total Tax	Rank	Sales Tax	Rank	Income Tax	Rank	Property Tax	Rank
Arizona	12.5%	42	3.70%	7	1.29%	41	3.20%	24
Colorado	13.8%	24	2.38%	26	2.07%	31	3.79%	17
Idaho	13.8%	26	2.33%	27	2.29%	24	2.68%	37
Nevada	13.2%	35	3.27%	9	0.00%	44	3.04%	29
New Mexico	13.8%	25	4.01%	3	1.57%	37	1.96%	46
Utah	14.5%	16	2.66%	19	2.50%	18	2.78%	35
Wyoming	19%	2	3.94%	4	0.00%	44	4.63%	8
U.S.	14.4%	-	2.65%	-	2.56%	-	3.39%	-

Source: Calculations by Utah Taxpayers Association based on data from US Census Bureau and Bureau of Labor Statistics

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 on Friday, November 15, 2013 at 2:00PM. The meeting will be 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 until five days prior to the Annual Meeting.

Taxpayers Association Urges No Vote on Utah's Largest Ever School Bond as Jordan School District Maintains Status Quo

This year the Jordan School Board considered a \$900 million bond, but decided to move forward with a \$495 million bond instead, with the anticipation of proposing another \$500 million bond in 5 years. In August, the Jordan School District invited your Taxpayers Association to present ways to reduce the cost of the Districts proposed \$495 million bond. Your Taxpayers Association presented multiple cost saving measures to the Board including construction/design savings and new ways to utilize existing buildings more efficiently.

Based on input from multiple architects and contractors involved in designing and building schools, your Taxpayers Association requested that the Jordan School District commit to a price per square foot for new buildings and also limiting the size of buildings to a certain square footage per student based on national averages.

In addition to construction and design savings, your Taxpayers

Association asked the District to implement a third semester program where buildings would be utilized for a full year rather than sitting vacant for a third of the year. Drafted by many leading voices in Utah's education community, the third semester program includes a number of benefits. First, it would reduce the number of new buildings that are needed because the District would more fully utilize its existing buildings. Second, teachers would be paid more because they would be in essence teaching for 1½ teachers. Third, students would benefit from advancing based on mastery, rather than seat time.

Despite these reasonable requests by the Taxpayers Association, members of the Legislature, and local city council members, the Jordan School Board has decided to move forward with its proposal without cost savings commitments. Based on the School Board's decision, we sent the following letter to Jordan School Board President Richard Osborn.

October 8, 2013

Richard Osborn
President
Jordan School District Board of Education
7387 S. Campus View Dr.
West Jordan, UT 84084

Utah Taxpayers Association
Utah's advocate for lower taxes and sound tax policy

President Osborn:

Thank you for the opportunity you provided the Utah Taxpayers Association in August to present information and make recommendations about the Jordan School District's proposed \$495 million bond, and for your response letters dated September 3.

We were surprised and disappointed by Jordan School Board's rejection of our recommendations and consequently are urging voters in Jordan District to vote against this bond proposal. While we recognize the growth in the district and the need to provide classrooms for the growing student population, we cannot support a bond until the Board takes concrete action to ensure cost-effective construction and use of buildings.

In the Taxpayers Association August presentation to the board, we presented data which show that if the bond is approved, Jordan District will have the highest property tax rate in the entire state. If the projected second bond of similar size is adopted in approximately five years, Jordan's property tax rate will be in the stratosphere. Consequently, we asked that the Board give voters a commitment to limit the per-square-foot costs of the buildings which would be funded through the tax increase required by the bond, which request had also been made by other elected officials in Jordan District and specifically written appeals from Senator Aaron Osmond and South Jordan Council Member Chuck Newton. The Board's refusal to make such a commitment prior to the November election suggests a callous attitude toward those concerned about the trend in Utah to extravagance in school building design. With the Board anticipating student growth requiring a similar sized bond again in approximately five years, we feel it irresponsible for the Board to refuse to commit to building cost-containment.

We also asked the Board to survey parents and teachers to find the level of interest in a student-centered third semester pilot program as proposed by a blue ribbon panel of educators from across the state and referred to as the Sperry Study. If adopted, the proposal could increase the capacity of school buildings by 50%, reducing the number of new buildings needed. As you recall, the third semester program could give teachers 50% more pay, four weeks of paid vacation and 10 days of paid holidays, with no additional cost to taxpayers. The program could also end the practice of moving students through the system without achieving mastery. We were sadly disappointed that the board is not willing to even survey what interest there might be from parents and teachers to opt in to a pilot of this concept.

In response, your letter was silent on the request to conduct a survey and suggested that the proposal be taken to local school community councils. This suggestion shows either a total disregard for our request or incomplete knowledge of the proposal developed by the blue ribbon panel of educators.

In our August presentation the Taxpayers Association pledged to support greater statewide equalization of capital outlay and debt service property taxes which would reduce the size of tax increases needed in Jordan District. In spite of the board's apparent agreement to work together to this end, your letter suggested the Taxpayers Association take up the equalization issue with the forty-one school district business administrators. As you know, school district business administrators have repeatedly demonstrated that as a group they will not support equalization and thereby defend the gross inequities which currently exist in school property tax funding.

We were sadly disappointed to learn through your letter that the seven elected board members in Jordan District are willing to turn

their responsibility for advocating for Jordan District patrons and taxpayers over to a group of non-elected employees of the forty-one Utah school districts. Unless elected school board members champion this issue, we see little possibility of securing statewide equalization in the legislature. Why would legislators take up the fight for equalization when the school boards representing districts most aggrieved by these inequities are silent on the matter?

Your response indicates that the Board is committed to maintaining the status quo in managing district resources. Rather than seriously exploring how potential reforms can prepare public education for the tectonic changes technology and demographic shifts are making, you seem content to maintain the status quo. Our children cannot afford that kind of leadership.

If the Jordan School Board acts as if economic activity within district boundaries will continue to flourish even as property taxes skyrocket, it will chase business investment into neighboring districts willing to embrace the changes inherent in our evolving world. The Utah Taxpayers Association is not willing to pretend that we can continue the practices of the past and blindly hope that the results will change.

Sincerely,

Howard Stephenson
President

Utah Has the Highest Average Child Tax Credit in US

Senator Mike Lee has proposed a new plan to simplify the tax code. The Family Fairness and Opportunity Tax Reform Act would “replace today’s complex tax system with a new, simple structure” by establishing just 2 income tax rates and adding a \$2,500 tax credit per child. The two tax rates proposed by Sen. Lee would be 15% on income up to \$87,850 and 35% on income above that.

According to Senator Lee, this “plan incentivizes social mobility, promotes middle-class economic security, and improves opportunity for all Americans.” It would also add to Utah’s average child tax credit, likely making the average higher and increasing the lost federal income tax revenue.

As the image below from the Tax Foundation shows, Utah taxpayers currently have the highest average child tax credit received per federal tax return in the country. Taxpayers in Idaho and Arizona round out the top 3. Senator Lee’s proposal would make Utah’s average go up.

According to The Tax Foundation, while the cost of the child tax credit varies from state to state, about half of the cost of the existing child tax credit is from the refundable portion, i.e. the amount in excess of any federal income tax liability. The child tax credit knocks millions of households off the

federal income tax rolls, and, because of the refundable portion, is a major contributor to the situation where about 40 percent of households have a negative federal income tax rate. The child tax credit is available to most households (with at least one child) and begins phasing out at \$75,000 for single filers and \$110,000 for joint filers.

Utah’s income tax exemption for children costs around \$400 million, according to State Senator Pat Jones who has proposed

legislation to remove Utah’s child tax exemption. The income tax in Utah is constitutionally required to fund education and because of that is structured so that the more children that a family sends to public school the less that family pays for education. By eliminating the child tax exemption, Utah taxpayers would face a \$400 million tax hike. While there is merit to discussing whether Utah should retain all, or some, of the states credits and exemption, simply increasing taxes by \$400 million is unacceptable.

Your Taxpayers Association will be working with Senator Jones and lawmakers to avoid increasing taxes by \$400 million on Utah taxpayers.

Orem’s Arts and Recreation Tax on the Ballot Again

Orem voters are being asked to renew the handsomely named Cultural Arts and Recreation Enrichment (CARE) tax on November 5. This “boutique” tax earmarks sales tax dollars collected in Orem to fund cultural, arts, and recreation programs in the city.

Your Taxpayers Association opposes the CARE tax imposed by cities and other “boutique” taxes imposed across Utah. Earmarking, taxes for a specific purpose is bad policy. The Orem City council should require every program to compete against all the other programs for scarce resources, which are becoming even scarcer in Orem as retail development moves to neighboring communities in Utah County.

Earmarking funds artificially prioritizes programs that wouldn’t otherwise be automatically funded in difficult budget years.

Every 8 years, the Orem CARE tax is required to be voted on at the ballot box by Orem voters. It’s not often that voters have the opportunity to directly vote on policy, but this year Orem voters do. They should take this opportunity to implement sound tax policy and reject the CARE tax.

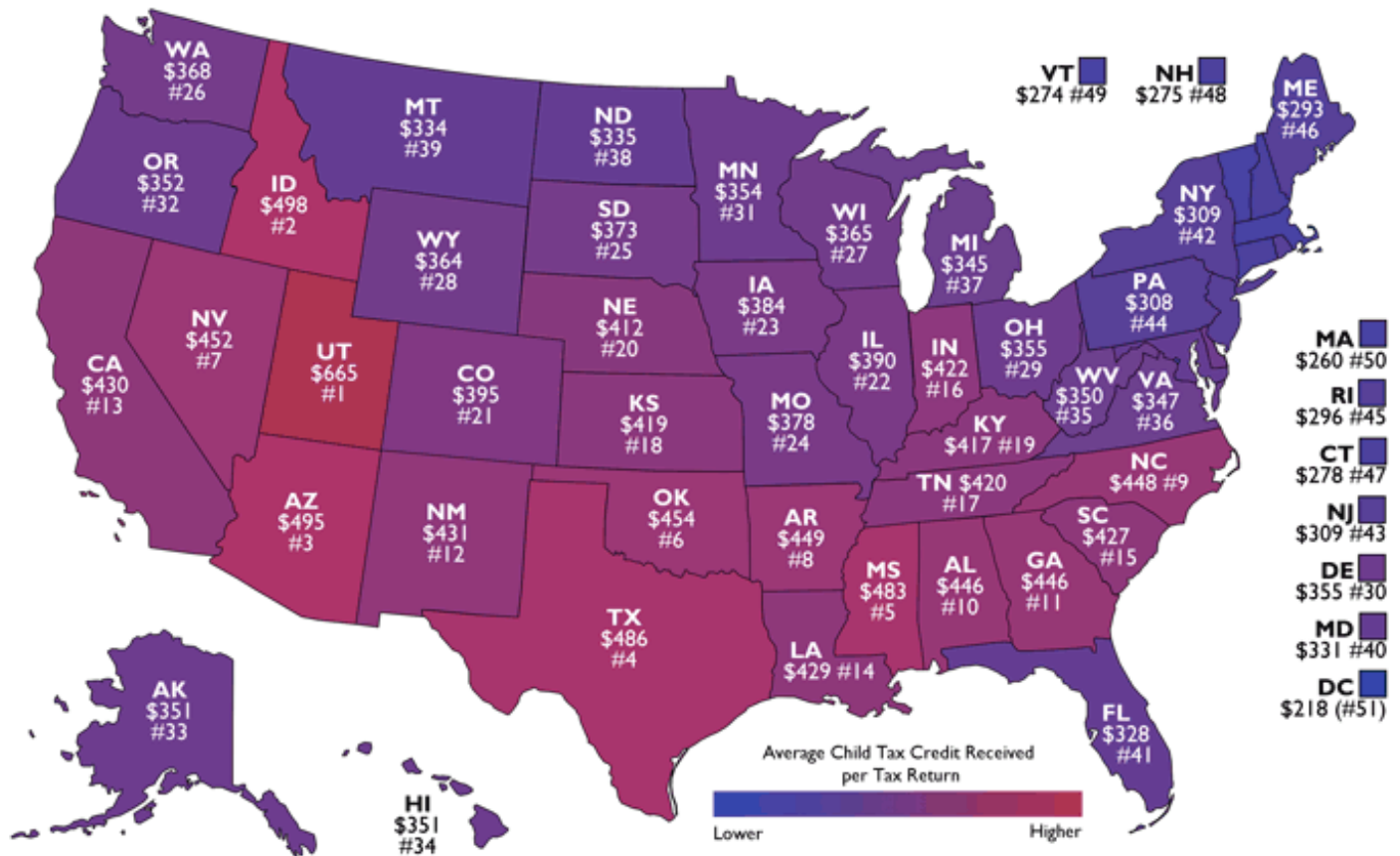


**US Senator
Mike Lee**



**Utah State Senator
Pat Jones**

Average Child Tax Credit Received per Tax Return



Note: Data is for 2011 and includes both refundable and non-refundable child tax credits.
Published September 23, 2013.

Source: Internal Revenue Service.

taxfoundation.org/maps