



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Tax-Related November Ballot Questions

With fall quickly approaching, it's time for voters to educate themselves about the variety of state and local ballot issues they'll be voting on this November. Your Taxpayers Association is following Amendment A at the State level, and local ballot issues in Eagle Mountain, Farmington, Logan and Salt Lake County.

Vote FOR Amendment A

During the 2014 Legislature, your Taxpayers Association worked with Senator John Valentine to secure passage of SJR 7 (Joint Resolution Regarding Qualifications of State Tax Commission Members), which will appear on the statewide ballot this November as Amendment A. As detailed in [last month's edition of *The Utah Taxpayer*](#), Amendment A removes party affiliation restrictions on otherwise qualified candidates for the State Tax Commission. Taxpayers deserve highly qualified Tax Commissioners and partisan politics shouldn't intrude on the Tax Commission's work. Vote FOR Amendment A.

Support Eagle Mountain's Utility Privatization

Since its founding nearly 20 years ago, Eagle Mountain has owned and operated its own electric and natural gas utilities. The debt burden the city assumed to build these systems has weighed heavily on every budget the city has adopted, and translated into some of the highest utility rates in Utah County.

In August the City Council voted 4-1 to sell these utilities to private providers. Questar will purchase the natural gas utility, while Rocky Mountain Power is scheduled to purchase the electric utility. Before the city can complete those transactions, voters will have the opportunity to apply their stamp of approval.

Consistent with the Association's long-standing preference for private providers of goods and services that can be found in a phonebook, your Taxpayers Association is encouraging Eagle Mountain voters to support the sale of these utilities to the private sector. Private providers will bring greater efficiency and relieve taxpayers of the utilities' debt burdens.

Oppose Boutique Sales Taxes in Farmington, Salt Lake County and Logan

Cities adopt boutique sales taxes or "RAP taxes" to guarantee a revenue stream for a variety of spending priorities, typically

Continued on page 3...

SEPTEMBER 2014

VOLUME 39



My Corner: Royce Van Tassell Leaving Taxpayers Association

Page 2



Truth in Taxation Wins and Losses

Page 3



Letter Protests West Point City's Annual Tax Hikes

Page 4



Uncertain Future for \$1.8 Billion uNOpia Tax

Page 6



Taxpayers Association Working to Resolve "New Growth" and Centrally Assessed Appeals

Page 7

ASSOCIATION STAFF

Howard Stephenson	President
Royce Van Tassell	Vice President
Kelsey White	Research Analyst
Laura Barlow	Office and Event Assistant

EXECUTIVE COMMITTEE

James Hewlett	Chairman
Kent Stanger	Vice Chair
Eric Isom	Secretary
Mike Edmonds	Treasurer
Morris Jackson	Legislative Chair
John Ward	Immediate Past Chair
H. Val Hafen	At Large
Max Miller	At Large



Association President
Howard Stephenson

My Corner: Royce Van Tassell Leaving Taxpayers Association

After seven years as vice president of the Utah Taxpayers Association, Royce Van Tassell has accepted a position as executive director of the Utah Association of Public

Charter Schools. He will start that position full-time on October 1.

The vice president position has been a launching pad for other Utah community leaders, including Howard Headlee, who left to take the helm as President of Utah Bankers Association; Greg Fredde, who headed Utah Mining Association and is now an executive at Merit Medical; Wes Quinton, who took a government affairs position with the Utah Farm Bureau followed by Duke Law School, and is now a practicing attorney; and Mike Jerman, who is Legislative Director for Congressman Jason Chaffetz.

Members of the Legislature frequently turn to the Taxpayers Association's vice presidents to understand the principles of sound tax policy and the nuances of applying those principles amidst competing pressures. During his tenure with the Association, Royce helped eliminate the August "Truth-in-Taxation" hearings for calendar year taxing entities, and was part of the coalitions that passed the "Save Our Secret Ballot" and severance tax trust fund amendments to the Utah Constitution. In addition, he has been a strong advocate for fixing Utah's broken transportation funding mechanisms at both the state and local levels.

Despite the Great Recession, during Royce's time with the Association the Utah Legislature did not follow the pattern of many other states by increasing sales, property or income taxes. In fact, the 2010 cigarette tax hike was the only general tax hike the state Legislature adopted since Royce joined the Association in 2007.

Royce evaluated dozens of bond proposals in communities from St. George to Richmond and from Delta to Blanding. In some cases where the need was undeniable, such as Washington School District's school bond, the Association endorsed the

proposal. While the Association's position did not prevail in all those campaigns, during the past seven years your Taxpayers Association has won far more ballot issues than it lost.

Royce helped educate state and local elected officials about the costs to taxpayers and businesses when government gets into the business of business. Those discussions have included campaigns regarding UTOPIA, municipal recreation centers, public golf courses, hotels and many other projects that are best privatized. Royce has become one of the nation's leading experts on the financial performance of municipal telecom systems like UTOPIA and iProvo.



As Senate sponsor of Utah's original charter school law passed sixteen years ago, it gives me comfort to know that the Charter School Association will be headed by someone as eminently qualified as Royce. Charter Schools have grown over the past sixteen years to where they now educate 10% of Utah's school children. While the Taxpayers Association will miss Royce's talents, we wish him well in his important new position. ♦

The Taxpayers Association is recruiting and reviewing candidates to be the Association's next vice president. Interested candidates can find the job description on the Association's website. Candidates should submit a cover letter, resume and two writing samples to howard@utahtaxpayers.org. Please put "2014 VP application" in the subject line.

Tax-Related November Ballot Questions

...Continued from page 1

associated with recreation, arts and parks (RAP). This guaranteed revenue stream makes RAP taxes poor policy. Rather than allowing these “guaranteed” priorities to compete against other potentially more important spending priorities, RAP taxes fund these condoned priorities regardless of their relative merits.

For example, budget shortfalls may force a city to lay off essential police officers, while RAP tax spending priorities still receive a guaranteed funding stream. This may skew budget priorities away from more important needs and keep the governing body from making rational decisions.

Because adopting a RAP tax is such bad policy, the Legislature requires voters to approve a RAP tax before it takes effect. Farmington City is asking voters to approve a RAP tax this fall, and your Taxpayers Association opposes it, just as we oppose the reauthorization of similar boutique taxes currently proposed by Salt Lake County and Logan.

Oppose Farmington City’s \$6 million Parks and Recreation Bond

Farmington City is asking its citizens to approve

a \$6 million parks and recreation bond to build a grass field with a large adjacent gym. The city claimed to have arranged the financing for new soccer fields years ago, and the city already has some large, vacant buildings that used to be gyms. Nevertheless, city officials have gone so far as to claim they’ll end all recreation programs if the bond doesn’t pass citizen approval this November.

Farmington City’s population has grown tremendously over the past decade and a half. City park use and recreation program participation has ballooned along with the population. However, the Governor’s Office of Planning and Budget anticipates much slower growth in Farmington over the next several decades. Building new, larger recreation facilities designed with the assumption that Farmington will continue the same growth trajectory as the past decade is foolishness. Vote against Farmington’s parks and recreation bond. ♦

Truth in Taxation Wins and Losses

During the month of August your Utah Taxpayers Association evaluated the 40 proposed property tax hikes throughout the state. After talking with cities and school boards, reviewing budgets, and offering recommendations for avoiding tax increases, the Association attended and testified at the following hearings.

Midvale City

The Midvale City Council voted to abandon their proposed 18% tax increase and instead adopt the certified rate. During the public hearing, the city manager admitted that the \$175,000 tax increase would have been used to cover UTOPIA operating expenses. At

his recommendation, the city council chose to hold off on a tax increase for now, and instead wait to see what unfolds with the UTOPIA/Macquarie deal.

Salt Lake City School District

The Salt Lake City School District unanimously

passed a \$6.8 million tax increase. The district plans to put the money in a “pay as you go” building fund, with \$2.6 million going towards class size reduction.

Unfortunately, research from

Stanford economist Eric Hanusheck indicates that spending on class size reduction does little to



Salt Lake City School District passes a \$6.8 million tax increase

improve student achievement. A few citizens attended the hearing to protest, including one gentleman who pointed out that 40% of the taxes he pays go to the school district.

Logan City School District

The Utah Taxpayers Association was the only attendee at Logan City School District's public hearing. The district followed through with their proposed 12% property tax increase, citing rising costs and decreased funding from the state. This tax increase comes less than a year after voters barely approved another property tax increase of \$1.3 million and a \$55 million bond.

Clinton City

It was standing room only at Clinton City's public hearing. Angry citizens one after another protested the 39% proposed property tax increase slated for road repair. Responding somewhat to citizen demands, the city council ultimately reduced the tax increase to 25%.

Ogden City School District

A sizeable crowd attended Ogden City School District's public hearing, but only a handful of the attendees were concerned citizens. Two taxpayers spoke against the permanent \$1.5 million tax

increase intended for debt service on a revenue bond the district *may* use to rebuild an elementary school. The Board approved the proposed 7% tax increase. Your Taxpayers Association strongly believes that bonded capital projects ought to be subject to voter approval, because general obligation bonds have a lower cost than revenue bonds.

West Point City

This is the third year in a row West Point City has held a truth in taxation hearing to raise property taxes by a relatively small dollar amount. In addition to comment from your Utah Taxpayers Association, two citizens attended and expressed their concern over their tax burden. The city council deliberated and ultimately settled on a 4% tax increase over last year. The Association is very concerned about West Point City's property tax strategy and sent the city a follow-up letter, published below.

Like taxpayers, governments need to prioritize and make hard choices by eliminating waste and increasing the productive value of the tax revenues they already generate. ♦

Letter Protests West Point City's Annual Tax Hikes

Like the boy who cried wolf, some taxing entities raise property taxes incrementally every year so that when a large tax hike is proposed, nobody pays attention. West Point City has openly expressed to us their choice to adopt this policy. In response to West Point City's particularly egregious property tax strategy, your Utah Taxpayers Association sent the city the following letter. On the date of this newsletter's publication, the Association had yet to receive a reply from the Mayor, City Council, or city staff. We will continue working to make sure the citizens of Utah are protected from stealth, permanent tax hikes.

Dear West Point City,

August 25, 2014

After attending your city's Truth in Taxation hearing last Tuesday evening, the Utah Taxpayers Association is very concerned about some of the policy choices the City Council is making. We heard some opinions and examples expressed by members of the City Council that reveal a fundamental misunderstanding of the principles and intention guiding Utah's Truth in Taxation process. We would like to address these concerns below.

On multiple occasions, West Point City has expressed to us their policy to hold Truth in Taxation hearings every year and raise the property tax by small increments every year rather than making larger increases periodically.

In the presentation given Tuesday evening during the public hearing, West Point City expressed the belief that “Small incremental increases more effective than occasional hefty increases.” From the perspective of the City Council, this statement is certainly true. The citizens of your city are less inclined to protest a \$4 increase than a \$50 increase, and by stealthily making permanent tax increases every year, the city can generate significant revenue over time without political backlash. This, however, mocks the very intent and purpose of Truth in Taxation.

The law, created in 1986, is specifically designed to protect taxpayers from small incremental tax increases every year. (Prior to Truth in Taxation, cities were allowed to increase taxes by 6% above the certified rate every year. Expectedly, cities permanently raised property taxes by 6% every year.) The Truth in Taxation law strives to limit these incremental, permanent yearly increases by giving taxpayers an opportunity to find out why the city is raising taxes and where that money is going.

You should be aware that the Utah Taxpayers Association does not oppose every Truth in Taxation tax increase. Inflation is real, cities have legitimate needs, and permanent property tax increases are occasionally justified. However, West Point City’s decision to hold Truth in Taxation hearings every year, making small incremental increases in the hope of escaping notice by your citizens, is mocking Truth in Taxation.

The City Council has expressed a fundamental misunderstanding of the relationship between valuations and the certified property tax rate.

During the Truth in Taxation hearing Tuesday evening, nearly every member of the City Council pointed to higher home valuations from the County Assessor this year as the reason for higher taxes. While an increase in the assessed value of a home *may* result in a higher dollar amount of taxes an individual homeowner is required to pay, this depends entirely on what is happening to home values in the city as a whole. The wisdom behind the certified tax rate is that it maintains the same level of revenue for a city from year to year. So while the home values assigned by the County Assessor may slightly redistribute who pays what amount of taxes from year to year, if the certified tax rate is followed, property taxes *will not* increase. The reason *all* citizens of West Point City are experiencing higher property taxes this year is because the City Council has voluntarily chosen to override the built in protections of the certified rate and instead adopt a higher rate.

During West Point City’s Truth in Taxation hearing, one member of the City Council stated, “That number (the 11.05% proposed increase) wasn’t generated by us (the City Council). That percentage increase comes from valuations.” He seemed to be suggesting that the City Council couldn’t be held responsible for proposing the 11.05% increase. This is absolutely false. Under state law, the City Council’s default is to accept the certified tax rate. Instead, the City Council *chose* to propose maintaining the higher rate. The City Council *does* control the tax burden felt by the residents of West Point.

The City needs to better inform the public of exactly where and how the increased tax revenues will be spent, and make the city budget available online in advance of the Truth in Taxation hearing.

During Tuesday night’s Truth in Taxation hearing, the City Council spent a lot of their time defending the city’s need for contingency funds. We agree that contingency funds are important. A city should be able to maintain a certain level of service for its citizens, and waiting until roads have fallen into complete disrepair is bad policy. However, we would ask that the city take a closer look at the large amount of funds already in the city’s budget as contingency funds, and the comfortable sum of money budgeted for maintenance purposes and miscellaneous needs.

During the Hearing, one City Council member waved a bound book of potential projects in the air and said, "I have a whole stack of capital projects here that you frankly don't have a clue about." If that is true, the capital projects should be specifically included as line items in the budget and show the amount of funds necessary to complete the project. The city should not be raising taxes without the ability to open the budget and show citizens exactly where every single dollar is going to be spent in a way that benefits taxpayers. Giving the City Council complete discretion in how extra revenues are spent is highly dangerous to the interests of taxpayers.

Finally, one of the principles of good taxation is that the costs need to be as closely aligned with benefits as possible.

One City Council member, in reference to the tax increase and higher revenues for the city, said, "It may not be necessary this year, but it may be necessary next year." If that is the case, wait until next year to raise taxes. These tax increases are permanent. Once taxes are raised, they never go away. It may be convenient for the city to default to raising taxes every year, but please carefully consider the true *current* needs of your city in choosing whether or not to raise property taxes. If the city does determine that a property tax increase is necessary, show your citizens exactly where those dollars are being spent.

We are very concerned that this is your third year in a row holding Truth in Taxation hearings but only the first year any of your city's residents has attended the hearing to protest. We urge you to carefully consider the purpose of the Truth in Taxation process and revise your policy of annual, incremental tax increases. Follow the law and adopt the certified rate, rather than increasing taxes every year to maintain the current rate.

Many of the concerns I have expressed above may be best addressed through dialogue, where we can enjoy accurate information sharing and interaction. I would be happy to meet with any members of the City Council or city staff to better understand your perspective and discuss possible ways the city can move forward that will be more equitable to the taxpayers of your city. I can be reached at kelsey@utahtaxpayers.org or 801.972.8814.

Thank you!

Sincerely,

Kelsey White
Research Analyst
 Utah Taxpayers Association

Uncertain Future for \$1.8 Billion uNOpia Tax UTOPIA/UIA Boards Divided Between Opt-In and Opt-Out Cities

The past month has seen some big UTOPIA news in the popular press. But behind what's hitting the papers, bigger issues are dividing the once united UTOPIA/UIA Boards. A clear wedge has developed between cities opting-in to the uNOpia tax, a utility fee model for financing build out of the UTOPIA network requiring a \$1.8 billion tax increase, and those cities opting-out. This divide

centers on the desire of opt-out cities to explore options other than the uNOpia tax, and actions from WVC, Midvale and Layton that prevent them from doing so.

On August 6th Mayors from the six UTOPIA cities that voted to move forward to Macquarie's Milestone 2 announced that they want voters to weigh in on the uNOpia tax through an opinion

question on the ballot this November. Following their announcement, several county clerks responded with [a formal statement](#) noting that cities lack the legal authority to place such a question on the ballot. UTOPIA's six opt-in cities are now planning a non-binding opinion survey of their residents this fall.

The five cities that opted-out of proceeding with the uNOpia tax seem to be feeling left in the dark. In the August UTOPIA/UIA Board meetings they expressed frustration at not being given advance notice of the planned vote of the people.

Opt-out cities are also frustrated by the Boards' unwillingness to consider a second proposal for building out the UTOPIA network. About two months ago, FirstDigital Telecom, a local broadband provider, approached the UTOPIA/UIA Boards with a proposal to partner with UTOPIA. Their proposal doesn't require a uNOpia tax. Instead, it gives UTOPIA cities the option of moving forward without a utility fee. The Boards agreed to formally vote on August 11 whether or not to proceed with additional review of the FirstDigital proposal. Formal approval would allow the Board to dedicate UTOPIA staff time to further vetting FirstDigital and provide FirstDigital with protected information they need to refine their proposal.

Despite high interest from members of the Boards and several city councils, Alex Jensen, chair of the UIA Board, declined to put the FirstDigital proposal on the August 11 agenda, thereby preventing the Board from taking any action. On numerous previous occasions, Jensen had called the FirstDigital proposal "fatally flawed" and a "distraction" away from the uNOpia tax proposal. Several Board members expressed surprise, anger and frustration at Jensen preventing them from considering a non-uNOpia tax proposal. Following tense discussion, the Board arranged a special session August 20 to determine the fate of the

FirstDigital proposal.

Because WVC, Midvale and Layton together represent a majority of the votes on the UTOPIA board (each city's vote is weighted based on that city's proportionate share of the 11 cities' overall population), the triumvirate's relentless negative statements over the past few months made it very clear the FirstDigital proposal would go nowhere. As expected, during the special session held August 20, the triumvirate voted against further vetting of the FirstDigital proposal, while the other cities voted to continue learning more.

The fissures exposed following the triumvirate's power play were gaping. Some board members representing opt-out cities all but accused the opt-in cities of "blocking" their efforts to get more info about non-uNOpia tax proposals. As long as WVC, Midvale and Layton remain united, their votes have the power to control the entire UTOPIA/UIA Boards.

As UTOPIA's opt-in cities now move forward with their planned public survey this fall, the Utah Taxpayers Association has [offered to assist](#) them in developing a useful survey instrument. The structure and wording of a survey dictates its outcome, and the Association wants to assist in identifying accurate and unbiased questions so that elected officials can trust the results. Your Utah Taxpayers Association will also engage in a vigorous public education campaign urging voters to vote **AGAINST** the uNOpia tax that would lead to a \$1.8 billion tax increase. ♦

Your Utah Taxpayers Association will engage in a vigorous public education campaign urging voters to vote against the uNOpia tax.

Taxpayers Association Working to Resolve "New Growth" and Centrally Assessed Appeals

Following the release of the State Auditor's performance report in July that exposed problems with the way "new growth" is calculated, your Taxpayers Association has been busy working to resolve multiple issues revealed in the report.

In the July Revenue and Taxation Interim committee meeting, Senator John Valentine made a motion to open a single bill file that will resolve dual issues. First, the bill will address the definition of "new growth" and eliminate RDA double

counting in new growth calculations.

The bill will also include a second component to end the “ratcheting” effect allowed under the current Truth in Taxation law (TnT). This “ratcheting” occurs as the value of centrally assessed properties – like mines, telecom companies or oil and gas companies – fluctuates. When the value of centrally assessed properties decrease, TnT increases the property tax rate to hold the taxing entities harmless. When centrally assessed property values bounce back, TnT counts that higher valuation as new growth, yielding a windfall of new revenue to the taxing entity. Working with the Revenue and Taxation committees, we plan to fix this automatic ratcheting problem.

Your Taxpayers Association is also taking this opportunity to advocate greater protection for taxpayers by changing the way counties appeal assessments of centrally assessed taxpayers. Senator Curt Bramble has brought the Taxpayers Association, the Association of Counties, and centrally assessed taxpayers together to develop legislation designed to limit the ability of counties to file egregious appeals on assessments of centrally assessed properties.

Historically, counties have rarely won the appeals they file, and it appears that the legal costs incurred by the county associated with these appeals collectively far outweigh any increase in property tax collection that would result from successful appeals. The Interim Revenue and Taxation Committee has asked the State Tax Commission to gather data identifying how often counties appeal assessments, how often they win



or lose these assessments, and how much the assessed valuation changes in appeals the county wins. We anticipate that the State Tax Commission will present this data in the upcoming September Interim meeting.

Senator Bramble’s proposed legislation will identify a threshold at which counties may appeal a centrally assessed taxpayer’s assessed valuation. Currently, any county that wants to file an appeal can do so for any reason, but Senator Bramble’s bill would require that an assessed valuation be egregious in order for counties to intervene. That way, county taxpayers won’t bear the legal costs associated with nuisance appeals. ♦

FY 2013 School Spending Report Released



Each year, your Utah Taxpayers Association collects financial and statistical data for Utah’s school districts and charter schools. We use this information to compare the spending trends between school districts and outline how school districts spend taxpayer dollars. The FY 2012-2013 report, released last month, includes all 41 school districts and all charter schools.

We generally release our report in the early part of each calendar year. This year, however, we were forced to delay the release of our report because the North Sanpete school district didn’t make their data available until June. To view the report, visit

utahtaxpayers.org.