



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Utah Should Wait on Medicaid Expansion Until the Supreme Court Makes Upcoming Obamacare Ruling

Utah’s lawmakers would do well to wait until after the Supreme Court makes its upcoming ruling on the Affordable Care Act before moving forward with any decisions to expand Medicaid.

In early November the high court announced that it would hear *King v. Burwell*, a case challenging the portion of President Obama’s healthcare law that provides federal subsidies to middle and low-income enrollees. The plaintiffs argue that such subsidies cannot be provided to states that use the federal exchange for health insurance sales, but rather only applies to states operating their own state health exchanges. Utah does not have a state exchange – it relies on the federal exchange.

The Supreme Court will hear the case in March and is expected to announce its ruling in June.

If the court rules in favor of the plaintiffs, it is possible that the Affordable Care Act will start to unravel because the subsidies are a key component of the law. Without them, the cost of government provided health care will increase and the future of the law and the programs associated with it will be unpredictable.

Taxpayers should not be left holding the bag for something that is not a sure bet. Utah’s lawmakers should wait until after the *King v. Burwell* ruling before moving forward with any Medicaid expansion. Lawmakers need to be sure Utah is embracing a plan that is fiscally sound and sustainable instead of making such an important decision during a time of great uncertainty.

Your Utah Taxpayers Association urges Gov. Gary Herbert and the Legislature to create a Medicaid plan that proves to be a safety net and not a destination when it comes to health care. The government should not create programs to attract those that can find health care through other avenues.

Full expansion of Medicaid in the state of Utah has the danger of turning government-sponsored health care into a destination. Our concern with any major expansion of the program is that it will entice those seeking health care to rely on the government,

...Continued on page 3

JANUARY 2015
VOLUME 40



My Corner: Is Prison Relocation Good for Taxpayers? Page 2



Upcoming 2015 Legislative Priorities Page 3



Federal Communications Commission Moving Forward With a \$1.5 Billion Tax Hike Page 5



Report Card on American Education Page 6



FY 2012 *How Utah Compares* Report Released Page 7



Upcoming Association Events and December Accomplishments Page 8

ASSOCIATION STAFF

Howard Stephenson	President
Billy Hesterman	Vice President
Kelsey White	Research Analyst
Heidi Erickson	Executive Assistant

EXECUTIVE COMMITTEE

Mike Edmonds	Chairman
Kent Stanger	Vice Chair
Eric Isom	Secretary
Brice Arave	Treasurer
Morris Jackson	Legislative Chair
Jim Hewlett	Immediate Past Chair
H. Val Hafen	At Large



Association President
Howard Stephenson

My Corner: Is Prison Relocation Good for Taxpayers?

As the decision of where to locate the state prison is narrowed to three locations (West of the Salt Lake International Airport, Tooele County, and Eagle Mountain in west Utah County), citizens near these locations

are becoming more and more active in opposing the location near them. This is the expected NIMBY (not in my back yard) reaction. In a show of solidarity, many opponents are crusading for keeping the prison at its present location near point of the mountain in Draper.

What many of the opponents don't acknowledge is that this prison relocation process has been ongoing since the 2011 General Session of the Utah Legislature, when lawmakers passed HB445, establishing the Prison Relocation and Development Authority (PRADA). In 2013 the Legislature passed SB 72, which gave additional direction to PRADA and called for proposals for a new prison development project.

Based on three years of study and recommendations from PRADA, the 2014 Utah Legislature enacted SB 268, establishing the Prison Relocation Commission to make recommendations on how and where to move the state prison. The legislature also passed, and Governor Herbert signed HCR 8, which resolved that, based on the previous studies, the prison would be relocated. HCR 8 also enumerated the conditions and goals that should be met in the relocation, including access to courts, medical and volunteer services, phased construction, efficiency maximization and cost savings. HCR 8 acknowledged one of the main reasons for constructing new facilities: to facilitate new prison programming that encourages a reduction in recidivism and reduces prison population growth.

The legislature's goal was to encourage all stakeholders to participate in the process in the most transparent way possible. As the PRC continues the site selection process, public participation will

continue to be encouraged.

What Does the Prison Relocation Mean for Taxpayers?

The most important issue for taxpayers is to ensure that whatever long-term planning is done for the incarceration, probation and parole of convicted criminals uses the most cost effective means and produces the most effective outcomes.

Fortunately, the prison is currently located on premium land and relocation could assist Utah in becoming an even greater high-tech center than it already is. The location provides 700 contiguous acres right in the middle of the highest area of population growth along the Wasatch Front, equal distance from two flagship universities, right next to the I-15 corridor with Adobe to the south and eBay to the north, calling for the hi-tech sector to fill in between them. This 700 acres is unique in its opportunities not only along the Wasatch Front but in the entire western U.S.

In addition to the importance of the potential economic growth from freeing this 700 acres for better use,

the proceeds from the sale of the property should actually make the prison relocation more affordable than retrofitting the existing site to acceptable standards.

Although the process for deciding prison relocation has been underway for nearly four years, the trigger cannot be pulled until the Legislature provides funding in the years ahead. Your Taxpayers Association will work to ensure that the funding decisions about relocation are in the long-term best interests of all taxpayers. ♦



The Utah State Prison



Follow Us!

Keep up to date on the very latest happenings

Medicaid Expansion

...Continued from Page 1

and taxpayers, to provide normal care that they would otherwise be receiving if they purchased health care on their own, thus putting government in the business of business. We cannot allow this to happen.

Once the Supreme Court issues its ruling in *King v. Burwell* and there is a clear direction on how the federal and state exchanges will be handled, state leaders can create a new plan that would give appropriate care to those in need and not burden the taxpayers with programs and benefits that are not necessary. ♦

Upcoming 2015 Legislative Priorities

In the upcoming 2015 legislative session, your Taxpayers Association will actively support legislation that will help improve the state's economy and remove unnecessary government burdens on taxpayers. We will also stand against any discussion of raising taxes in the upcoming year. Lawmakers have announced they anticipate having more than \$600 million in new revenue for the upcoming budget. With such a large amount of additional funds available this year, no plan to raise taxes should be considered. To do so would be irresponsible and punish the hard working individuals and families of Utah who have worked so hard to help the state climb out of the Great Recession and into economic success.

In addition to opposing any new taxes, your Taxpayers Association also will address a number of other important issues that will be considered in the upcoming session. Bills will be tracked and added to our "legislative watchlist," updated and available on our website each Friday of the legislative session.

Transportation Funding

Paying for Utah's roads will be a major topic during the upcoming session. The legislature's Transportation Interim Committee has studied the issue over the past year and various proposals will be discussed during the session. While the state gas tax has not increased since 1997, demand for Utah's transportation dollars has risen dramatically over the past 17 years. In the past your Taxpayers Association has supported a rise in the gas tax, as it is

a user fee for those who use roads in the state, but it also has called for lawmakers to simultaneously lower the state's income tax to make the gas tax increase revenue neutral in the state budget. The Association has also called for the elimination of all sales tax earmarks for transportation, as using a general sales tax for road funding fails to connect user cost with system use.

We anticipate to see various legislative proposals discussed this session, from indexing the gas tax to authorizing a local option sales tax increase to pay for transportation. We urge lawmakers to remember the sound tax principle of user fees as they craft this legislation.

Medicaid Expansion

While there is some momentum for the legislature to take on the issue of Medicaid expansion during the 2015 session, your Taxpayers Association believes it will be in the best interest of the state to hold off on a final decision until the Supreme Court rules on the *King v. Burwell* case that deals with subsidies used with the state and federal exchanges for enrollees.

If the court rules that only state based exchanges can take advantage of the federal subsidies provided to make the government insurance more affordable, then the structure that "Healthy Utah" is based on will need to be revamped. This

uncertainty places taxpayer dollars at risk.

We call on the Legislature and Governor Gary Herbert to wait for the *King v. Burwell* case to be resolved and then work together to create a



The Utah State Capitol

program that provides a safety net for those who find themselves in unfortunate circumstances but not a destination for those looking for cheaper health care on the back of taxpayers.

H.B. 54 - Public Education Increased Funding Program (Rep. Draxler)

Representative Jack Draxler (R-Logan) is sponsoring H.B. 54, which calls for a 1% increase in the state's income tax to pay for performance based incentive pay for teachers and for digital learning technology. While your Utah Taxpayers Association welcomes such programs, increasing the income tax to fund these programs is the wrong approach.

Utah is looking to be a competitive state in attracting the top businesses and top employees from around the country. A raise in the income tax will deter those businesses and talented workers from coming to the state of Utah.

Your Utah Taxpayers Association would welcome lawmakers reforming education funding in the state and finding the inefficient programs that should be eliminated from the state budget. The money saved from those programs should then be used to pay for items such as incentive pay for teachers and technology in the classroom.

Assessment Area Act Modifications (Rep. Webb)

This legislation may sound familiar, as it is an issue that was addressed in the 2014 session, only to be later vetoed by the governor. The bill looked to rein in the use of assessment areas to avoid having to raise taxes in political subdivisions. In the heat of the session the bill also was amended to include a one-year moratorium on assessment areas. That moratorium was the reason the bill was vetoed, as it was explained it would have prevented crucial projects in rural Utah from moving forward.

Rep. Curt Webb (R-Logan) is looking to run this bill again in the 2015 session. Your Utah Taxpayers Association supports this legislation, as it will ensure political subdivisions are appropriately using assessment areas for their intended purpose, such as sidewalk improvements in a certain zone, and not for items or programs that do not directly benefit those paying for the service.

Centrally Assessed Property Valuation Appeals (Sen. Bramble)

Senator Bramble is running a bill that will limit the ability of counties to egregiously appeal centrally assessed property valuations. For years, your Utah Taxpayers Association has been concerned by the way

counties appeal the assessed valuation of centrally assessed properties, incurring legal fees paid for with county tax dollars and rarely increasing property tax revenues through successful appeals. Sen. Bramble has been working with the Association of Counties, the Utah Taxpayers Association, and other stakeholders to develop legislation that will establish a threshold at which counties may intervene and appeal centrally assessed property valuations, removing nuisance appeals paid for with taxpayer dollars. In October's Revenue and Taxation Interim Committee data prepared by the Office of Legislative Research and General Council showed that between 2005 and 2014 counties issued eighty appeals but only "won" eight, and the average amount of valuation adjustment in these "wins" was \$3 million, only yielding about \$30,000 for the counties.

Defining "Eligible New Growth" in Property Tax Rate Calculations (Rep. McCay)

Representative McCay is sponsoring a bill that will change the calculation of property tax rates by defining "eligible new growth" as new, locally assessed real property growth. This removes centrally assessed and personal property from new growth in calculating the certified tax rate. Rep. McCay's change will make taxing entity revenues less volatile and will address problems revealed in the July 2014 [State Auditor's performance report](#) on the calculation of the certified tax rate. While your Taxpayers Association applauds Rep. McCay's plan to refine and improve the property tax calculation, we would like to see the legislation go one step further by including a component that would address the windfall in revenues that taxing entities enjoy when centrally assessed properties experience high levels of growth and the burden that an increased revenue level becomes on other local taxpayers when the value of centrally assessed properties fall. ♦

View our infographic on transportation funding in Utah [here](#) to see the principles the Utah Taxpayers Association follows in evaluating transportation funding legislation.

Federal Communications Commission Moving Forward With a \$1.5 Billion Tax Hike

On December 11, the Federal Communications Commission (FCC) [voted to permanently increase](#) the annual spending cap for their E-rate program from \$2.4 billion to \$3.9 billion. This 60% increase will result in a \$1.5 billion tax hike on ratepayers.

E-rate is a federal program embedded in the 1996 Telecommunications Act that uses taxpayer money to subsidize telephone and Internet service to schools and libraries (primarily based on rural or poverty status). It is one of four programs funded out of the Universal Service Fund (USF) and received roughly a quarter of USF collections last year. The FCC's move last month to increase E-rate's spending cap will raise the monthly fee on consumers' phone bills by more than 17%. Already, 16.1% of an average customer's monthly phone bill goes into the USF. To meet the new spending cap, consumers will pay \$1.90 per year in additional fees per phone line. The average household currently pays about \$36 annually towards the USF. While this 16 cents a month tax increase may seem marginal, it is a move that should terrify taxpayers. The FCC, a bureaucratic arm of the government, is exercising authority to tax a broad swathe of the American people with no vote of approval and no accountability. This is a fine example of taxation without representation.

When created in 1997, the original E-rate program cap was set at \$2.25 billion. In 2010, this cap was changed to adjust with inflation, effectively raising the cap to \$2.4 billion. Now 60% of this additional \$1.5 billion increase will "catch up" for lost inflation growth from 1997 to 2010, and the remaining 40% of revenue generated is justified as necessary to meet growth in bandwidth needs.

The merits of bringing high speed Internet to needy classrooms across America are legitimate. FCC Chairman Tom Wheeler has called the plan "a moral issue," claiming that "16 cents a month is a small price to pay for that great responsibility." The Obama administration's Education Secretary Arne Duncan is also calling the plan "a huge step forward" in expanding digital learning resources in schools. But both Republican commissioners on the FCC voted against the spending hike because

businesses, which often pay for employee phones, would carry the burden of the added cost. FCC Commissioner Ajit Pai said he also believes E-rate is plagued by waste that could be fixed with fiscal reform.

Is E-rate even a program that needs to be provided through the government? In June 2013 the [Obama administration bragged](#) that U.S. companies have invested more than \$250 billion in broadband over the past four years, and the percentage of Americans with access to high-speed wireless has

more than quadrupled to 80%. In addition, local school officials should be the ones in control of spending increases for technology, and such decisions should be made after receiving feedback from teachers, local taxpayers and elected representatives and considering other budget priorities.



FCC Chairman Tom Wheeler

The problem your Taxpayers Association sees has little to do with whether schools and libraries should have access to high-speed Internet. Rather, the problem is that the FCC has become a taxing entity and funder of education – powers that should not be given to the bureaucracy. The FCC is a federal regulatory body, and as such, cannot make good decisions about local school finances. Taxing authority needs to be kept as close to taxpayers as possible. This is why the US Constitution requires that federal laws impacting taxes originate in the House of Representatives – the body closest to the people. Taxing authority cannot be vested in a regulatory agency free from political accountability. Rather than ceding tax and spending power to the Executive – a place it shouldn't be – Congress needs to limit the ability of bureaucratic agencies to levy taxes. ♦

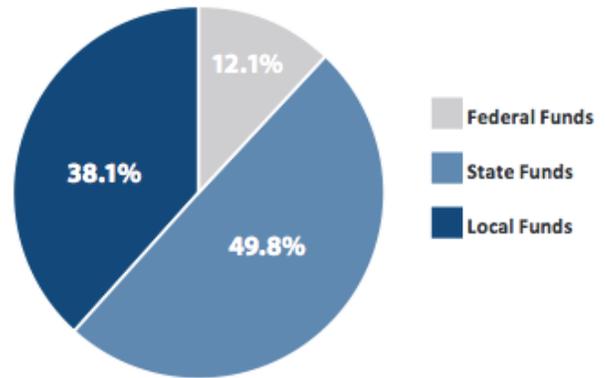
Report Card on American Education

From the American Legislative Exchange Council (ALEC)

Utah received a B- on the American Legislative Exchange Council’s (ALEC) recently released annual *Report Card on American Education*, which ranks and grades the fifty states on education performance and policy. This year, Utah ranked 25th nationwide in performance. Utah shows progress over its 2011 rank of 41st on performance, but a slight backslide from

Education Policy Grade B-
ALEC Historical Grading 2010: C+ | 2011: B | 2012: B-
 Grades state-level education policies that provide high-quality educational options to all students.

Funding Sources



Utah's education funding sources

State Academic Standards	C-
Charter Schools	
Charter Schools Allowed	Yes
Charter School Law Grade	B
Homeschool Regulation Burden (A=None, B=Low, C=Moderate, D=High)	B
Private School Choice Programs	C
Teacher Quality and Policies: Overall Grade	C
Delivering Well Prepared Teachers	D+
Expanding the Teaching Pool	D+
Identifying Effective Teachers	D+
Retaining Effective Teachers	B-
Exiting Ineffective Teachers	B-
Digital Learning	A-

2011’s B grade on education policy. It is interesting to note that during this time of dramatic performance improvement, Utah’s education spending per student actually *decreased* slightly, from \$7,756 in 2011 to \$7,584 in this year’s report.

ALEC’s ranking measures the state’s overall scores for low-income general education students and their gains/losses on the National Assessment of Educational Progress (NAEP) fourth and eighth-grade reading and mathematics exams from 2003 to 2013. The education policy grade is based on state-level education policies that provide high-quality educational options to all students. The policies considered in the grading and Utah’s grade on each individual policy is shown in the chart below.

Also mentioned in the report is Utah’s graduation rate of 78.6% and average class size of 22.31. Utah’s average class size is the highest in the nation. ALEC does not use these metrics in ranking overall state performance, however.

Massachusetts ranked #1 and South Carolina #51 on performance, and Indiana received the highest grade of a B+ on education policy, with North Dakota coming in last with a D.

Despite a massive student population and low spending per student, Utah has done well both in terms of student performance and providing high-quality education options to all students. ♦

FY 2012 *How Utah Compares* Report Released

The Utah Taxpayers Association recently released its 2014 *How Utah Compares* report showing that during fiscal year 2012, Utah's state and local government tax and fee burden ranked 16th highest in the nation at 14.14%, above the national average of 13.44%. Although still high, Utah's tax and fee burden decreased slightly (by 0.39%) from 2011, although its ranking remained unchanged. Utah's tax burden (excluding user fees) also decreased slightly, but Utah's ranking among other states climbed by two places, indicating tax burden improvements in other states.

State and Local Tax Burdens and Revenues as a Percent of Total Personal Income, FY12

Measure (average)	U.S.	Utah	UT Rank	UT as % U.S.
All state/local government revenue (incl. federal)	20.37%	22.80%	13	111.95%
All state/local government revenue (excl. federal)	16.04%	17.61%	9	109.79%
Taxes and fees	13.44%	14.14%	16	105.17%
Taxes and fees less higher education charges	12.71%	12.72%	19	100.12%
Taxes (excl. fees)	10.28%	9.63%	32	93.64%
Individual income tax	2.28%	2.48%	20	109.16%
General sales tax	2.33%	2.52%	19	107.96%
Motor fuel tax	0.31%	0.37%	15	120.96%
Property tax	3.30%	2.70%	32	81.67%

Utah's general tax burden, excluding fees, was for years above the national average, but has recently dropped below the national average. While user fees are frequently a sound method to fund government, government can simply increase reliance on fees to avoid tax increases. As a result, taxpayers end up paying more dollars for the same service. When the Utah Taxpayers Association advocates for higher fees, such as user fees for water and congestion pricing on highways, it also advocates for reducing general taxes to ensure that the government doesn't rely on fees over taxes.

Utah's total tax burden of 14.14% during FY2012, while significantly improving over previous years, is still high among neighboring states. The only neighboring state with a greater tax and fee burden than Utah is Wyoming, ranking third overall in the country with a total tax burden of 18.34%. Two of Utah's neighbors, Nevada and Wyoming, don't impose an individual income tax, helping them rank above Utah in overall tax and fee burden. All neighboring states except Wyoming have lower total tax burdens than Utah due to significantly lower tax rates in other categories. ♦

Utah and Neighboring States Tax Burden Comparison, FY2012

State	Taxes and Fees		Individual Income Tax ¹		General Sales Tax ²		Property Tax	
	Burden	Rank	Burden	Rank	Burden	Rank	Burden	Rank
Arizona	12.44%	37	1.32%	40	3.67%	6	2.92%	28
Colorado	12.68%	36	2.10%	32	2.34%	25	2.99%	24
Idaho	12.42%	38	2.23%	29	2.25%	27	2.56%	37
Nevada	12.85%	35	-	-	3.60%	8	2.72%	31
New Mexico	13.38%	25	1.56%	37	3.98%	4	1.94%	46
Utah	14.14%	16	2.48%	20	2.52%	19	2.70%	32
Wyoming	18.34%	3	-	-	4.14%	3	4.54%	7

Tax burden is expressed as the percentage of total personal income consumed by taxes and fees. Calculations by the Utah Taxpayers Association based on data from the U.S. Census Bureau and the Bureau of Economic Analysis. Data for fiscal year 2012 was released in December 2014. To view the complete report, [click here](#).

Upcoming Association Events

2015 Pre-Legislative Conference

Monday, January 12, 2015 from 9:00 AM to 12:00 PM at the Little America Hotel, 500 South Main Street, Salt Lake City.

The Utah Taxpayers Association's annual pre-legislative conference offers the opportunity for our members, the public, and policy makers to better understand the key tax-related issues in the upcoming legislative session and learn what the Association's priorities are on such legislation. State Senators, Representatives, industry representatives, and opinion leaders will be discussing various issues facing the state, such as transportation funding, Medicaid expansion, education, and tax exemptions. There is no fee to attend, but please reserve your spot by calling 801-972-8814 or by emailing heidi@utahtaxpayers.org. An agenda will be released on our website soon.

2015 Legislative Committee Meetings

Every Thursday morning during the 2015 Legislative Session from 7:00 AM to 8:30 AM in the East Senate Building, Seagull Room.

These weekly meetings are an opportunity to be updated on the progress of key bills moving through the legislature. Each week Association staff will present an updated legislative "watch list" and will take questions and advice from Association members on the progress of key legislation. All Association members are welcome to participate at any time. For more information, or to indicate your intention to attend, contact Kelsey at 801-972-8814 or kelsey@utahtaxpayers.org.

Association Accomplishments During December:

- ❖ Attended the Transportation Interim Committee's special meeting in Vernal to track potential upcoming transportation legislation
- ❖ Released a "Transportation Funding in Utah" infographic
- ❖ Continued evaluating proposed legislation for the upcoming 2015 Legislative Session
- ❖ Prepared for the Association's Newly Elected Officials Conference
- ❖ Prepared for the Association's upcoming Pre-Legislative Conference

In the News:

- ❖ Spoke out against the use of tax increment financing for retail projects
 - [Salt Lake Tribune](#)
- ❖ Released the 2014 *How Utah Compares* report
 - [Utah Taxpayers Association](#)

What Did We Do For You In 2014?
 Read our [*2014 Actions and Results*](#) report!