



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Redevelopment Agencies Collect more than \$166 Million, 53% from School Districts

Over the past few months, there's been a lot of public discussion regarding the large extent of taxing authority that redevelopment agencies have, and their impact on school districts, cities, and other government entities.

Let's take a look at these redevelopment agencies and the money that is redirected to projects and in what circumstances these may be appropriate.

What is a Redevelopment Agency?

A redevelopment agency (RDA) is set up by a municipal legislative body, such as a city council, that has the ability to create project areas, with the intent (or guise) of spurring development within the area.

As part of this, redevelopment agencies have the ability to use property taxes in order to encourage development in designated project areas.

Your Taxpayers Association has supported the idea that RDAs can be appropriate in circumstances in which an area is blighted, and in very limited economic development scenarios. However, taking property tax dollars away from school districts, cities, and counties in order to incentivize companies to expand or relocate, must be well-measured and be shown to provide the results expected from the area.

How Do They Work?

An RDA creates a project area, which is an area that it designates as needing some kind of development, whether that be retail, commercial, residential, or even for public or governmental use, such as parks or public spaces.

Once the project area is created, the RDA can propose property tax incentives, and with authorization from a majority of taxing entities that currently receive taxes from the project area, can begin to lure developers into the area.

As the project area is developed and, theoretically, property taxes on the land increase, the taxes collected can then be returned to the area for future investment. *(continued on page 3)*

SEPTEMBER 2016

VOLUME 41



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My Corner: Don't Let a Famous Company Dazzle Us into a Bad Deal

Over the summer, debate raged on just how much of valuable property tax dollars should be taken away from school children and other taxing entities in order to lure Facebook to a currently undeveloped site in West Jordan.

Fortunately, your Taxpayers Association was able to convince enough stakeholders to reject the deal. But the battle rages on, as West Jordan officials are concocting another plan to bring the company in.

I, along with Salt Lake County Mayor Ben McAdams wrote the following op-ed, published on August 19th in the Salt Lake Tribune, detailing why the original plan was not beneficial to taxpayers or school children.

“Economic development and jobs are top priorities for us. As Salt Lake County mayor and as a state senator, we’ve supported many projects where businesses get tax support in exchange for creating good-paying jobs and bringing more economic growth to the state. But when taxpayer dollars are on the line, one question stands out: Is it a fair deal for taxpayers?”

“West Jordan City’s proposed data center project would be built on 230 acres of vacant West Jordan farmland. It will be highly automated and managed remotely with software installed on laptops. Initially, 50-70 jobs would result. The Economic Development Area plan put forth by West Jordan City asks for a total tax subsidy of \$240 million – taxes that would come from the school district, the county, the county library, the state, and even city energy taxes for 20 years.

“If you do the math, we’d be paying between \$2 million and \$3.4 million per job. That’s far more than has ever been spent by economic development officials to lure businesses such as eBay, Adobe or Boeing. Those companies not only support thousands of jobs, but also produce a multiplier effect, as they spend money locally for goods and services. The data center’s equipment is manufactured and purchased in China. Much of the building itself is pre-fabricated, trucked in and then assembled.

“West Jordan City has provided shifting and incomplete budget numbers. We know that the city has approved projects whose terms were rejected by other neighboring cities and has a poor track record with past Economic Development Areas. Four EDAs that the city created went bankrupt or left Utah’s market; one only produced taxes for six of the projected 12 years; and one didn’t trigger any growth until six years after its approval. As elected officials who must balance our budgets and advertise every proposed tax increase, we must scrutinize these deals. A bad deal means less money to fund all the services our residents currently receive, a shortage for our school

“Openness and accountability for how we spend your hard-earned tax dollars is our priority. Our duty as public servants is to shine a light on any deal that involves taxes and billion dollar private corporations. After all, it’s your money.”

children, and a worst case scenario of having to raise taxes to make up a deficit.

“We know that the proposed structures, which are essentially very large refrigerated buildings to keep computer servers from overheating, come with a legal contract for delivery of 4.8 million gallons of water per day. They may use less during the winter season, but the water must be available should they need it. Utah is the second driest state in the country. In our fast-growing area, water is a finite and a precious commodity and is essential to every current and future resident and business.

“The data center company in question is worth billions of dollars and earns a profit of more than \$22 million a day. We offer one vital ingredient other states cannot match – numerous fiber optic cables buried in the ground for them to connect to the Internet. In fact, Salt Lake County has one of the greatest densities in the country for fiber optic lines.

We should not sell our real estate or our taxpayers short just because a famous name comes calling. The data center needs our location far more than we need the 50-100 server manager jobs it offers. “Openness and accountability for how we spend your hard-earned tax dollars is our priority. Our

duty as public servants is to shine a light on any deal that involves taxes and billion dollar private corporations. After all, it’s your money.”

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(continued from page 1) The taxes collected on the property can be used as investment including the forms of infrastructure building and costs or property tax exemptions for the new development.

How Do Incentives Work?

These incentives can range immensely. Take a look at a recent, and infamous example, the Project Discus incentive.

West Jordan had worked out a plan that called for buildings 1 and 2 to have a 75% kickback, buildings 3 and 4 to have 85% kickback and then buildings 5 and 6 to be 100%, essentially exempting the final phase.

Because of this exemption, all taxing entities that were currently collected taxing on the property would lose out on any new revenue generated by development for a 20-year period. This would have been a major drain on the Jordan School District and other entities.

You can read more about this deal in this month’s My Corner.

What are the Numbers?

According to data collected by the Utah State Tax Commission, redevelopment agencies received more than \$166 million in property taxes from all taxing entities across the state in tax year 2015.

Even more astonishing, 53% of that total, or

\$88,732,826 is taken from school districts. Only about half, or 21 of Utah’s 41 school districts, give tax increment to RDAs and project areas.

Topping the list of highest amount of tax increment given is \$14,756,784 coming from the Salt Lake City School District. That is followed by the Alpine School District, which loses \$13,045,157 in tax increment, and Jordan School District, at \$11,752,288.

We’ve seen that school districts provide the majority of total funds given to RDAs. However, compared to all other groups of taxing entities, the amount is nearly monumental.

The next highest group of taxing entities that provide tax increment is cities and towns, providing only 19% of funding for a total in tax year 2015 of just above \$32 million.

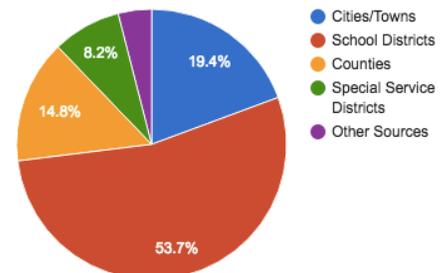
Are Changes Coming to RDAs?

Yes. During the 2016 Session, the Legislature added more revisions to RDAs and the process that would create a project area and an RDA. Essentially, it took away multiple tracks to create project areas and created one.

More changes could be coming in 2017.

Your Taxpayers Association is in conversation with several legislators to try and limit the amount that school districts can provide as tax increment, following the Facebook deal that was ultimately rejected in August.

Cities/Towns	School Districts	Counties	Special Service Districts	Statewide Total Tax Increment
32,004,910	88,732,826	24,404,591	13,555,440	166,381,770



The following chart and table show the amount of money different taxing entities gave away in tax increment in 2015.

Tax Review Commission Hits Pause Button on Single Sales Factor Apportionment Discussion

After spending more than four months discussing the expansion of the implementation of single sales factor apportionment for corporate income taxes, the Tax Review Commission has decided to take a break from the topic.

Currently under state law, the following NAICS sectors and industry groups are excluded from single sales factor apportionment: Mining, Natural Gas Distribution, Manufacturing, Transportation and Warehousing, Information, and Finance and Insurance. Most other businesses in Utah already use single sales factor apportionment to calculate their corporate income tax.

In its August meeting, the 16-member Commission determined that, overall, they were still undecided on if, and how, Utah should move forward with the apportionment method.

The Tax Review Commission, made up of tax professionals, including representatives from the State Tax Commission, along with several legislators, heard from multiple organizations including the Utah Taxpayers Association, the Salt Lake Chamber, Utah Education Association, regarding the possible effects of implementing single sales factor.

Given the variety of groups that had presented before the Commission, there was not a consensus on the overall effects of single sales factor to Utah.

While many members of the Commission did understand the benefits and needs for expanding the method, there were many questions of fiscal impact and how it would need to be implemented in order

to provide the greatest benefit to the state.

Some members of the Commission took a few moments to remind others that the responsibility of allocation of taxpayer dollars is placed entirely on the Legislature, and that the job of the Commission is recommend fair, sound, and equitable tax policy, without regard for revenue considerations.

Unfortunately, the Commission chose not to take immediate action on recommending single sales factor to the Revenue and Taxation Interim Committee.

Your Taxpayers Association has been and will continue to advocate for single sales factor apportionment to be implemented further in the state of Utah, as it will continue to aid the state in its economic success by incentivizing companies to bring their jobs and facilities to Utah.

The Tax Review Commission may recommend that the apportionment method needs to be mandatory rather than electable. That will allow for a more predictable and stable revenue source, as well as to ensure that out-of-state companies are not given an unfair advantage over companies that have chosen to invest in Utah.

The Tax Review Commission is expected to next investigate expanding the sales tax exemption for manufacturing to include equipment, machinery, and replacement parts that have an economic life less than three years.

Average Annual Teacher Compensation Exceeds \$100,000 in One Utah School District

The Utah Taxpayers Association has released its *2016 School Spending Report*, which details school district and charter school spending during the 2014-2015 fiscal year.

The School Spending Report shows, that for the first time, salary and benefits for teachers in a single school district crossed the \$100,000 mark.

Park City School District, on average, pays in salary and benefits, \$102,428 a year to its teachers.

On average, teachers in Utah's school districts received \$77,466 in compensation. However, this amount may not include additional pay brought in from extra-curricular activities, such as coaching or other after-school programs.

In comparison, teachers at charter schools make just under \$50,000 from salary and benefits. This brings the weighted average for all teachers in the state to \$74,426.

According to statistics from the Bureau of Labor Statistics from May of 2015, the average salary for Utahns was \$44,130.

The Alpine School District has the highest enrollment with over 75,000 students, according to data from the State Board of Education’s October 2015 enrollment numbers. The school district with the lowest enrollment is Daggett, with only 181 students.

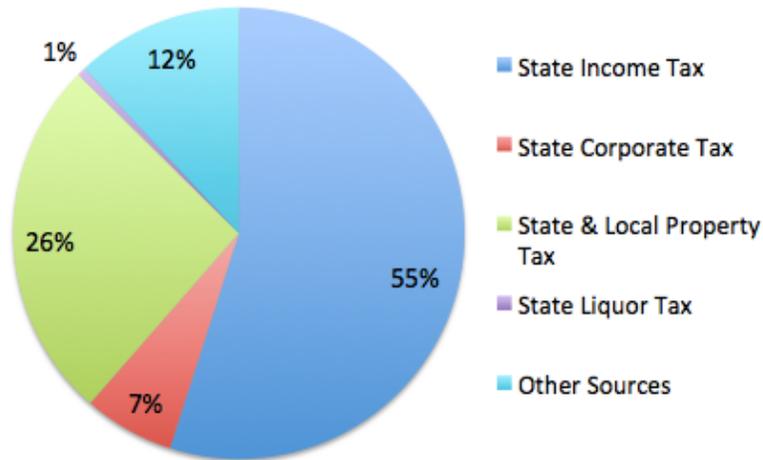
Despite being the second smallest school district in the state by enrollment, Tintic School District spent a staggering \$21,960 per student, beating next closest school district Daggett by nearly \$2,000. In contrast, the 4th highest enrollment district, Jordan, only spends \$6,759 per student.

For the state, including charter schools, the average for spending per student is \$7,868, more than \$200 higher from the previous year.

Higher enrollment generally correlates with lower district spending per student, and lower enrollment correlates with higher district spending per student. However, this is not a reflection of a relatively better or worse education for students, but rather is a result of the fact that a school district with low enrollment has few students across which to spread the fixed costs of education.

For example, districts of all sizes need to build in costs for infrastructure, such as heat, lighting, and building maintenance. Lower class sizes also contributes to higher per student costs in school districts. In short, mathematics

creates some of the per-student spending disparity between high enrollment and low enrollment school districts – not necessarily education value.



This chart presents the different local and state taxes that funded public education in the state of Utah, according to data from the Utah State Tax Commission.

An important factor in understanding some of the disparity between school districts’ per-student spending is the property tax base in the district. School districts with high property values per student (such as Park City, Grand, and So. Summit) generate significantly more revenue from the statewide basic property tax levy than school districts with low assessed valuation per student (such as No. and So. Sanpete school districts).

It is also important to note the calculation of secondary homes when comparing per student property valuation. State law requires that owners of secondary homes (cabins, vacation timeshares, etc.), pay 100% of the property taxes of the value of home, as opposed to 55% for primary dwelling residences.

In school districts with low per student property values, the state provides assistance from the state income tax to help school districts reach a guaranteed funding level per student, commonly called the Weighted Pupil Unit (WPU). This can be seen in the local/ state/ federal revenue split. Park

Education Revenue

Fund	Local		State	Federal	Total ⁴
	Property ³	Other			
Operations ¹	\$ 922,387,646	\$ 235,378,786	\$ 2,688,622,785	\$ 285,872,683	\$ 4,132,261,900
Capital ²	\$ 244,080,625	\$ 26,101,955	\$ 14,547,777	\$ 17,968,588	\$ 302,698,945
Debt	\$ 341,682,372	\$ 664,949	\$ 709,961	\$ 2,003,810	\$ 345,061,092
Nutrition	\$ -	\$ 62,795,737	\$ 37,890,933	\$ 133,221,270	\$ 233,907,940
Non K-12 & Other	\$ 9,489,468	\$ 38,883,973	\$ 26,796,094	\$ 10,507,535	\$ 85,677,070
Total	\$ 1,517,640,111	\$ 363,825,400	\$ 2,768,567,550	\$ 449,573,886	\$ 5,099,606,947

This table shows the amount of revenue collected for public education from different sources and to what fund they are used towards. These numbers are calculated from data from the Utah State Board of Education.

City school district, with high property values, receives 91% of its funding from local sources, whereas South Sanpete with a low property tax base, is only able to provide 25% of its total revenue from local sources.

Additionally, teachers in Park City school district are, on average, the highest paid in Utah at \$102,428 (including salary and benefits). The Nebo School District has the lowest average teacher earnings at \$68,215. This is an increase of nearly \$4,000 from the previous year's low.

There is also a significant disparity between teacher salaries and administration salaries in several school districts. Nebo School District, which on average pays teachers the least, pays school administrators more than double the statewide average.

To see how your school district compares with other school districts and charter schools in Utah, view the complete 2016 School Spending Report [here](#).

Utah Cities Named Best Places to Start a Business

When it comes to starting a business, the Wasatch Front is one of the top places in the nation to do so.

That is according to a report released by CNBC in August that listed the top 20 cities to start a company. In the list, which is titled "The Top 20 Metro Areas to Start a Business in America", three northern Utah cities make the cut. Provo earned the highest ranking coming in 2nd, Ogden came in 7th and Salt Lake City was ranked 18th.

All three cities were found to have low unemployment rates ranging from 3.3 to 3.7 percent. Provo and Salt Lake were also found to be startup friendly as the two cities have a large number of college graduates. Ogden was found to be key for those looking to start a business related to the aerospace industry thanks to its location near Hill Air Force Base and Orbital ATK.

Provo was singled out near the top of the list because of its efforts to facilitate entrepreneurial

businesses. The city has a startup building that rents desks and other co-worker spaces to new startups in efforts to build collaboration and innovation among those working on their new business ventures. It also highlighted Brigham Young University's entrepreneurial innovation academy as another reason for Provo's success. It was stated that the academy acts as an "incubator" that allows students to work with peers to learn how to start and run a business.

Texas capital Austin was named the top city on the list. The list also included Houston, Washington D.C., Denver and Atlanta. The report excluded major business cities New York and San Francisco, stating those two cities are among the most expensive cities in the United States and have two of the worst tax climates in the country according to the National Tax Foundation.

Association Accomplishments During August:

- ❖ Advocated as a voice of truth against 5 special service districts' plan to use taxpayer money to buy a landfill.
- ❖ Stood with The Utah State Board of Education and Salt Lake County in opposition to "Project Discus".
- ❖ Attended scheduled TNT meetings as appropriate.
- ❖ Met with members of the Jordan School District Board of Education regarding "Project Discus" deal.
- ❖ Attended the Utah Tax Review Commission's August meeting
- ❖ Released Cost of City Government annual report

In the News:

- ❖ NUERA landfill purchase
 - [Daily Herald Article on Landfill Purchase](#)
 - [Salt Lake Tribune Op Ed "Something Smells"](#)
- ❖ "Project Discus"
 - [Salt Lake Tribune Op Ed](#)
 - [City considers incentive for Facility](#)
 - [Fox 13 Interview on the End of Discussion for Project Discus](#)
 - [KSL Interview on the State School Board Vote for Project Discus](#)
 - [West Jordan press release 8/23/16](#)