

# 2002 Olympic Winter Games

## Estimated Local Government Olympic Revenues

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State of Utah  
Governor's Office of Planning and Budget  
Demographic and Economic Analysis Section

November 1998  
First Printing

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## **2002 Olympic Winter Games**

### **Estimated Local Government Olympic Revenues**

The Demographic and Economic Analysis Section of the Governor's Office of Planning and Budget has authored this study to provide the Governor, legislature, state agencies, local government, the organizing committee, and the public with credible estimates of local government revenues associated with the 2002 Olympic Winter Games. The analysis is an extension of earlier research that estimated the economic, demographic, and fiscal impacts of the Games. This earlier research included estimates of Olympic-related revenues to all local government, but did not report these revenues by the individual local entity. This report utilizes the control totals from the earlier research to generate estimates of local government revenues, with an emphasis on venue cities and counties.

The economic context for these estimates is a state economy that, after several years of booming growth, is now returning to more moderate economic conditions. The Olympics are viewed as a significant economic event that has and will continue to bolster economic activity in the state through 2002. After 2002, however, the major sources of Olympic-related spending end. Consequently, the revenue estimates described in this report should be viewed as a short term occurrence.

The research is limited to estimates of revenues only. Many of the venue cities and counties are in the process of estimating expenditures on their own, but will not have initial work completed until late Spring 1999. Both revenue and expenditure estimates are necessary to evaluate local government fiscal issues.

Readers should also understand that this research will be updated and expanded as additional information becomes available. Of particular interest is the new Salt Lake Olympic Organizing Committee budget and additional Olympic-related federal revenue announced since April 1998. These changes are not included in these revenue estimates, but will be in future revisions.

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## Executive Summary

### Local Government Revenue Impact

The 2002 Olympic Winter Games will generate \$87.5 million in local government revenue from 1996 through 2002. These revenues will flow to local government because of the estimated \$1.8 billion in new, outwardly financed, in-state spending that will occur. This spending is generated by purchases that are directly related to hosting the Games made by the Salt Lake Organizing Committee, Olympic visitors, Olympic broadcasters, the tourism industry, and the public sector. It also includes the associated indirect and induced revenue impacts.<sup>1</sup>

### Economic Context

After several years of booming growth, the Utah economy is now returning to more moderate economic conditions. The Olympics have and will continue to bolster economic activity through 2002. After 2002, however, the major sources of Olympic-related spending end. As a result, the \$87.5 million in local government revenues described in this report should be viewed as temporary.

### Geographic Distribution

Local revenue will be distributed broadly to local governments in Utah as economic activity increases statewide and as revenues are shared according to a variety of distribution formulas. The vast majority of the revenue, however, will be received by local governments within the seven county region within or adjacent to the Salt Lake-Ogden/Provo-Orem metropolitan areas. This is also the area where the public sector expenditures required to pay for these impacts will be the largest.

### Allocation Among Government Entities

Counties are expected to receive the largest share of Olympic-related revenue at 30%, followed closely by municipalities, which also earn around 30%, school districts (27%), and special districts (13%).

**Venue Cities and Counties** – Venue cities and counties are estimated to receive 40% of Olympic-related local government revenue. Venue cities are expected to receive \$10.8 million from 1996 through 2002 (12.4% of the local government revenue total) and counties \$23.8 million over the same period (27.3% of the local government revenue total). Since nearly three years of the estimation period have passed, approximately 17% of this money has already been spent and is unavailable for future needs.<sup>2</sup>

Among venue cities, Salt Lake City is expected to receive the most at \$5.6 million, followed by West Valley at \$1.7 million, Ogden at \$1.4 million, and Provo at \$1.2 million. Park City and Heber/Midway are estimated to receive \$767,000 and \$140,000, respectively. This means that Salt Lake City and Park City, where much of the Olympic activity will be focused, receive 6% and less than 1%, respectively, of the total local government revenue generated by the Games.

Salt Lake County, the economic hub of the area, is estimated to receive \$16.8 million. Utah, Weber, Summit, and Wasatch follow with \$3.3 million, \$2.4 million, \$1.1 million, and \$209,000, respectively. The remaining 60% of local government revenue will be available for use by non-venue cities and counties, school districts, and special districts all around the state.

### Sources of Revenue

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<sup>1</sup>Direct expenditure impacts, while not included in this report, are currently being estimated by many Olympic venue cities and counties and will be available in late Spring 1999.

<sup>2</sup>The majority of the revenue is estimated to accrue in the year of and years just prior to the Games.

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Property taxes, estimated at \$37.3 million, comprise the largest share (43%) of Olympic-related local government revenue. Property taxes will increase as the economic base in Utah enlarges because of new outside spending in the state that is associated with the Games. Sales taxes (which include room taxes, car rental taxes, restaurant taxes, and various optional taxes) comprise the second largest share at \$21.2 million (24%). Local charges (which include solid waste management, parking, airport, school and other charges) represents the third largest component of revenue, but they are largely offset by the fee-for-service expenditures they require. Utility franchise and other taxes, along with indirect federal funds, make up the remainder of local government revenue associated with the Games.

**Visitor Taxes** – A wide variety of visitor taxes will benefit city and county coffers. Many of these taxes have been added or adjusted during the 1990s to make sure visitors help offset the public sector costs associated with their visit. These taxes include:

- ! Local Option Sales
- ! County Option Sales
- ! Transient Room
- ! Restaurant
- ! Car Rental
- ! Room Rental (different from the transient room tax)
- ! Zoo, Arts, and Parks
- ! Resort Communities
- ! Municipal Transient Room

**Further Research**

The Governor's Office of Planning and Budget will continue to monitor local government Olympic fiscal issues in the years prior to the Games. The expenditures estimates prepared by the Venue Cities Working Group will be the next step in understanding local Olympic fiscal issues.

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Table 1: Local Government Revenue Summary  
2002 Olympic Winter Games  
(1998 Dollars)

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## Introduction

The Governor's Office of Planning and Budget (GOPB) has created preliminary estimates of the revenues local governments will receive as a result of the 2002 Olympic Winter Games. These estimates have been made at the request of the Venue Cities Working Group<sup>3</sup> to improve state and local governments understanding of Olympic fiscal issues. Representatives from GOPB and the Venue Cities Working Group have met several times to discuss Olympic revenues. These report is the result of this research and those discussions.

The estimates contained in this report include Olympic-related local government revenue only. These estimates, however, can be compared with expenditure estimates from the venue cities and counties that will be forthcoming. The Venues Cities Working Group anticipates that expenditure estimates will be available in late Spring 1999. Both revenues and expenditures must be evaluated to make a comprehensive assessment of Olympic fiscal issues.

Olympic-related revenues to local government accrue statewide. This is true because of the way spending occurs, the interconnections within the Utah economy, and the way tax revenue is distributed geographically around the state. This report considers all Olympics-related government spending, but focuses on the revenue that venue cities and counties are expected to receive. In some instances, estimates of local government revenues to other cities and counties, school districts, and special districts are identified.

All estimates contained in this report should be viewed as collaborative, best estimates of the level and distribution of Olympic-related local revenue. Estimates include revenue from 1996 through 2002 and attempt to broadly capture revenues from all spending – direct and indirect – associated with the Games. The estimates will be updated, revised, and expanded as additional information becomes available. Of particular interest is the newly released budget of the Salt Lake Olympic Organizing Committee and federal support of the Olympics announced since April 1998. The Organizing Committee budget and federal funds associated with the Games are now larger than originally considered. Consequently, the revenue estimates considered in this report are conservative based on what is known currently. The impact of the larger Organizing Committee budget and additional federal funds will be included in future revisions.

For a more detailed description of the economic activity that generates the local revenues included in this report, refer to the publication titled, *2002 Olympic Winter Games: Economic, Demographic and Fiscal Impacts*, Governor's Office of Planning and Budget, April 1998. The State Olympic Officer has also prepared a report titled, *State of Utah Estimated Fiscal Impacts from the 2002 Olympic Winter Games*, that clarifies state government's oversight and management of Olympic fiscal issues. Both of these documents are available on the Internet at [www.governor.state.ut.us/gopb](http://www.governor.state.ut.us/gopb) or by contacting the Governor's Office of Planning and Budget.

This report begins with a brief summary of the framework applied to understanding and modeling Olympic impacts. This is followed by a description of the methodology used to derive the revenue control totals and disaggregate them to individual local government entities. Revenue sources are then considered. The last section includes a description of the major findings, including revenue estimates by tax for all venue cities and counties. The appendix includes a more detailed presentation of Olympic-related local government revenue.

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<sup>3</sup>Participants on the Working Group represent Heber City/Wasatch County, Ogden, Park City, Provo, Salt Lake City, Salt Lake County, West Valley City, the State of Utah, the University of Utah, and the Utah League of Cities and Towns.

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## Modeling Framework

Estimates of the local government revenue impacts resulting from the 2002 Olympic Winter Games have been analyzed by considering all sources of local government revenue that increase with growth in economic activity. The Olympics generate new spending in the local economy. This spending creates employment and income in the state that otherwise would not be present. The additional jobs and income created by Olympic spending increase local government revenue. Understanding the relationship between the economic activity associated with new spending and the resultant revenue increases is central to the analysis in this report.

### Economic Impact

The Governor's Office of Planning and Budget has estimated the following sources of Olympic spending:

- Salt Lake Organizing Committee – \$858 million
- Public and private infrastructure investment – \$600 million
- Visitor spending during the Games – \$311 million
- NBC spending to broadcast the Games – \$74 million<sup>4</sup>

The total amount of spending directly related to the Olympics is estimated to be approximately \$1.8 billion. Analysts have reduced this to \$1.2 billion to account for spending that leaks out of the Utah economy.

The direct expenditure of \$1.2 billion is further supplemented by the impact of additional spending (indirect and induced impacts). In total, the Olympics are expected to generate \$2.8 billion in output, 23,000 job years of employment, and \$972 million in earnings.<sup>5</sup>

### Revenue Impact

The local government revenue impacts included in this report result from a comprehensive interpretation of how growth in the economy impacts specific local government revenue sources. While the Olympics are commonly viewed as a 17-day event that mostly impact tourism revenues, in reality they are a much larger and broader stimulus. Impacts have already started and they will continue through the Games. The \$972 million in additional earnings from the Olympics results in more sales taxes, property taxes, fees, and other revenues for local government.

The impact of economic activity on revenue can be further illustrated by considering how major taxes in Utah vary with economic activity. One way to measure this is to consider the relative volatility of sales, income and property taxes. Figure 1 shows the percent deviation from average growth for the three major taxes in Utah. Clearly, the volatility in all of these taxes correlates with one another. The primary reason for this volatility is changes in economic conditions. Based on the sensitivity of major taxes to

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<sup>4</sup>All spending estimates are in inflation-adjusted 1998 dollars and were current as of April 1998. Since then estimates of spending of increased because of the larger Salt Lake Organizing Committee budget and additional federal expenditure commitments.

<sup>5</sup>Refer to *2002 Olympic Winter Games: Economic, Demographic, and Fiscal Impacts*, Governor's Office of Planning and Budget, April 1998, for additional detail on the economic analysis that guides this research.



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economic conditions, GOPB analysts have chosen to model local government revenue impacts broadly, considering more than just visitor taxes.

**Temporary Nature**

While the Olympics are a significant economic event that has and will continue to bolster economic activity in the state through 2002, it is a short term occurrence. The revenue estimates described in this report quantify the increment of new revenues through 2002 that are above current trends. After 2002, the major sources of Olympics spending considered in this report, as well as the associated revenue impacts, end. Arguably, however, there are other enduring revenue impacts from hosting an event the size and visibility of the Olympics. These impacts have not been quantified in this research.

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## Methodology

Local government Olympic-related revenues have been estimated by disaggregating previously published control totals to the individual city and county level. The method used to develop the control totals and disaggregate them are described below.

### Control Totals

GOBP utilized a two-step process to estimate local control totals. A two-step process was necessary to account for the differences between direct and indirect/induced revenues. Direct revenues are sales taxes that are paid by visitors, broadcasters, subcontractors to the Organizing Committee, and contractors for Olympic-related infrastructure investment. Indirect and induced revenues include the sales, income, property, and other taxes that occur because of the initial injection of money into the Utah economy.<sup>6</sup> These impacts are often characterized as the multiplier effects. Direct and indirect/induced impacts were treated separately in the estimation procedure via a two step process:

**Step #1** Estimate direct revenues explicitly by applying a blended sales tax rate to taxable purchases.

Direct taxable purchases have been estimated by considering the amount, timing, and characteristics of spending by the Salt Lake Organizing Committee, visitors, broadcasters, and the public and private sector on infrastructure investments attributed directly to the Olympics. Only purchases that are taxable and financed by outside sources are included. Revenues have been estimated for each of the taxes included in the sales tax statute. The rate is a blended rate to account for differing tax rates within the study area.

**Step #2** Estimate indirect revenues based on the historical relationship between growth in the economy and growth in specific revenue sources.

The Olympics are expected to bring in \$1.8 billion of in-state spending and create 23,000 jobs from 1996 through 2002.<sup>7</sup> This economic stimulus increases local government revenues. Analysts have estimated these revenues by calculating the relationship between the historic growth in the economy (as measured by earnings) and growth in a particular revenue source. This relationship is examined based on a 20-year history by revenue source (sales, property, utility franchise, charges, etc.).

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<sup>6</sup>In traditional economic accounting, indirect impacts include the impacts (regardless of the measure, ie. jobs, spending, income, or taxes) that accrue because of the purchasing and hiring done by the suppliers used by those directly involved. Induced impacts include the consumer purchases made by those who are either directly or indirectly employed. Each of these generates further impacts as the initial round of spending circulates within the economy.

<sup>7</sup>All dollar amounts in this report are 1998 dollars unless otherwise noted.

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Based on this two-step approach, analysts have identified an estimated \$87.5 million in local government revenue from 1996 through 2002 that is Olympic-related.<sup>8</sup> This includes \$37.3 million in property taxes; 21.2 million in sales taxes; \$5.3 million in utility franchise and other taxes; \$20.6 million in local charges; and \$3.0 million in indirect federal funds. The allocation procedures in this report all stem from this \$87.5 million control total.<sup>9</sup>

In addition to a revenue control total for the entire region (\$87.5 million), control totals for each tax and type of government entity are required to proceed with an allocation procedure. GOPB disaggregated local revenue to the following types of local government:

- Counties
- Municipalities
- Special Districts
- School Districts

The derivation of these control totals is described below.

Sales Tax. Except for the county option sales tax, the local option general sales tax is basically a municipal tax. While counties do receive a portion of the 1.0 percent local option general sales tax revenue, this county revenue is based on population and sales in the unincorporated portion of the county. Either counties or municipalities levy the various local selective sales taxes, such as the transient room tax. Municipalities alone levy the resort community tax. Accordingly, each of the various selective sales taxes was allocated to counties or municipalities based on which government entity is statutorily authorized to levy the tax. Special Districts and School Districts do not levy sales tax.

Property Tax. The property tax was disaggregated to type of government based on the Utah Foundation's 1997 *Statistical Review of Government in Utah*. The disaggregation is as follows:

1. Counties: 25%
2. Municipalities: 14%
3. Special Districts: 11%
4. School Districts: 50%

Other Taxes. Other taxes were disaggregated to type of government based on the University of Utah's Survey of Local Government Finances. The disaggregation is as follows:

1. Counties: 38%
2. Municipalities: 56%
3. Special Districts: 6%
4. School Districts: 0%

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<sup>8</sup>The \$87 million used here is slightly different than the \$86 million published in the companion report. Minor refinements have been made for this more recent report.

<sup>9</sup>Once again, additional detail on the derivation of the economic impact and local revenue control total can be found in the report, *2002 Olympic Winter Games: Economic, Demographic and Fiscal Impacts*, April 1998, Governor's Office of Planning and Budget.

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Charges. Charges were disaggregated to type of government based on the University of Utah's Survey of Local Government Finances and the U.S. Census Bureau's local government finances. The disaggregation is as follows:

1. Counties: 29%
2. Municipalities: 16%
3. Special Districts: 32%
4. School Districts: 24%

Indirect Federal Funds. Indirect federal funds were disaggregated to type of government based on the University of Utah's Survey of Local Government Finances and the U.S. Census Bureau's local government finances. The disaggregation is as follows:

1. Counties: 57%
2. Municipalities: 15%
3. Special Districts: 15%
4. School Districts: 13%

#### **Allocation Procedure**

Estimating the allocation of revenues requires two pieces of information, one that is known and one that is unknown. First, state law governs the way taxes are distributed among entities of local government. Present law is assumed unchanged through 2002. Second, the location of spending must be known. This is presently unknown and is further complicated by the unique nature of the Olympics. They are large, temporary, and attract significant public and private investment.

The GOPB, with the assistance of the Venue Cities Working Group, decided to estimate where Olympic-spending will occur based on various proxies. A proxy is a surrogate measure that provides a reasonable indicator of where spending is likely to occur given what is known today about the services and infrastructure that attract Olympic-related spending.

A good example of the way existing statute and a proxy are utilized to distribute revenue is the allocation of local option sales taxes. First, 1/64th of the local option sales tax from 1996 through January 1, 2000 is diverted to Olympic facilities based on current statute. Consequently, this amount has been removed from the allocation procedure from the start. Second, 50% of the remaining local option sales taxes are distributed based on an entity's share of the total state population. This amount is distributed by formula and unaffected by the proxy. A proxy is used for the remaining 50% which is allocated based on the point-of-sale. Since the point-of-sale is unknown, the Venue Cities Working Group and GOPB considered a variety of proxies that capture where spending is likely to occur. In the end, the group decided to utilize an area's percent of the total hotel room base as the proxy since the room base captures where visitors are most likely to spend and where economic activity is concentrated. This same type of process and reasoning has been applied tax by tax. Table 2 provides the allocation procedure used for every tax included in this report.



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## Revenue Sources

Olympic-related revenues have been estimated broadly and comprehensively in this report. The specific taxes associated with local government revenues, include:

### County

Local Option Sales Tax  
County Option Sales Tax  
Transient Room Tax  
Restaurant Tax  
Car Rental Tax  
Room Rental Tax  
Zoo, Arts, and Parks Tax  
Property Tax  
Charges  
Other Taxes  
Direct and Indirect Federal Funds

### City

Local Option Sales Tax  
Resort Communities Sales Tax  
Municipal Transient Room Tax  
Property Tax  
Local Charges  
Other Taxes

These taxes have been identified as revenue sources from the 2002 Olympic Winter Games, and are based on direct and indirect economic activity pertaining to the Games. Many of these taxes are very recent additions to Utah's tax structure and were implemented specifically to make tourism pay more of the costs of hosting visitors.

Other sources of known revenue include:

### Charges

Parks and Recreation  
Solid Waste Management  
Parking  
Airports  
Schools

### Other Taxes

Water  
Electricity

Table 3 provides a description of each of these taxes, the rate, the control total, and the allocation or use, along with the same information for state government taxes.

### **Sports Authority Special Revenue Fund**

In addition to the revenues explicitly estimated in this report, cities and counties will be repaid for the \$59 million of local sales tax revenue diverted (into the Sports Authority Special Revenue Fund) to build Olympic facilities. This revenue is scheduled to be repaid to local governments (except Salt Lake City) by January 15, 2002. Repayment to Salt Lake City is scheduled to be made May 5, 2003.

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Direct Taxes</b>				
<b>State Sales Tax</b> U.C.A. 59-12-101	<p>All final retail sales and sales of meals, admissions to places of amusement, intrastate commerce and passenger service, commercial electricity, gas and heat utility service, hotel and motel accommodations, and certain other services are subject to the Utah state sales and use tax. The tourism-related portions of this tax are often defined as retail trade, eating and drinking, hotels and lodging, and amusement and recreation.</p> <p>HB 371, 1998 General Session, clarified that Olympic-related tickets, merchandise, hotel rentals, and car rentals are subject to sales tax. There are exemptions for purchases made by Olympic officials and volunteers.</p>	4.75%	\$6,992,500  (\$1.7 million is the direct revenue to the state from visitor purchases of tickets)	Earmarked to the State's general fund, except 1/64 of 1% is distributed to the Utah Sports Authority and 1/8 of 1% is distributed to restricted local water and road funding. On January 1, 2000 the 1/64 of 1% Olympic diversion goes to the Centennial Highway Fund.
<b>Local Sales Tax</b> U.C.A. 59-12-201	Applied to the same base as state sales tax.	1.0%	\$1,449,103  (\$572 thousand is the direct revenue to local government from visitor purchases of tickets)	Distributed to all municipalities and counties in Utah based on a 50-50 population/point of sale split. 1/64 of 1% is distributed to the Utah Sports Authority.  Since the Salt Lake Organizing Committee is located in Salt Lake City, the point of sale portion of taxes collected on tickets to Olympic events has been allocated to Salt Lake City.

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>County Option Sales Tax</b>  U.C.A. 59-12-1101	<p>Effective January 1, 1998, counties may enact a 0.25% sales tax. The tax is applied to the same base as the state sales tax.</p> <p>As of July 1, 1998 every county but Emery, Kane, Millard, and Tooele enacted the tax.</p>	0.25%	\$368,026	<p>The law varies the allocation of the revenue depending on the percent of the state population subject to the tax. When the aggregate population of the counties imposing the tax is greater than or equal to 75% of the state's population, 50% of the tax is distributed to the county in which the tax was collected and 50% (with potential for minor adjustments) is distributed proportionately among all counties imposing the tax based on the total population of each county.</p> <p>Revenue is allocated to a county's general fund and can be used for any general purpose.</p>
<b>Resort Communities Sales Tax</b>  U.C.A. 59-12-401	<p>This is a municipal tax that can be imposed in localities whose transient room capacity is greater than or equal to 66 percent of their permanent census population. Qualifying localities have the option of imposing a tax of up to 1 percent on the purchase price of all transactions subject to state sales tax (there is an exemption for single item sales greater than \$2,500). Communities may also impose an additional ½ of 1% resort communities tax if they receive voter approval.</p> <p>Alta, Park City, Springdale, Tropic, Kanab, Boulder and Panguitch impose the tax at a 1% rate. Monticello imposes the tax at a ½%. Moab, Brian Head, and Green River impose the tax at the 1 ½% rate.</p>	Up to 1%, with a provision to add an additional ½ of 1% with voter approval	\$329,682	<p>Revenue from the tax is allocated directly to a municipality's general fund and can be used for any general purpose.</p> <p>Park City is the only venue city eligible to charge this tax.</p>

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Public Transit Tax</b> U.C.A. 59-12-501	The transit tax is charged in all or portions of Box Elder, Cache, Salt Lake, Weber, Davis, Utah, Tooele, and Summit Counties. The tax is a sales tax and applies to all taxable sales in areas services by transit.	0.25%	\$368,026	In Summit County the transit revenues accrue to the Park City Transit System. In all other counties, the Utah Transit Authority receives these revenues.
<b>Transient Room Tax</b> U.C.A. 59-12-301 U.C.A. 59-12-351 U.C.A. 17-31-2	<p>County legislative bodies may impose a <b>transient room tax</b> not to exceed 3% of the room rent. All counties in Utah levy the maximum 3% rate.</p> <p>Municipalities can also impose by ordinance a 1% <b>municipal transient room tax</b> and an additional ½ of 1% transient room tax to repay bonded or other indebtedness.</p> <p>Price and Green River impose the 1% municipal transient room tax and South Salt Lake imposes the 1 ½% rate.</p> <p>HB 371, 1998 General Session, clarified that rooms rented by the Salt Lake Organizing Committee are subject to sales taxes and transient room taxes. There are exemptions for Olympic officials and volunteers.</p>	3 - 4 ½ %	County: \$2,568,156 Municipal: \$359,558	<p>State law specifies that the <b>transient room tax</b> is for the purposes of (1) establishing, financing and promoting recreation, tourism and conventions; (2) acquiring, leasing, constructing, furnishing or operating convention meeting rooms, exhibit halls, visitor information centers, museums and related facilities; (3) acquiring or leasing land required for activities listed under 2; and (4) mitigating the impacts of recreation, tourism, or conventions in counties with a population greater than 18,000 population. This includes solid waste disposal operations, emergency medical services, search and rescue activities, and law enforcement activities.</p> <p>Counties may use up to 1/3 of the proceeds for infrastructure bond payments.</p> <p>The <b>municipal transient room tax</b> is allocated to the general fund and can be used for general government purposes.</p>

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<p><b>Tourism, Recreation, Cultural and Convention Facilities Tax</b></p> <p>U.C.A. 59-12-601 U.C.A. 17-16-13</p>	<p>This tax is a county tax and consists of three elements:</p> <ul style="list-style-type: none"> <li>• Restaurant Tax</li> <li>• Car Rental</li> <li>• Room rentals</li> </ul> <p>The <b>Restaurant Tax</b> is a 1% tax on prepared food and beverages. It has been adopted by every county but Beaver, Emery, Millard, Piute, and San Juan.</p> <p>The <b>Car Rental Tax</b> includes a 3% tax on short-term leases and rentals of motor vehicles (SB 175, 1990). Beginning January 1, 1999, counties may impose an additional up to 4% short-term lease car rental tax (HB 360, 1998). In addition to these county Car Rental Taxes, the state has imposed a 2 ½% Motor Vehicle Rental Tax (described below) and the Salt Lake Airport Authority collects a 10% airport fee.</p> <p>The <b>Room Rental</b> tax is a ½ of 1% tax on the rental of rooms that only a first class county may impose.</p>	<p><b>Restaurant Tax = 1%</b></p> <p><b>Car Rental Tax = up to 7% ( up to 9 ½ % with state portion)</b></p> <p><b>Room Rental = ½%</b></p>	<p>\$204,680</p> <p>\$1,211,420</p> <p>\$428,026</p>	<p>Revenues from all three elements can be used to fund, in whole or in part, tourism promotion and the development, operation, and maintenance of tourist, recreation, cultural, and convention facilities.</p>

**2002 Olympic Winter Games  
State and Local Government Revenue Sources**

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Motor Vehicle Rental Tax</b>  U.C.A. 59-12-1201 U.C.A. 27-12-103.6	This is a state car rental tax that is applied to all short-term leases and rentals of motor vehicles not exceeding 30 days. The tax is in addition to the county car rental taxes described above.	2 ½ % (up to 9 ½ % with county portion)	\$432,650	All revenue accrues to the Transportation Corridor Revolving Loan Fund. The Transportation Commission can allocate revenues from this fund to preserve transportation corridors, promote long-term statewide transportation planning, save on acquisition costs, and minimizes impact of transportation development on prime agricultural land.

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<p><b>Botanical, Cultural, and Zoological Organizations Tax</b> <b>(ZAP – Zoo, Arts and Parks Tax)</b></p> <p>U.C.A. 59-12-701</p>	<p>Any county legislative body may, by majority vote of all members, submit an opinion question to the residents of that county to see if residents support a 1/10 of 1% local sales and use tax to fund recreational facilities and botanical, cultural, and zoological organizations in that county. If the county legislative body determines that the majority of the voters support the tax, they may, by majority vote, impose the tax.</p> <p>The tax is applied to the state and local sales tax base and collected in the same manner.</p> <p>Currently, Salt Lake and Uintah Counties have implemented this tax.</p> <p>The tax is commonly referred to as the ZAP (Zoo, Arts and Parks) Tax.</p>	<p>1/10 of 1%</p>	<p>\$147,211</p>	<p>All revenue is used for financing recreational facilities and ongoing operating expenses of botanical, cultural, and zoological organizations within the county.</p> <p>State law specifies that Salt Lake County, utilizing the commission and an advisory board, distribute revenue as follows:</p> <ul style="list-style-type: none"> <li>• 30% recreational facilities</li> <li>• 12.5% zoological organizations</li> <li>• 52.5% botanical and cultural organizations with operating revenues &gt; \$250,000</li> <li>• 5% botanical and cultural organizations with operating revenues &lt; \$250,000</li> </ul>

**2002 Olympic Winter Games  
State and Local Government Revenue Sources**

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Indirect and Induced Taxes</b>				
<b>State Sales Tax</b>	In addition to the sales taxes paid directly by Olympic visitors and other direct activities associated with the Games, sales taxes are paid on many of the purchases by suppliers and on consumer purchases by those who are directly or indirectly employed because of the Games. These impacts are called indirect and induced impacts. The concept is that as the economy grows because of direct, Olympics-related expenditures financed with out-of-state monies, the multiplier effect creates additional taxable expenditures.	Calculated based on historic relationship between growth in the economy and sales tax collections.	\$51,700,975	Earmarked to the State's general fund, except 1/64 is distributed to the Utah Sports Authority and 1/8 to local water and roads.
<b>Income Tax</b> (Corporate and Individual)	The additional money that enters the Utah economy results in higher income tax collections. These taxes are paid by net new residents who are employed in Utah because of the Games and existing residents who earn more because of additional economic opportunities.	Calculated based on historic relationship between growth in the economy and income tax collections.	\$56,736,474	Earmarked to the state's Uniform School Fund; Distributed to local school districts under the minimum school program and to higher education.

**2002 Olympic Winter Games  
State and Local Government Revenue Sources**

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Departmental Collections</b>	This includes additional user fees that state government collects because of an expanded population and economy.	Calculated based on historic relationship between growth in the economy and departmental collections.	\$7,600,629	Generally allocated to a restricted revenue fund that finances the service provided.
<b>Indirect Federal Funds to the State</b>	This includes the additional federal funds that are estimated to be allocated to Utah as the population and economy grow. It does not include any federal funds that are considered to be directly attributable to the Olympics.	Calculated based on historic relationship between growth in the economy and in federal funds.	\$20,293,306	Allocated to a variety of state programs.

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Other State Revenue</b>	This includes all remaining state taxes that are estimated to increase as the size of the economy and population increases. Examples include motor fuel, cigarette and tobacco, beer, and insurance taxes.	Calculated based on historic relationship between growth in the economy and other state revenues.	\$7,100,000	All but the motor fuel taxes, which are earmarked to the transportation fund, accrue to the state's general fund.
<b>Property Taxes</b>	This includes the additional property taxes that are paid as the economic base increases.	Calculated based on historic relationship between growth in the economy and property taxes.	Total: \$37,330,929 County: \$9,486,581 Municipal: \$5,191,356 School District: \$18,625,259 Special District: \$ 4,027,732	Allocated to school districts, municipalities, counties, and special service districts.

## 2002 Olympic Winter Games State and Local Government Revenue Sources

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Local Sales Taxes</b>	In addition to the sales taxes paid directly by Olympic visitors and other direct activities associated with the Games, sales taxes are paid on many of the purchases by suppliers and on consumer purchases by those who are directly or indirectly employed because of the Games. These impacts are called indirect and induced impacts. The concept is that as the economy grows because of direct, Olympics-related expenditures financed with out-of-state monies, the multiplier effect creates additional taxable expenditures.	Calculated based on historic relationship between growth in the economy and sales tax collections.	\$13,766,042	Distributed to all municipalities in Utah based on a 50-50 population-point of sale split.
<b>Local Charges</b>	Currently, approximately 25% of local revenues from own sources come from charges. These include revenues from parks and recreation, solid waste management, parking, airports, schools, hospitals, and other sources. These revenues increase as the population and economy grow.	Calculated based on historic relationship between growth in the economy and local charges.	Total: \$20,623,713 County: \$5,924,810 Municipal: \$3,282,151 School District: \$4,905,103 Special District: \$6,511,649	These are defined as a fee-for-service and are offset by the corresponding expenditure.
<b>Other Taxes</b>	This includes all remaining sources of local revenue except for federal funds. Of significance here are utility revenues from water, electricity, gas, and transit.	Calculated based on historic relationship between growth in the economy and other taxes.	Total: \$5,270,092 County: \$2,019,530 Municipal: \$2,938,805 Special District: \$311,757	Allocation varies by tax.

**2002 Olympic Winter Games  
State and Local Government Revenue Sources**

Source	Description	Rate	Estimated Olympic-Related Revenue Generated FY96-2002	Allocation or Use
<b>Indirect Federal Funds to Local Government</b>	This includes the additional federal funds that are estimated to be allocated to local government in Utah as the population and economy grow. It does not include any federal funds that are considered to be directly attributable to the Olympics.	Calculated based on historic relationship between growth in the economy and federal funds.	Total: \$3,035,198 County: \$1,719,654 Municipal: \$460,830 School District: \$385,911 Special District: \$468,804	Allocated to a variety of local programs.

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## Findings

An estimated \$87.5 million of local revenue will be generated from 1996 through 2002 because of the Olympics. This revenue will be distributed broadly to local governments in Utah. The vast majority of this revenue will be received by local governments within the seven counties contained within and adjacent to the Salt Lake-Ogden/Provo-Orem metropolitan areas.<sup>10</sup> However, local governments all around the state will receive additional revenue as economic activity statewide is increased and as revenues are shared according to various distribution formulas.

### Tax-By-Tax Allocation

Property taxes, estimated at \$37.3 million, comprise the largest share (43%) of Olympic-related local government revenue. While no property taxes will be paid on Olympic facilities such as the Winter Sports Park – this is currently and will continue to be exempt from property taxes – property taxes will increase as the economic base in Utah enlarges because of new outside spending in the state that is associated with the Games. An estimated \$1.8 billion of direct, in-state, outwardly financed Olympic spending is estimated to occur from 1996 through 2002.<sup>11</sup> It is the jobs and income induced from this spending that creates a property tax gain for local governments in Utah.

Sales taxes and local charges comprise the second and third largest share, respectively, of Olympic-related revenue. An estimated \$21.2 million in local-option and selective sales taxes are estimated to be collected as a result of the Olympics. In addition to the local-option sales tax, revenues are received from other taxes that are included in the sales tax statute. These include the county-option; transient room; restaurant tax; car rental tax; room rental (this is different than the transient room); zoo, arts, and parks tax; resort communities; and municipal transient room. The Utah Transit Authority also receives a small amount of sales tax, in the form of transit tax that is related to the Games. Most of these taxes have been added or adjusted during the 1990s to help local governments pay for the impacts that visitors place on public services.

Local charges are estimated to account for 24% or \$20.6 million of the total Olympic-related local revenue from 1996-2002. Local charges include revenues from parks and recreation, solid waste management, parking, airports, schools, hospitals and other sources. These revenues currently comprise approximately 25% of local revenues from own sources and therefore are a major source of local funding and are important to include in this analysis.<sup>12</sup> Local charges are estimated to increase because an enlarged population and economy result in additional local charges. These charges, however, are paid on a fee-for-service basis and are largely offset by expenditures.

Other taxes and indirect federal funds comprise the remainder of local government revenue. An estimated \$5.3 million in other taxes, which includes all remaining sources of local revenue such as utility franchise fees, and \$3.0 million in indirect federal funds, which includes federal funds that increase as the population and economy grow, are expected to accrue to local governments because of the Olympics.

### Local Government Allocation

Of the estimated \$87.5 million of local revenue that will be generated from 1996 through 2002, 30% will accrue to counties; 30% to municipalities; 27% to school districts; and 13% to special districts. Table 4 provides a tax-by-tax summary of the share of each tax that various types of local government will receive and Figure 2 illustrates the distribution.

The major source of Olympic-related revenue to counties is property taxes, followed by sales tax and local charges. The major source of Olympic-related revenue to cities is sales taxes, followed by property tax and local charges.

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<sup>10</sup>These counties include Davis, Morgan, Salt Lake, Summit, Utah, Wasatch, and Weber County.

<sup>11</sup>See the companion report, *2002 Olympic Winter Games: Economic, Demographic and Fiscal Impacts*, Governor's Office of Planning and Budget, April 1998.

<sup>12</sup>*Statistical Review of Government in Utah 1997*, Utah Foundation, page 66.



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**Table 4: Olympic-Related Local Government Revenue  
(1998 Dollars)**

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**Figure 2: Olympic-Related Revenue Allocation  
Among Local Governments  
(\$87.5 Million-1998 Dollars)**

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### Venue City and County Allocation

Of the \$87.5 million in local government revenue that is estimated to be collected because of the Olympics, an estimated 12.4% is received by the venue cities<sup>13</sup> and 27.3% by venue counties.<sup>14</sup> Nearly 60% of all of the estimated local revenue from the games accrues to non-venue cities and counties. This distribution occurs because the economic activity created by the Olympics is distributed broadly among all local governments in Utah.

Among venue cities, Salt Lake City is estimated to receive the most at \$5.6 million; followed by West Valley City at \$1.7 million; Ogden at \$1.4 million; and Provo at \$1.2 million. Park City is estimated to receive \$767,000 and Heber/Midway \$140,000. These revenue amounts include all sources of revenue that are Olympic-related from 1996 through 2002. Since nearly three years of the estimation period have already passed, an estimated 17%<sup>15</sup> of this money has already been spent. Table 5 and Figure 3 provide estimates of venue city Olympics revenues.

Among counties, Salt Lake County receives the most at \$16.8 million. This relatively large amount accrues to Salt Lake County for two major reasons:

1. It is the center for economic activity associated with the Games – Salt Lake County is the hub of economic activity in the state, comprising approximately 40% of the state's population, 59% of the study areas hotel rooms, and 61% of the gross taxable sales in the study area.<sup>16</sup> The vast majority of purchasing and employment associated with the Games will be in Salt Lake County.
2. It is the only county in the study areas that utilizes the zoo, arts, and parks tax and the room rental tax – while these are rather minor taxes, they are placed on visitors and do supplement Salt Lake County's Olympic revenue.

Salt Lake County is followed by Utah County with \$3.3 million, Weber County with \$2.4 million, Summit County with \$1.1 million, and Wasatch County with \$209,000. Table 6 and Figure 4 provide estimates of venue county Olympic revenues.

### Distribution Issues

The estimates contained in this report show that there is a significant amount of local government revenue generated as a result of the Olympic Games. Cities, Counties, School Districts, and Special Districts throughout the state will benefit because of the Games. Venue cities and counties, however, are estimated to receive only 40% of the revenue. Further, at the venue city level, Salt Lake City receives only 6% and Park City receives less than 1% of the total local government revenue generated. Both of these cities will be hubs for Olympic activity during the Games. Table 7 provides further breakdown of venue city and county revenues in comparison with other local government entities.

The Venue Cities Working Group will be coordinating the estimation of direct expenditures required by venue cities to host the Games. An initial draft of these estimates should be complete in the Spring of 1999. Once these are complete, GOPB and the venue cities and counties will work closely to organize additional information on the distribution issues associated with Olympic revenues.

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<sup>13</sup>Includes Salt Lake City, West Valley City, Ogden, Provo, Park City, and Heber/Midway.

<sup>14</sup>Includes Salt Lake, Utah, Weber, Summit, and Wasatch County.

<sup>15</sup>The timing of the revenues is estimated as follows: .3% 1996, 7.4% 1997, 9.5% 1998, 11.4% 1999, 14.8% 2000, 25.9% 2001, 30.6% 2002.

<sup>16</sup>The study area includes the following seven counties – Davis, Morgan, Salt Lake, Summit, Utah, Wasatch and Weber.

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**Table 5: Olympic-Related Venue Cities Revenue  
(1998 Dollars)**

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**Table 6: Olympic-Related Venue Counties Revenue  
(1998 Dollars)**





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**Table 7: Olympic-Related Venue City and County Revenue  
(1998 Dollars)**

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## Appendix