The U.S. Census Bureau recently released data on education spending and revenue in each state for fiscal year 2005. Utah ranked last in the nation in per-pupil spending, which has been true since 1988. This low ranking in per-pupil spending is partly the result of the high proportions of personal income dedicated to public education.

In this report, as in 2006, funding effort is defined as public education revenues per $1,000 of personal income. Measuring Utah’s funding effort shows how willing Utahns are to collectively commit tax dollars to education. It also shows whether education funds are growing in line with the overall growth of Utah’s economy. The new data from the Census Bureau show that in 2005, Utah’s education funding effort was about $50 per $1,000 of personal income, meaning that taxes paid for public education equaled about five percent of all income earned in the state. Utah’s national ranking for this effort is 22nd or about average.

The mission of Utah Foundation is to promote a thriving economy, a well-prepared workforce, and a high quality of life for Utahns by performing thorough, well-supported research that helps policymakers, business and community leaders, and citizens better understand complex issues and providing practical, well-reasoned recommendations for policy change.
The historical funding efforts shown in Figure 1 differ from the 2006 report, because this report uses updated personal income data from the Bureau of Economic Analysis, which periodically revises its historical data. The figures from the 2006 report were recalculated with the updated economic information, yielding slightly different rankings and ratios but showing the same general trend.

WHAT HAPPENED TO UTAH’S EDUCATION PARADOX?
Over the past ten years, Utah Foundation has published a number of reports on public education funding. Several of these reports explained “Utah’s education paradox” which was that Utah spent a higher proportion of personal income on K-12 public education than most other states while also spending less per pupil than any other state in the nation. This gap was largely explained by Utah’s unique demographic makeup; with very high birth rates and a very young population, there were many school aged children. During the education paradox years (up to the mid-1990s), Utah’s funding effort ranked in the top ten nationally, but state demographics caused low per-pupil spending.

However, by the late 1990s and early 2000s the paradox lessened as the funding effort slowed. The 2006 report showed that Utah’s education paradox no longer existed. Utah was still last in the nation for per-pupil spending, but funding effort was no longer remarkable, having fallen to around the national average.

The changes in Utah’s education funding effort after 1995 have been extraordinary given Utah’s history of education funding. The state’s long history of sustained high funding effort is shown in Figure 3; Utah was significantly above the national average in this measure of funding effort as far back as data are available.4

CHANGES IN SPENDING PRIORITIES
The decline in funding effort in the late 1990s coincided with a moderate decline in Utah’s overall tax burden. So, in part, Utahns spent less of their incomes on education because they were spending less of their incomes on state and local government overall. But other forces also pushed the education funding effort lower; a 2003 Utah
Foundation report showed that in the late 1990s and early 2000s, the state began to shift spending growth from education and all other spending categories to health and human services, transportation, and law and order. As these categories grew the fastest in the state budget, education funding grew at a slower pace.

This shift of funding effort from public education to other programs was facilitated by the loosening of Utah’s earmarking of income taxes for education. Prior to 1996, income taxes (both individual and corporate) were entirely dedicated to funding K-12 public education. In 1996, voters approved a constitutional amendment to allow higher education to also be funded from income tax revenues. Since that change, the Legislature has appropriated an increasing share of income tax to higher education while simultaneously reducing higher education’s funding from the state general fund, as shown in Figure 4. This made general fund monies available to spend on other priorities. The net effect of the 1996 constitutional amendment was to allow income tax growth to provide funds for expansion of health, corrections, and transportation programs.

**INCOME TAX EARMARKING WILL MATTER AGAIN**

It is remarkable how fast Utah’s income tax has grown in recent years, and Figure 4 hints at some future ramifications of that growth. Note that higher education received a very small amount of funding from the general fund in the current fiscal year, 2008. It is likely that the 2009 budget will see the removal of general fund monies from the higher education budget, and if that continues, the earmarking of income taxes regains some significance in influencing policy choices. As the supplanting of general funds from the higher education budget will no longer be possible, future income tax growth will not provide benefits to general fund programs, and the Legislature will have three primary choices available when income tax revenues grow rapidly: 1) increase K-12 and/or higher education funding, 2) reduce income tax rates and/or the tax base, or 3) increase “rainy day” reserve funds for education purposes. If legislatures choose the first option, Utah’s education funding effort will likely rise again.

**PER-PUPIL FUNDING COMPARED TO OTHER STATES**

Figure 6 shows state rankings of per-pupil spending from the most recent Census report. Spending $5,257 per pupil on current operations placed Utah 51st in the nation (including the District of Columbia as if it were a state). Utah has held this position in the

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**Corrections and Notes:**

5. This analysis is not exhaustive and does not capture all possible changes in funding priorities.

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**Figure 5:** Growth of Major Revenue Sources for Utah Public Education

<table>
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<tr>
<th>Year</th>
<th>Income Tax</th>
<th>$ Change</th>
<th>% Change</th>
<th>Property Tax - Basic Levy</th>
<th>$ Change</th>
<th>% Change</th>
<th>Other Tax</th>
<th>$ Change</th>
<th>% Change</th>
<th>Other Revenue</th>
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<tr>
<td>1992</td>
<td>$897,794,600</td>
<td>14%</td>
<td>13%</td>
<td>$23,467,377</td>
<td>12%</td>
<td>11%</td>
<td>$214,577,598</td>
<td>14%</td>
<td>13%</td>
<td>$208,073,425</td>
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| Sources: | Income tax: Governor’s Budget Summaries. Property taxes: Utah State Office of Education. Other Revenues: U.S. Census Bureau. |

To rise from last place in the rankings would be fiscally daunting. To be just one rank higher in 2005, Utah would have had to spend about $500 million more to be ahead of Arizona, which spent $1,004 per pupil more than Utah. That would have been an increase of 19% in education spending. To rise to the middle of the states, ranking 25th nationally, would have taken more than $1.4 billion in additional funding in 2005, or a 55% increase.

ENDNOTES
3 Utah Foundation, Research Report #674, “Paradox Lost: Utah’s Education Funding Effort No Longer Surpasses the Nation,” April 2006.
4 Current spending is used in Figure 3 rather than the revenue series used in Figure 1, because the revenue figures are not available for these older dates. Because it is a different measure, the rankings differ from Figure 1.

MAJOR SUPPORTERS OF UTAH FOUNDATION

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