

UTAH'S EDUCATION FUNDING EFFORT STATE FACES LONG-TERM CHALLENGES

HIGHLIGHTS

- This publication is Utah Foundation's 700th Research Report, marking 66 years of informative research on the state's most pressing public policy issues.
- Utah's funding effort, as measured by the proportion of Utah incomes dedicated to funding K-12 public education, has fallen significantly since 1995.
- Utah's downward trend in funding effort over this period has been unprecedented, especially given the state's history of high proportions of personal income dedicated to public education.
- In 2008, Utah's funding effort rebounded some as a sizable budget surplus was invested in K-12 education. The subsequent recession has reduced funding effort, but Utah's ranking has held steady as other states also reduced funding.
- Utah's per-pupil spending for K-12 public education is last in the nation, and has been since 1988. To rise by only one rank would have cost \$391 million in 2009. To rise to the national average would have cost \$2.2 billion.
- Utah's funding effort has fallen most at the state level, with a moderate decline in local tax effort. Federal funding has been fairly stable, except for a recent bump from the federal stimulus legislation.

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.

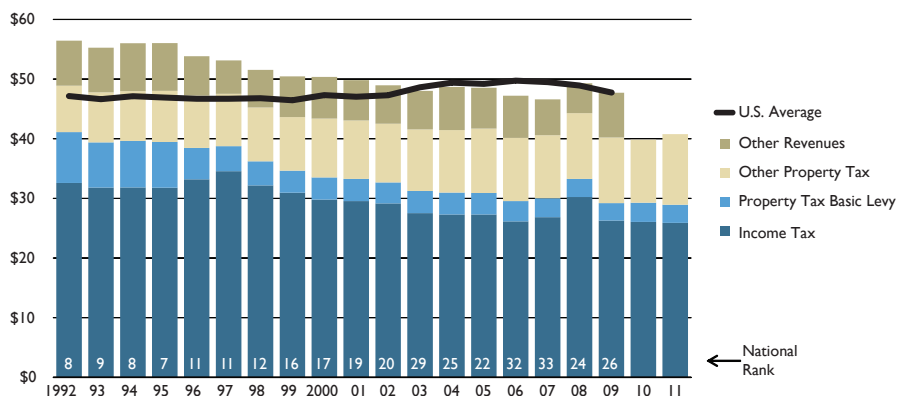
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Each gubernatorial election year, Utah Foundation identifies the public policy issues Utahns find most important through our Utah Priorities Project. In that research, Utahns consistently rank education as one of the most important issues. In the 2010 election cycle, when voters were asked their level of concern on various education topics, funding ranked highest among all education issue areas.¹ Because of this, information about current education funding and historical trends is vital knowledge for voters and policy makers.

Utah Foundation identifies several of these important trends in this report, including the decline of Utah's education paradox, the recent infusion of funds into education, and how the sources of revenue have changed over the past two decades.

Figure 1: Utah's Public Education Funding Effort

Education Revenues Per \$1,000 Personal Income



Sources: U.S. Census Bureau (Census), Bureau of Economic Analysis (BEA), Utah State Office of Education (USOE), Governor's Office of Planning and Budget (GOPB), Office of the Legislative Fiscal Analyst (LFA). Calculations by Utah Foundation. Data for national rankings or calculations of other revenues are not available after 2009. Figures for 2011 are based on appropriations and estimates for the current fiscal year.

Figure 2: Public Education Revenues and Current Spending per \$1,000 Personal Income

Public Education Revenues per \$1,000 Personal Income*

Year	Utah	National Rank	U.S.	Utah Percent of U.S. Average
1992	\$56.44	8	\$47.14	119.7%
1993	55.25	9	46.63	118.5%
1994	56.01	8	47.12	118.9%
1995	56.03	7	46.91	119.4%
1996	53.82	11	46.69	115.3%
1997	53.13	11	46.70	113.8%
1998	51.54	12	46.78	110.2%
1999	50.45	16	46.44	108.6%
2000	50.35	17	47.30	106.4%
2001	49.81	19	47.04	105.9%
2002	48.95	20	47.28	103.5%
2003	48.01	29	48.63	98.7%
2004	48.68	25	49.38	98.6%
2005	48.55	22	49.20	98.7%
2006	47.21	32	49.74	94.9%
2007	46.59	33	49.47	94.2%
2008	49.29	24	48.92	100.8%
2009	47.69	26	47.73	99.9%

Public Education Current Spending Per \$1,000 Personal Income*

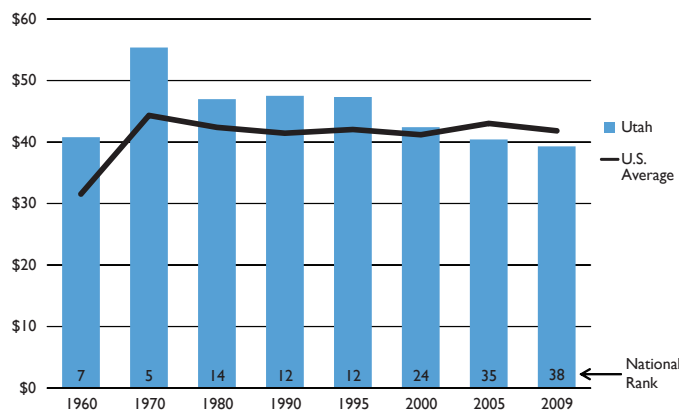
Year	Utah	National Rank	U.S.	Utah Percent of U.S. Average
1992	\$49.25	11	\$42.56	115.7%
1993	47.97	13	42.09	114.0%
1994	48.40	12	42.62	113.6%
1995	47.32	12	42.03	112.6%
1996	46.51	13	41.67	111.6%
1997	44.77	17	41.32	108.3%
1998	43.90	19	41.04	107.0%
1999	43.10	19	40.52	106.4%
2000	42.42	24	41.19	103.0%
2001	41.66	26	40.99	101.6%
2002	41.35	28	41.73	99.1%
2003	40.40	37	43.06	93.8%
2004	40.93	33	43.25	94.6%
2005	40.42	35	43.02	94.0%
2006	38.95	41	43.09	90.4%
2007	37.70	42	42.48	88.7%
2008	38.85	41	42.58	91.2%
2009	39.29	38	41.82	93.9%

* Current spending excludes amounts spent on capital construction, interest on debt, adult education, and other non-K-12 programs. The revenue figures include all revenues for public education, including those spent on non-current expenditures.

Sources: Census, BEA. Calculations by Utah Foundation.

The U.S. Census Bureau recently released data on education spending and revenue in each state for fiscal year 2009.² Utah ranked last in the nation in per-pupil spending, a position it has held since 1988.³ This low ranking in per-pupil spending is in part the result of the high proportion of children to the general population in Utah. However,

Figure 3: Historical Public Education Spending Per \$1,000 Personal Income



Sources: National Center for Education Statistics (NCES), BEA. Calculations by Utah Foundation.

Utah Foundation has also noted that there has been a significant decline in the public education funding effort since 1995,⁴ a trend that, despite additional funds from the economic stimulus package and the recent state budget surplus, still continues.

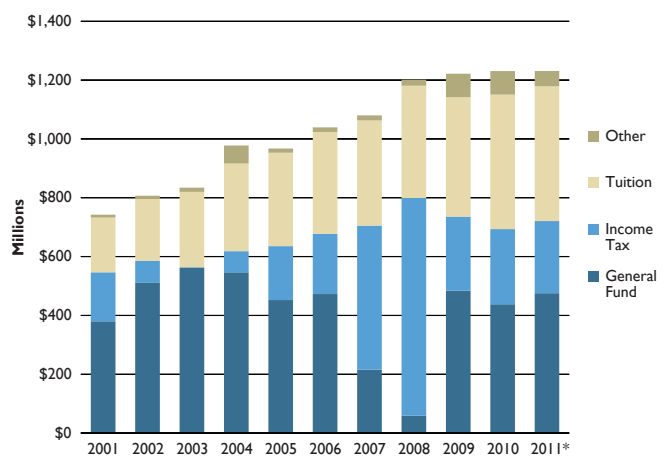
In this report, as in previous reports published by Utah Foundation regarding education funding, funding effort is defined as public education revenues per \$1,000 of personal income. This measure shows how willing Utahns and their elected officials are to collectively commit tax dollars to education. 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 2009, Utah's education funding effort was just under \$48 per \$1,000 of personal income, meaning that taxes paid for public education equaled about 4.8% of all income earned in the state. Utah's national ranking for this effort is 26th, or right about the national average.

THE DECLINE OF UTAH'S EDUCATION PARADOX

Over the past decade, Utah Foundation has published a number of reports on public education funding. Several of these reports explained "Utah's education paradox," referring to the fact that, though per pupil expenditure is consistently the lowest in the country, Utah still spent a high proportion of personal income on K-12 public education. Historically, this gap was explained by Utah's unique demographic makeup; because of high birth rates and a very young population, there were many school-aged children, making it difficult to afford an average funding level per pupil. As Figure 3 illustrates, until the mid-1990s, Utah's funding effort consistently ranked in the top fifteen states nationally, even though state demographics caused low per-pupil spending.⁵

However, by the late 1990s and early 2000s the paradox lessened as the funding effort slowed. The decline in funding effort in the late 1990s coincided with a moderate decline in Utah's overall tax burden. Utahns were spending less of their incomes on education because they were spending less on state and local government overall. In addition, the state began to shift spending from education to other categories, including health and human services, transportation and law and order.⁶ This shift of funding was facilitated by the loosening of Utah's earmarking of income taxes for education. Prior

Figure 4: Utah Higher Education Funding Sources



* Preliminary. Source: Legislative Fiscal Analyst's Office.

Figure 5: Per-Pupil Spending, 2009 and 2008

	2009	National Rank	2008	National Rank	\$ Change 2008-2009	% Change 2008-2009
U.S. Average	\$10,499		\$10,259		\$240	2.3%
New York	18,126	1	17,173	1	953	5.5%
District of Columbia	16,408	2	14,594	4	1,813	12.4%
New Jersey	16,271	3	16,491	2	-220	-1.3%
Alaska	15,552	4	14,630	3	922	6.3%
Vermont	15,175	5	14,300	5	875	6.1%
Wyoming	14,573	6	13,840	7	732	5.3%
Connecticut	14,531	7	13,848	6	683	4.9%
Massachusetts	14,118	8	13,454	9	664	4.9%
Rhode Island	13,707	9	13,539	8	168	1.2%
Maryland	13,449	10	12,966	10	483	3.7%
Pennsylvania	12,512	11	12,035	12	477	4.0%
Hawaii	12,399	12	11,800	13	600	5.1%
Maine	12,304	13	11,572	15	732	6.3%
Delaware	12,257	14	12,253	11	4	0.0%
New Hampshire	11,932	15	11,619	14	314	2.7%
Minnesota	11,098	16	10,140	20	957	9.4%
Wisconsin	11,078	17	10,680	16	398	3.7%
Virginia	10,930	18	10,659	17	271	2.5%
Illinois	10,835	19	10,246	18	588	5.7%
Ohio	10,560	20	10,173	19	387	3.8%
Louisiana	10,533	21	9,954	22	579	5.8%
Michigan	10,483	22	10,069	21	414	4.1%
West Virginia	10,367	23	9,852	24	515	5.2%
North Dakota	10,151	24	9,675	26	476	4.9%
Montana	10,059	25	9,666	28	393	4.1%
Nebraska	10,045	26	9,577	29	468	4.9%
Kansas	9,951	27	9,667	27	284	2.9%
Oregon	9,805	28	9,558	30	247	2.6%
Iowa	9,707	29	9,267	31	440	4.7%
California	9,657	30	9,863	23	-206	-2.1%
Georgia	9,650	31	9,788	25	-138	-1.4%
Washington	9,550	32	9,099	35	451	5.0%
Missouri	9,529	33	9,216	32	313	3.4%
New Mexico	9,439	34	9,068	37	371	4.1%
Indiana	9,369	35	9,036	38	333	3.7%
South Carolina	9,277	36	9,170	33	108	1.2%
Alabama	8,870	37	9,103	34	-233	-2.6%
Florida	8,760	38	9,035	39	-274	-3.0%
Kentucky	8,756	39	8,686	40	70	0.8%
Colorado	8,718	40	9,079	36	-360	-4.0%
Arkansas	8,712	41	8,541	41	171	2.0%
North Carolina	8,587	42	7,996	45	591	7.4%
Texas	8,540	43	8,320	43	220	2.6%
South Dakota	8,507	44	8,367	42	140	1.7%
Nevada	8,422	45	8,285	44	137	1.7%
Mississippi	8,075	46	7,901	46	174	2.2%
Tennessee	7,897	47	7,739	47	158	2.0%
Oklahoma	7,885	48	7,685	48	200	2.6%
Arizona	7,813	49	7,608	49	206	2.7%
Idaho	7,092	50	6,931	50	161	2.3%
Utah	6,356	51	5,765	51	591	10.3%

Source: Census.

to 1996, income taxes (both individual and corporate) were dedicated solely 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, such as health, corrections, and transportation programs.

The net effect of all of these changes has been a decline in education funding effort. Not that actual appropriations have diminished over time, but the funding levels have grown slower than Utah's economy, as measured by personal

income. As a result, the ratio of funding in proportion to personal income fell, and by the late 1990s, Utah's education paradox had diminished. In 2003, Utah's funding effort ranked below the national average for the first time, and it continued to decline until it hit a low in 2007, when Utah ranked 33rd in the nation. Utah's education system received a substantial increase of funds in 2008 because a very large budget surplus resulted in equally large infusions of funding for public education. This improved the ranking of funding effort to near the national average, but that amount is still well below the paradox levels of the mid 1990s.

The traditional education paradox is still widely believed to be true and is often cited in education funding discussions. Many argue because Utah is exerting a heavy effort to fund education, the state is doing as much as it can, and that per-pupil ratios are only low because Utah has so many children to educate. In reality, Utah is not exerting a heavy effort and has not since the 1990s. Previous Utah Foundation research shows that since the mid-1990s, rather than emphasizing funding for public education, state policymakers have placed a higher priority on growth in budgets for other programs or on reducing taxes.⁷

After an initial recessionary decline in 2009, state data show that the funding effort from income tax and property tax have remained stable. Figure 1 shows the result of this data; however, interstate comparisons cannot be made and it is not possible to calculate a national rank for these most recent years. In addition, the historical funding efforts shown in Figure 1 and Figure 3 differ slightly from previous reports because this report uses updated personal income data from the Bureau of Economic Analysis, which periodically revises its historical data. The figures from previous reports were recalculated with the updated economic information, yielding slightly different rankings and ratios, but showing the same general trend.

PER PUPIL FUNDING

According to the U.S. Census Bureau, Utah spent \$6,356 per pupil on current operations in 2009, ranking Utah 51st in the nation (including the District of Columbia). The last time Utah did not rank in the bottom position was in 1987, when Utah ranked 50th, outspending only Mississippi by \$65 per pupil. Utah ranked 46th in 1980, 40th in 1970, and 37th in 1960.⁸

Figure 6: Trends in Federal, State and Local Sources and Education Revenue

	Total Revenue			From Federal Sources			From State Sources			From Local Sources		
	U.S. Average	Utah	Total Rank	U.S. Average	Utah	Federal Sources Rank	U.S. Average	Utah	State Sources Rank	U.S. Average	Utah	Local Sources Rank
1992	\$49.09	\$60.06	7	\$3.15	\$4.07	18	\$23.24	\$33.70	8	\$22.69	\$22.29	30
1993	48.45	58.31	9	3.21	4.16	16	22.50	33.07	9	22.75	21.08	31
1994	48.87	59.68	6	3.18	4.18	18	22.43	32.75	8	23.25	22.75	29
1995	48.71	59.59	5	3.21	4.09	17	23.12	32.23	8	22.38	23.27	26
1996	47.43	57.18	7	3.05	3.79	17	22.82	33.67	7	21.56	19.72	31
1997	47.83	57.05	8	3.07	3.65	18	23.33	35.69	6	21.44	17.70	36
1998	47.76	54.53	10	3.18	3.97	18	23.38	33.14	7	21.20	17.43	36
1999	47.30	51.77	14	3.28	3.72	21	23.42	31.63	10	20.60	16.41	36
2000	48.05	51.32	16	3.43	3.82	22	23.92	30.40	12	20.70	17.10	35
2001	48.40	52.18	14	3.44	4.35	18	24.16	30.23	12	20.80	17.59	31
2002	48.37	52.18	17	3.77	4.35	20	23.90	30.62	8	20.71	17.21	32
2003	49.52	51.38	19	4.14	4.70	20	24.24	28.72	15	21.14	17.95	31
2004	50.53	49.62	27	4.51	4.96	23	23.82	27.42	17	22.20	17.23	35
2005	50.27	50.06	22	4.57	5.14	22	23.62	27.24	16	22.08	17.67	34
2006	50.67	48.13	32	4.58	4.89	24	23.61	26.02	19	22.48	17.22	36
2007	50.72	48.31	33	4.23	4.55	24	24.12	26.16	21	22.37	17.59	35
2008	49.00	49.52	25	3.96	4.50	19	23.65	27.90	15	21.39	17.12	33
2009	47.74	47.64	26	4.52	6.02	12	22.31	25.02	19	20.91	16.60	36

Source: Census, BEA. Calculations by Utah Foundation.

Figure 7: Growth Trends of Major Revenues for Utah Public Education

	Income Tax			Property Tax - Basic Levy			Other Property Tax			Other Revenues		
	\$	% Change	% Change	\$	% Change	% Change	\$	% Change	% Change	\$	% Change	% Change
1992	\$897,794,600			\$234,467,377			\$214,577,598			\$208,073,425		
1993	942,876,800	\$45,082,200	5.0%	223,880,740	-\$10,586,637	-4.5%	249,032,562	\$34,454,964	16.1%	221,568,898	\$13,495,473	6.5%
1994	1,017,882,200	75,005,400	8.0%	249,097,385	25,216,645	11.3%	266,849,625	17,817,063	7.2%	257,134,790	35,565,892	16.1%
1995	1,107,636,100	89,753,900	8.8%	267,376,093	18,278,708	7.3%	298,278,719	31,429,094	11.8%	279,145,088	22,010,298	8.6%
1996	1,254,761,400	147,125,300	13.3%	198,601,148	-68,774,945	-25.7%	332,435,282	34,156,563	11.5%	248,391,170	-30,753,918	-11.0%
1997	1,421,430,700	166,669,300	13.3%	173,139,225	-25,461,923	-12.8%	361,009,615	28,574,333	8.6%	230,610,460	-17,780,710	-7.2%
1998	1,431,998,300	10,567,600	0.7%	179,999,007	6,859,782	4.0%	401,718,376	40,708,761	11.3%	280,554,317	49,943,857	21.7%
1999	1,487,506,600	55,508,300	3.9%	177,151,434	-2,847,573	-1.6%	432,141,663	30,423,287	7.6%	327,471,303	46,916,986	16.7%
2000	1,505,808,000	18,301,400	1.2%	188,076,348	10,924,914	6.2%	498,200,204	66,058,541	15.3%	353,381,448	25,910,145	7.9%
2001	1,625,507,600	119,699,600	7.9%	204,833,990	16,757,642	8.9%	538,723,635	40,523,431	8.1%	371,839,775	18,458,327	5.2%
2002	1,705,509,700	80,002,100	4.9%	206,375,916	1,541,926	0.8%	574,539,285	35,815,650	6.6%	377,604,099	5,764,324	1.6%
2003	1,648,198,000	-57,311,700	-3.4%	222,423,539	16,047,624	7.8%	618,180,706	43,641,421	7.6%	385,970,755	8,366,656	2.2%
2004	1,678,288,000	30,090,000	1.8%	226,447,025	4,023,486	1.8%	643,339,254	25,158,548	4.1%	444,870,721	58,899,966	15.3%
2005	1,786,390,900	108,102,900	6.4%	236,027,265	9,580,240	4.2%	705,865,776	62,526,522	9.7%	449,127,059	4,256,338	1.0%
2006	1,870,055,100	83,664,200	4.7%	242,913,297	6,886,032	2.9%	758,074,313	52,208,537	7.4%	506,169,290	57,042,231	12.7%
2007	2,103,268,000	233,212,900	12.5%	249,985,190	7,071,893	2.9%	827,908,573	69,834,260	9.2%	470,705,237	-35,464,053	-7.0%
2008	2,571,625,300	468,357,300	22.3%	259,115,489	9,130,299	3.7%	938,270,003	110,361,430	13.3%	425,834,208	-44,871,029	-9.5%
2009	2,332,366,200	-239,259,100	-9.3%	261,345,275	2,229,786	0.9%	975,778,408	37,508,405	4.0%	665,320,117	239,485,909	56.2%
2010	2,290,726,000	-41,640,200	-1.8%	283,799,229	22,453,954	8.6%	928,613,751	-47,164,657	-4.8%	n/a	n/a	n/a
2011	2,333,349,100	42,623,100	1.9%	273,650,764	-10,148,465	-3.6%	1,065,932,782	137,319,031	14.8%	n/a	n/a	n/a
2012	2,418,310,200	84,961,100	3.6%	284,221,713	10,570,949	3.9%	n/a	n/a	n/a	n/a	n/a	n/a

Sources:

Income tax: Governor's Budget Summaries and Legislative Fiscal Analyst's Appropriations Reports.
 Property taxes: Utah State Office of Education.
 Other Revenues: Census.

To rise from last place in the rankings would be fiscally challenging. To surpass 50th-ranked Idaho, which spent \$7,092 per pupil, would cost the state nearly \$392 million. This would require an increase of 11% in education spending (assuming Idaho did not also raise its spending at the same time). To rise to the national average of \$10,499 per pupil, would require \$2.2 billion additional funding in 2009, or a 63% increase.

TRENDS IN REVENUE SOURCES

In 2009, 12.6% of Utah's education revenue was from federal sources, or \$6.02 per \$1,000 of personal income. This amount is above the national average of \$4.52, and ranks Utah 12th highest among the states in the funding effort from the federal government. This amount represents a significant increase from the past decade, and can be attributed to additional funds provided by the American Recovery and Renewal Act of 2009. In the 1990s, Utah received 6-7% of its funding from federal sources, but this slowly increased in the 2000s, until a high point of 10% was reached in 2005. Despite this increase, Utah was actually receiving less when compared to other states, and the funding effort from federal sources was nearing the national average. The infusion of funds due to the stimulus reversed this trend, but this may be a temporary phenomenon.

In 2009, 52.5% of Utah's education revenue was from state sources, or \$25.02 per \$1,000 of personal income. This was above the national average of \$22.31, and ranks Utah as 19th highest in the nation. When compared to other states, this funding source has slowly declined over time. In 1992, the state provided \$33.70 per \$1,000 of personal income, ranking Utah among the top 10 states. This ranking remained stable throughout the 1990s, but began to decline, and in 2007 Utah ranked 21st in the nation. This is most likely a part of the larger trend discussed earlier, in which spending priorities have shifted, and Utah's education paradox has slowly dissolved.

Assessing the revenue from local sources also shows a story of decline. In 2009, 34.8% of Utah's education revenue was from local sources, or \$16.60 per \$1,000 of personal income. This is well below the national average of \$20.91, ranking Utah as 36th highest in the nation. Since 1992, Utah has consistently ranked in the low-

mid-30s in this area, but the funding effort has declined. In 1992, \$22.20 per \$1,000 of personal income was from local sources, but this has slowly declined to the current rate. Utah's low funding effort can partly be attributed to this state's low property taxes and a strong effort in the 1990s to reduce property taxes further by doubling the homeowners' exemption and cutting the basic levy rate in half. The basic levy is a major portion of school property taxes, and the rate is set by the Legislature each year as part of the budget process. Additionally, in most years since the mid-1990s, the basic levy rate has been reduced as part of the state budget process.

ENDNOTES

- 1 Utah Foundation, Research Report #691, "The 2010 Utah Priorities Survey: The Top Issues and Concerns for Utah Voters for the 2010 Election," March 2010.
- 2 U.S. Census Bureau, Public Education Finances 2009, <http://www2.census.gov/govs/school/09f33pub.pdf> (23 June 2011).
- 3 National Center for Education Statistics, Digest of Education Statistics, see Table 164 in the 1995 Digest, http://nces.ed.gov/programs/digest/d95/dtab164.asp (23 June 2011).
- 4 Utah Foundation, Research Report #674, "Paradox Lost: Utah's Education Funding Effort No Longer Surpasses the Nation," April 2006.
- 5 Current spending is used in Figure 3 because revenue figures are not available for the historical data. Because it is a different measure that what is used in Figure 1, the rankings differ.
- 6 Utah Foundation, Research Report #693, "Spending Your Tax Dollars: An Update on State Spending Trends and the Impact of the Economic Recession," August 2010. Especially note Figure 1 in that report.
- 7 *ibid.*
- 8 National Center for Education Statistics, Digest of Education Statistics, see Table 170 in the 2006 Digest, http://nces.ed.gov/programs/digest/d06/tables/dt06_170.asp (23 June 2011).

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