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Education information uses wrong formula

By Mike Jerman

Richard Kendell, Utah commissioner of higher education, accuses the Utah Taxpayers Association and the Utah Legislature of overstating Utah's spending on higher education. Unfortunately, Kendell not only misrepresents the association's position but also presents information that misleadingly compares Utah's higher education spending in relation to the national average.

Kendell alleges that the Utah Taxpayers Association reported Utah's per capita spending on higher education as the highest in the nation. This is incorrect as the association does not report Utah government expenditures in comparison to other states on a per capita basis because per capita measurements are misleading. Rather, the association compares state-by-state spending and taxation in terms of percent of personal income, and Utah ranks at the top or near the top when higher education spending is measured as a percent of personal income.

Spending as a percent of personal income is a more accurate barometer than spending per capita for several reasons. First, per capita spending presents a distorted picture since this measure includes the entire population, including children who are not working and are not paying taxes. About 31 percent of Utah's population is under age 18, compared to 25 percent for the nation. Including children who don't pay taxes in the equation dilutes the amount of higher education expenditures paid by Utah taxpayers in comparison to the rest of the nation.

Second, spending per capita does not account for differences in wages and costs of living. Obviously, states with high wages and high costs of living tend to spend more per capita than states with average or low wages and costs of living. Higher wages per worker mean higher tax revenues per worker, which means government has more money to spend on higher education. As a state with low wages per worker (18 percent below the national average) and an average cost of living, Utah's per capita government expenditures are expected to be lower than most states'.

For these reasons, a more accurate measure for spending is expenditures as a percent of personal income, which is the measure used by the Utah Taxpayers Association and most other Utah-based groups. According to Census Bureau expenditure data, which acknowledge the inclusion of federal sources contrary to

Kendell's claims, Utah higher education spending ranks first as a percent of personal income.

Kendell claims that Census Bureau information, which the association and the other groups use to calculate comparative spending and taxation information, is inaccurate. Kendell recommended data from the State Higher Education Executives Organization. Interestingly, even according to this data, Utah's higher education expenditures as a percent of personal income was 4th highest in the nation in 2004, up from 10th highest in 2002.

Kendell is right that policymakers need good information in order to make good decisions. However, per capita measures are not the right measure for making valid comparisons. When comparing Utah's government expenditures, including higher education, to other states, Utah policymakers should continue to use expenditures as a percent of personal income, not expenditures per capita.

Mike Jerman is vice president of the Utah Taxpayers Association.

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