

Utah higher-education spending high as percent of personal income

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By Mike Jerman

Guest commentary

Commissioner of Higher Education Richard Kendell's May 8 column contained several claims that need to be addressed, including the claim that Utah's per capita higher-education spending is low compared to many other states ("Information on spending for higher education is inaccurate").

First, state-by-state expenditures should be measured as a percent of personal income, not on a per capita basis as Kendell proposes. 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. Per capita measures include children who don't pay taxes, and this 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 need to spend more per capita than states with average or low wages and costs of living. For example, a \$500 per capita expenditure in a state like Utah goes much further than the same per capita expenditure in a state like California or Connecticut. Also, a \$500 per capita expenditure, even if some of it is funded by federal taxpayers, imposes a smaller burden on taxpayers in a high-wage state than in a low-wage state. As a state with low wages per worker and an average cost of living, Utah's per capita expenditures should be lower than most states. For these reasons, a more accurate measure for spending is expenditures as a percent of personal income, which is used by the Utah Taxpayers Association.

As a percent of personal income, Utah higher-education spending ranks first in the nation.

Third, Kendell inaccurately argues that our claims are wrong because our calculations are based on Census Bureau data, which contain expenditures funded by tuition and federal sources.

However, no rational explanation exists as to why tuition and federal sources should be excluded, particularly since the Census Bureau includes these sources for all states, not just for Utah. After all, these are still expenditures, and federal revenues and tuition are not "free" money. Federal revenues are funded by taxpayers, and tuition is a user fee, which is a form of taxation. Since Census Bureau state and local expenditure data for transportation, K-12 education, and Medicaid include federal sources and user fees, why should higher education be any different?

Fourth, Kendell inappropriately uses per capita expenditure data from the State Higher Education Executives Organization. For the reasons cited above, per capita measures are misleading. Interestingly, however, even according to the data source recommended by Kendell, Utah's higher-education expenditures as a percent of personal income was fourth highest in the nation in 2004, up from 10th highest in 2002.

Jerman is vice president of the Utah Taxpayers Association.

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