

Fiscal Highlights

Income Tax Appropriations to Public and Higher Education - Ben Leishman

In November 1996, Utah voters amended the Utah Constitution to formally authorize the practice of appropriating state income tax revenue to support higher education institutions and programs. The history of appropriating from this source to the higher education budget pre-dates the constitutional amendment. The following link, "[Appropriations History: State Education Funds](#)," provides a table and a chart detailing the allocation of state education revenues back to the time of the constitutional amendment.

Appropriations records show the use of income tax revenue in the higher education budget back to the early 1980's. Prior to the amendment, income tax appropriations to higher education came from the Uniform School Fund based on the Utah Attorney General's Revised Opinion No. 90-31, released in January 1991. This opinion concluded that "revenue received from taxes on income may be used for both the public education system and the higher education system as defined in the Constitution if authorized by the Legislature" (1996-97 Appropriations Report).

Prior to the constitutional amendment, the amount of income tax revenue appropriated to higher education was around \$5 million. The amount increased in the years following the amendment to \$51 million in FY 1997, the first year following the amendment, to approximately \$689 million in FY 2008. Currently, in FY 2015, appropriations to higher education total approximately \$649 million.

The chart included in the link above shows that appropriations from income tax revenue to the higher education budget fluctuate over time and largely respond to trends in the economy. After the amendment, appropriations to higher education increased to the peak in FY 2001 mentioned above. During the recession that followed, the Legislature reduced appropriations from income tax revenue to higher education. Again, as the economy improved, appropriations to higher education increased to the all-time high in FY 2008 and reduced during the economic downturn that followed.

In both economic downturns, the Legislature made a policy decision to minimize the impact of state spending cuts on the public education (K-12) budget. During these times, appropriations to higher education shifted to the state's General Fund, which provided more capacity in the Education Fund (where income tax is deposited) to fund the public education budget. As a result, the constitutional amendment has provided greater flexibility to the Legislature to manage the state budget and balance state revenues between the General and Education Funds.