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2. Allocation of State Higher Education Funds

In order to respond to the second major policy question posed in J.R.S. 20, the study group considered five alternate strategies for allocating state funds to support higher education activities. Each of these strategies was evaluated against the major policy goals which were developed by the study group--diversity, quality, choice, availability, and accountability.

The first two alternate funding strategies would both represent radical departures from current state funding policy. Strategy #1 would allocate all state higher education appropriations to the VSAC financial aid program with no future direct state support for either the University of Vermont or the Vermont State Colleges. Strategy #2 would allocate all state appropriations directly to UVM and VSC with no future state funding for the VSAC financial aid program.

The study group unanimously rejected both of these alternatives because neither would satisfy the policy goals of diversity, choice, availability or accountability. At the present time Vermont sponsors a balanced higher education funding policy which allocates appropriations between direct support for our public institutions (UVM, VSC) and direct VSAC financial aid to needy students which enable these students to exercise flexible choice in their educational options. The total elimination of state appropriations for UVM and VSC would destroy these entities as "instrumentalities of the state", and would leave Vermont with a major void as the only state without any publicly-supported higher education institutions. Elimination of state support for VSAC would seriously diminish student access and freedom of choice, and would have an extremely negative impact on Vermont's institutions, especially the independent colleges. Many students at all institutions rely heavily on VSAC assistance. Hence, the study group concluded that neither of these first two strategies would meet the higher education policy goals of the state.

The third strategy we considered was a policy of automatic annual percentage increases in state appropriations, based on cost-of-living changes, added to the current base. While this is a relatively simple and straight-forward approach, it fails to meet the policy goal of accountability and it harbors a type of inflexibility that could lead to the misallocation of state appropriations in light of changing circumstances in the years ahead. As a result of these drawbacks, the study group once again unanimously rejected this as a viable appropriations strategy.

The fourth strategy considered by the study group would call for "major program budgeting" in which separate budgets would be submitted for each major program in each institution or system. For example, separate budgets would be submitted and considered for such University of Vermont programs as the Extension Service, the Experiment Station, Undergraduate Education, and the Medical College. This strategy would also require the development of explicit criteria for the budgeting of each separate major program. The study group concluded that this strategy would represent a definite shift in the responsibilities of the General Assembly and the respective

Boards of Trustees. Certain policy and management matters that are currently decided under the authority and direction of the Trustees would become the responsibility of the General Assembly and would require a substantial additional investment of its time and attention. Also, the group believed that the explicit criteria that would be established for each program could be perceived as a rigid formula that might be unresponsive to changing conditions and priorities. The group feared also that program budgeting could lead to lobbying by groups with special interests in particular programs and that this would complicate the appropriation process while undermining the authority of institutional and system trustees and administrators. Finally, the study group concluded that this strategy would result in a dramatic and unnecessary increase in the complexity of the budgeting and appropriation process. It therefore decided not to recommend the adoption of the program budget strategy.

The final strategy the study group considered was direct appropriation allocations to UVM, VSC and VSAC based on a set of commonly accepted policy goals, operating principles, and comparable benchmark information. The study group concluded that this final appropriations procedure is best suited to guide the allocation of state support for higher education activities in Vermont. As a result, we developed a comprehensive set of goals, operating principles and information resources, which are described in the next section of this report, to help guide the state appropriations process for higher education funding.

Conclusions and Recommendations

Based on our analysis of state funding policy for higher education during the 1970's, the study group has concluded that the percentage share of the total state General Fund appropriated to support the needs of higher education has declined and that the amounts appropriated have not always kept pace with increases in the Consumer Price Index. As a result the amounts appropriated in real dollars have remained relatively level while student enrollments have grown substantially. Also, Vermont's efforts to support higher education have increasingly fallen behind those of other states on the basis of appropriations per capita of state population and in proportion to personal income.

As a result of this analysis, the study group recommends that:

--- In recognition of the importance of higher education to Vermont, the share of the total state General Fund to be appropriated to support the needs of higher education in the state of Vermont should be increased to a higher level of support, and in no case should it be reduced below the current level;

--- The allocation of state general funds to the various state funded higher education activities should be designed to maintain a "balanced" mix of direct support to public institutions (UVM, VSC) and direct support to students (VSAC) in accordance with current funding policy;

--- Future state appropriations for higher education should be allocated in accordance with the policy goals and the operating principles developed in this study within the limits of the state's financial resources;

--- The policy goals, operating principles and information sourcebook which were developed for this study should be reviewed and periodically updated by the Vermont Higher Education Planning Commission in consultation with the House and Senate Education Committees to ensure that accurate and comprehensive guidelines and information are available to help guide state appropriations decisions for higher education in the years ahead.