

RECEIVED
JAN 9 1980
V.S.A.C.

VERMONT HIGHER EDUCATION
FUNDING STUDY

DECEMBER 15, 1979

HIGHER EDUCATION PLANNING COMMISSION

STATE OF VERMONT



OFFICE — c/o Department of Budget and Management Pavilion Office Building Montpelier, Vermont 05602 Telephone (802) 828-2376

December 15, 1979

To All Persons Interested in Vermont Higher Education:

I am pleased to transmit the Vermont Higher Education Funding Study which has been prepared in response to J.R.S. 20 by the Vermont Higher Education Planning Commission working jointly with four legislative appointees from the House and Senate.

Our study has analysed state funding trends during the past decade in an effort to determine what share of the state general fund should be appropriated to support the needs of higher education, and how these funds should be allocated. The study has indicated that there has been a moderate, but steady, slippage in the level of state support for higher education during the 1970's. As a result, the study group has recommended that the share of the state general fund appropriated for higher education should be increased in the future and should be allocated in accordance with the policy goals and operating principles set forth in this report.

During the course of our study, we speculated on why this slippage has taken place. We believe that one problem may have resulted from a lack of comprehensive background information on trends in state funding for higher education over time. To the best of our knowledge this is the first report that attempts to fill this gap by providing such comprehensive information, and we hope that our analysis will be useful to public officials who are responsible for developing funding policies in the future.

Further copies of this report, and the information sourcebook which accompanies this report, can be obtained from the Vermont Higher Education Planning Commission, c/o Department of Budget and Management, Pavilion Office Building, Montpelier, Vermont 05602.

Frank Smallwood
Frank Smallwood
Chairman

Vermont Higher Education Funding Study

Summary ←

The basic objective of this report, prepared by a special study group consisting of the Vermont Higher Education Planning Commission working jointly with members of the General Assembly in response to a joint resolution (JRS 20) adopted in April, 1979, is to present recommendations on the share of the state's general fund to be appropriated to support the needs of higher education in Vermont, and on how this appropriation for higher education should be allocated to the various state-funded higher education activities. The report focuses on the principal state-funded higher education entities---the University of Vermont, Vermont State Colleges and the Vermont Student Assistance Corporation.

Part I - Analysis of State Appropriations

The study group analyzed higher education's share of the total general fund in three ways: historic trends in general fund appropriations for higher education in Vermont during the past ten years, how Vermont higher education funding efforts compared to those of other states, and a study of enrollment trends of Vermont students enrolled in state-funded higher education institutions and programs.

The results of that analysis are summarized in the following seven points:

1. the percentage share of the total general fund which is appropriated to support higher education has declined from 14.9% in FY 1970 to 13.8% in FY 1981;
2. appropriation increases for higher education have not always kept pace with increases in the Consumer Price Index;
3. higher education general fund expenditures have increased at a lower percentage rate than those of any other major area of state activity during the period from FY 69 to FY 78;
4. Vermont's public higher education institutions rely more heavily on tuition revenues and receive a lower percentage of their budgets from state appropriations revenues than is the case in other states;
5. Vermont ranks 50th among the fifty states in terms of the percentage increase in state appropriations for higher education during the period from 1970 to 1980;
6. the number of Vermont students enrolled in the state's higher education institutions has increased during the past ten years by 14% at UVM, and by approximately 25% at Vermont State Colleges and the independent colleges in the state;
7. state higher education allocations/appropriations per Vermont student directly served have not kept pace with inflation;

Responding to the second major policy question, the study group considered five alternative strategies for allocating funds to support higher education: (1) to allocate all higher education appropriations to the Vermont Student Assistance Corporation; (2) to allocate all higher education appropriations to the University of Vermont and the Vermont State Colleges; (3) to provide percentage increases based on cost-of-living changes to be added annually to current base funding levels; (4) to submit separate budgets, with explicit funding criteria for each major program in each institution or system; or (5) appropriation allocations to UVM, VSC, and VSAC based on a set of commonly accepted policy goals, operating principles and comparable benchmark information. The group recommends the fifth strategy. As a result, the study group developed a comprehensive set of goals, operating principles and information resources to help guide the state appropriations process for higher education funding.

Part II - Appropriations Policy

The study group developed the following goals for higher education policy:

1. **Diversity:** Vermont should encourage a diversified system of higher education taking into consideration programs offered by both public and independent institutions. A broad range of higher educational opportunities including general undergraduate education, technical and professional curricula and advanced study should be available to Vermonters.
2. **Quality:** Higher education institutions in Vermont should seek to provide programs of the highest quality, compatible with relevant professional standards.
3. **Choice:** Residents of Vermont should be able to choose among higher education alternatives based upon the ability, preparation and aspirations of the participant and the educational and training needs of the state and region.
4. **Availability:** Residents of Vermont should not be denied access to higher education because of lack of funds, lack of information, lack of remedial programs or unavailability of higher education programs in Vermont.
5. **Accountability:** Institutions of higher education must be responsive to demographic trends, the service needs of the state and region, the goals of society and the availability of resources.

A set of commonly accepted operating principles is needed to guide the appropriation of public funds to achieve policy goals. The study group urges the Governor and General Assembly to utilize the following principles:

Public Institutions

1. If limits on admissions exist, qualified Vermonters should be assured admission before out-of-state students.
2. Auxiliary services should be self-supporting.
3. Increased institutional costs which result from cost of living changes and cannot be absorbed or offset should be matched by increases in in-state and out-of-state tuition and fees, state appropriations and other general revenue sources.
4. Vermont higher education public policy should be designed to enable Vermont students to take maximum advantage of federal student financial aid programs.
5. Vermont state appropriations should not subsidize out-of-state students (except NEBHE).
6. Vermont institutions should provide programs that meet critical employment needs and offer high employment opportunities for Vermont students.
7. State institutions are expected to operate prudently to control costs, improve efficiency, maintain balanced budgets and provide high quality educational services without incurring unauthorized future obligations.

Independent Institutions

8. Tuition Differential Grants should be available, through VSAC, to provide Vermonters reasonable freedom of choice to attend independent Vermont colleges.

All Institutions

9. Program offerings of both public and independent institutions should afford all students maximum selection without unnecessary duplication.
10. Outreach services providing financial aid and occupational and educational information should be available to Vermonters to inform them of higher educational opportunities.
11. Institutions should provide instruction to as many Vermonters as possible, with special attention to improving needed outreach services, within the capacity of existing facilities.
12. Incentive Grants should be available, through VSAC, to Vermonters attending higher education institutions both in Vermont and out-of-state.
13. Necessary steps should be taken by VSAC to ensure that student loans will be available to all who qualify for them.

The study group developed a sourcebook containing basic information on a wide variety of higher education activities including student enrollment trends, basic financial data on expenditures and appropriations over time, state-to-state comparative funding information, and the economic importance of the higher education industry to Vermont. Since consistent, up-to-date information is a prerequisite for intelligent planning and decision-making, the state should be prepared to ensure the continuation of the Higher Education Planning Commission's program of data collection, analysis and dissemination.

Part III Conclusions and Recommendations

As a result of our analysis of state funding policy for higher education during the 1970's, the study group makes the following recommendations:

- 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 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.

The study group's complete report, of which the foregoing is a summary, is attached.

VERMONT HIGHER EDUCATION FUNDING STUDY

Report to the Governor and the General
Assembly Pursuant to J.R.S. 20

	<u>Page No.</u>
Introduction	1
PART I - ANALYSIS OF STATE APPROPRIATIONS	
1. Share of State General Fund Appropriation	4
a) Historic Trends	4
b) Comparative Trends (Other States)	5
c) Student Enrollment Trends	16
d) Appropriations per Student Served	19
e) Summary	22
2. Allocation of State General Fund Appropriation	23
PART II - APPROPRIATIONS POLICY	
1. Higher Education Policy Goals	26
2. Operating Principles	27
3. Information Sourcebook	28
PART III - CONCLUSIONS AND RECOMMENDATIONS	
	31

The preparation and publication of this report was financially supported in part by a postsecondary education planning grant from the U.S. Office of Education under Title XII Section 1203 of the Higher Education Act of 1965 and in part from a Vermont General Fund Appropriation to the Department of Budget and Management, Agency of Administration.

INTRODUCTION

This report has been prepared by a special study group consisting of the members of the Vermont Higher Education Planning Commission and four legislative members appointed from the Vermont House and Senate in accordance with J.R.S. 20 which was passed by the 1979 General Assembly. The Vermont Higher Education Planning Commission was established in 1974 by Executive Order of the Governor pursuant to Section 1202 of the Higher Education Act of 1965, as amended, and is often referred to as the "1202 Commission."

The basic objective of the report, as specified in J.R.S. 20, is to present the study group's recommendations on:

1. the share of the total state General Fund to be appropriated to support the needs of higher education in the State of Vermont; and
2. the allocation of these state general funds to the various state-funded higher education activities.

In accordance with this mandate, the study group focused its review on those higher education activities in Vermont which are most directly supported by state appropriations, specifically programs sponsored by the Vermont Student Assistance Corporation (VSAC), the University of Vermont (UVM), and the Vermont State Colleges (VSC).

There are important state concerns in postsecondary education which are not addressed in this report. One is manpower training and similar efforts supported primarily with federal funds. Another is the question of need for 13th and 14th year occupational training. In addition, although the study group places high priority on assuring Vermonters reasonable freedom of choice to attend independent Vermont colleges, and believes these institutions to be integral parts of Vermont's higher education system, it did not consider an analysis of their needs or financial condition to be within the scope of this study.

The report is divided into four major sections: Part I provides an analysis of state General Fund appropriations and allocations for higher education, including a review of historic trends, comparisons with other states and student enrollment trends. It also discusses five alternative funding strategies for allocation of state funds for the support of higher education. Part II sets forth recommended basic policy goals and operating principles intended to guide the appropriation of state higher education funds, and outlines and describes the information sources required to formulate policy and evaluate higher education services. Part III presents the study group's conclusions and recommendations. The fourth section is an Appendix consisting of the Higher Education Information Sourcebook which presents basic data on higher education in Vermont.

The following members of the Vermont Higher Education Planning Commission and the Vermont General Assembly served as members of the study group:

Higher Education Planning
Commission

Frank Smallwood, Chairman

Ex-Officio Members

Richard E. Bjork, Chancellor,
Vermont State Colleges
Richard J. Collins, Executive
Director, State Advisory Council
on Vocational/Technical Education
Lattie F. Coor, President
University of Vermont
Ronald J. Iverson, Executive
Director, Vermont Student
Assistance Corporation
Robert A. Withey, Commissioner
Department of Education

Public Members

Luther F. Hackett, Chairman,
Governor's Council of Economic
Advisors
Linda Jeffries, Student, University
of Vermont
Richard A. Mottram, Dean, Vermont
College of Norwich University
(resigned August 31, 1979)
Sister Mary Polworth, President,
College of St. Joseph the Provider
(appointed October 1, 1979)
Robert A. Skiff, President,
Champlain College

Legislative Members

Senator Allen D. Avery, Orange County
Rep. Theresa G. Feeley, Chittenden 1-3

Commission Staff

David M. Otis
James (Pete) Konkle (resigned
October 18, 1979)
Ellen L. Isham (appointed
November 19, 1979)
Rebecca J. Buck (resigned
September 21, 1979)
Carole S. Noury (appointed
October 1, 1979)

J.R.S. 20 Legislative
Appointees

Senator Robert T. Gannett,
Vice Chairman, Senate
Appropriations Committee
Rep. Michael J. Obuchowski,
Chairman, House Education
Committee
Senator Esther H. Sorrell,
Senate Education Committee
Rep. Walter L. Urie
House Education Committee

PART I
ANALYSIS OF
STATE APPROPRIATIONS

J.R.S. 20 requested recommendations on (1) the share of the total General Fund which should be appropriated for higher education, and (2) how this share should be allocated among various higher education activities. The study group developed information to analyse both of the policy questions.

1. HIGHER EDUCATION'S SHARE OF THE TOTAL GENERAL FUND

In order to evaluate what share of the total General Fund should be appropriated to support higher education, the study group conducted three types of analysis. These analyses consisted of a) an historical examination of trends in state support for higher education over the past decade; b) a comparative appraisal of Vermont's higher education funding policies compared to those of other states; and c) a study of enrollment trends of the numbers of Vermont students served by state-funded higher education institutions and programs over the past decade.

a) State Appropriations - Historic Trends

For Fiscal Year 1981 the General Fund appropriation for higher education activities (including estimated debt service) is \$31,493,000 which constitutes 13.8% of the total General Fund budget. This reflects the appropriations made by the 1979 session of the General Assembly, which are subject to adjustment.

As Table 1 indicates, the percentage of the total General Fund appropriated for higher education has declined during the 1970's from 14.9% in FY 1970 to 13.8% in FY 1981 (including higher education estimated share of state debt service). The decline has been most apparent at the University of Vermont. As Table 2 indicates, UVM's percentage share of the total General Fund has dropped from 8.9% in FY 1970 to 7.5% in FY 1980. The Vermont State Colleges share dropped from 4.1% to 3.8%, with a sharp temporary increase to 5.4% in 1979 reflecting special appropriations from 1977 and 1978 surpluses. The Vermont Student Assistance Corporation share, after an initial increase from 1.1% to 2.1% in 1972 which completed the new agency's period of rapid development, remained relatively constant during the balance of the period.

Considering all state-supported higher education activities together, General Fund appropriations for higher education have grown from \$15,309,600 in FY 1970 to \$31,493,000 in FY 1981 (including higher education's estimated share of state debt service). As Table 3 indicates, however, percentage increases in higher education appropriations have sometimes failed to keep pace with inflation, most notably in FY 1977. Total General Fund appropriations for all state purposes, however, have consistently increased more rapidly than the Consumer Price Index (CPI). Increases in the CPI for FY 1980 and FY 1981 are currently projected to exceed increases in higher education appropriations.

Since the percentage of the total General Fund appropriated for higher education has declined during the past decade and the

actual dollar increases have not always kept pace with inflation, it seems reasonable to conclude that higher education activities have not been overfunded during this period. This conclusion is confirmed by comparing higher education funding with other major state functions over the past decade. In order to conduct a comparative analysis of state funding by major function, the study committee used actual expenditure data (not appropriations) since actual expenditures cover employee pay raises and other items which are not included in individual departmental appropriations.

Our analysis indicates that total General Fund expenditures for all state functions grew from \$78,540,000 in FY 1969 to \$184,276,900 in FY 1978, an increase of 135 percent during this ten year period (excluding expenditures of funds appropriated from the FY 1977 surplus). The General Fund expenditures for higher education grew from \$13,484,100 in FY 1969 to \$26,212,200 in FY 1978 (including higher education's estimated share of state debt service), an increase of 94.4 percent during this same period. This 94.4% growth rate was the lowest percentage increase for any major state General Fund expenditure category, and higher education represents the only major functional area where state General Fund expenditures have increased by less than 100% during the ten year period from FY 1969 to FY 1978 (except Miscellaneous, which decreased). A complete breakdown of General Fund expenditures by major functions is contained in Table 4.

As a result of our analysis of historic growth trends in state funding during the past decade, the study group concluded that the share of the General Fund allocated for higher education has not grown at an uncontrolled rate and has actually increased more slowly than all other major functional areas. The growth in higher education appropriations during the past ten years has not always kept pace with inflation, and inflationary pressures have been the driving force that has led to appropriation increases during this period.

b) Comparative State Funding Trends

When compared to other states, Vermont's efforts to support higher education have declined markedly during the past ten years.

One explanation for this decline is found in the fact that per capita personal income in Vermont has grown much more slowly than that of other states.

By 1979-1980, we had dropped to 46th in per capita state tax support for higher education, but our per capita personal income had also dropped, to 44th among the fifty states. During the 1979-80 year, only four states provided less per capita state tax support for higher education. Three of them, New Jersey, Massachusetts and New Hampshire, had higher per capita personal income than Vermont. At the same time, of the seven states with a similar or lower per capita income than Vermont, six states -- all in the South -- provided more per capita state tax support for higher education. Tables 5, 6, and 7 provide more detailed information on Vermont's relative standing in these categories compared to other states.

Table 1 - Section A
 VERMONT GENERAL FUND APPROPRIATIONS FOR EDUCATION 1970 - 1974
 (In Thousands)
 Fiscal Years

<u>Agency or Program</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>HIGHER EDUCATION</u>					
University of Vermont	8,338.0	8,956.9	8,961.9	9,674.0	10,642.6
Vermont State Colleges	3,453.7	3,832.6	3,833.8	4,111.0	4,434.7
VT Student Assistance Corp.	1,134.8	1,325.9	2,395.4	2,877.0 ¹	2,320.0
Senatorial Scholarships	90.0	90.0	90.0	90.0	90.0
N.E. Higher Education Compact	39.4	47.0	48.7	22.0	24.0
Vermont Educational Television	489.6	559.9	517.4	689.6	560.6
UVM Morgan Horse Farm			15.0		20.0
Veterinary Student Contract (included in VSAC approp.)					
<u>TOTAL HIGHER EDUCATION</u>					
DIRECT APPROPRIATION	13,545.5	14,812.3	15,862.2	17,463.6	18,091.9
% of Total General Fund	13.2%	13.3%	13.1%	12.7%	12.0%
Est. Higher Ed. Debt Service	<u>1,764.1</u>	<u>2,174.7</u>	<u>2,560.5</u>	<u>2,851.6</u>	<u>3,040.0</u>
<u>TOTAL HIGHER ED. INC. DEBT SERV.</u>	<u>15,309.6</u>	<u>16,987.0</u>	<u>18,422.7</u>	<u>20,315.2</u>	<u>21,131.9</u>
% of Total General Fund	14.9%	15.2%	15.2%	14.8%	14.1%
<u>ELEMENTARY-SECONDARY EDUCATION</u>					
General State Aid	26,430.5	27,248.0	28,751.6	29,748.0	32,000.0
Vocational-Technical Education	844.0	1,007.3	1,415.3	1,898.2	1,913.0
Special Education	1,697.4	1,874.3	1,939.6	2,457.3	2,829.7
State Aid-School Bldg. Debt	1,274.4	1,950.0	1,723.5	1,897.6	2,026.7
All Other, Dept. of Education	<u>818.8</u>	<u>829.2</u>	<u>1,104.2</u>	<u>1,661.1</u>	<u>2,425.8</u>
SUB-TOTAL, DEPARTMENT OF ED.	31,065.1	32,908.8	34,934.1	37,662.1	41,195.2
Teachers Retirement System	2,164.3	2,146.8	2,375.1	2,271.9	3,580.0
School Bldg.-Architec. Barriers					
<u>TOTAL ELEM.-SEC. EDUCATION</u>					
DIRECT APPROPRIATION	33,229.4	35,055.6	37,309.2	39,934.0	44,775.2
% of Total General Fund	32.3%	31.4%	30.9%	29.1%	29.8%
Est. El.-Sec. Ed. Debt Service	<u>2,439.6</u>	<u>3,362.5</u>	<u>4,256.8</u>	<u>4,929.2</u>	<u>5,199.8</u>
<u>TOTAL ELEM.-SEC. EDUCATION</u>					
INCLUDING DEBT SERVICE	35,669.0	38,418.1	41,566.0	44,863.2	49,975.0
% of Total General Fund	34.6%	34.5%	34.4%	32.6%	33.2%
<u>TOTAL GENERAL FUND APPROPRIATIONS</u> <u>FOR ALL PURPOSES</u>	<u>102,997.9</u>	<u>111,501.0</u>	<u>120,817.1</u>	<u>137,454.0</u>	<u>150,308.9</u>

¹\$372.0 of this amount was appropriated for use in FY 1974.

Source: Reports of Finance and Annual Reports of the State Treasurer and Commissioner of Finance, through FY 1978; Appropriation Acts and Budget Adjustment Acts for FY 1979, 1980 and 1981.

Vermont Higher Education Planning Commission/Agency of Administration
 December 6, 1979

VERMONT GENERAL FUND APPROPRIATIONS FOR EDUCATION 1975 - 1981

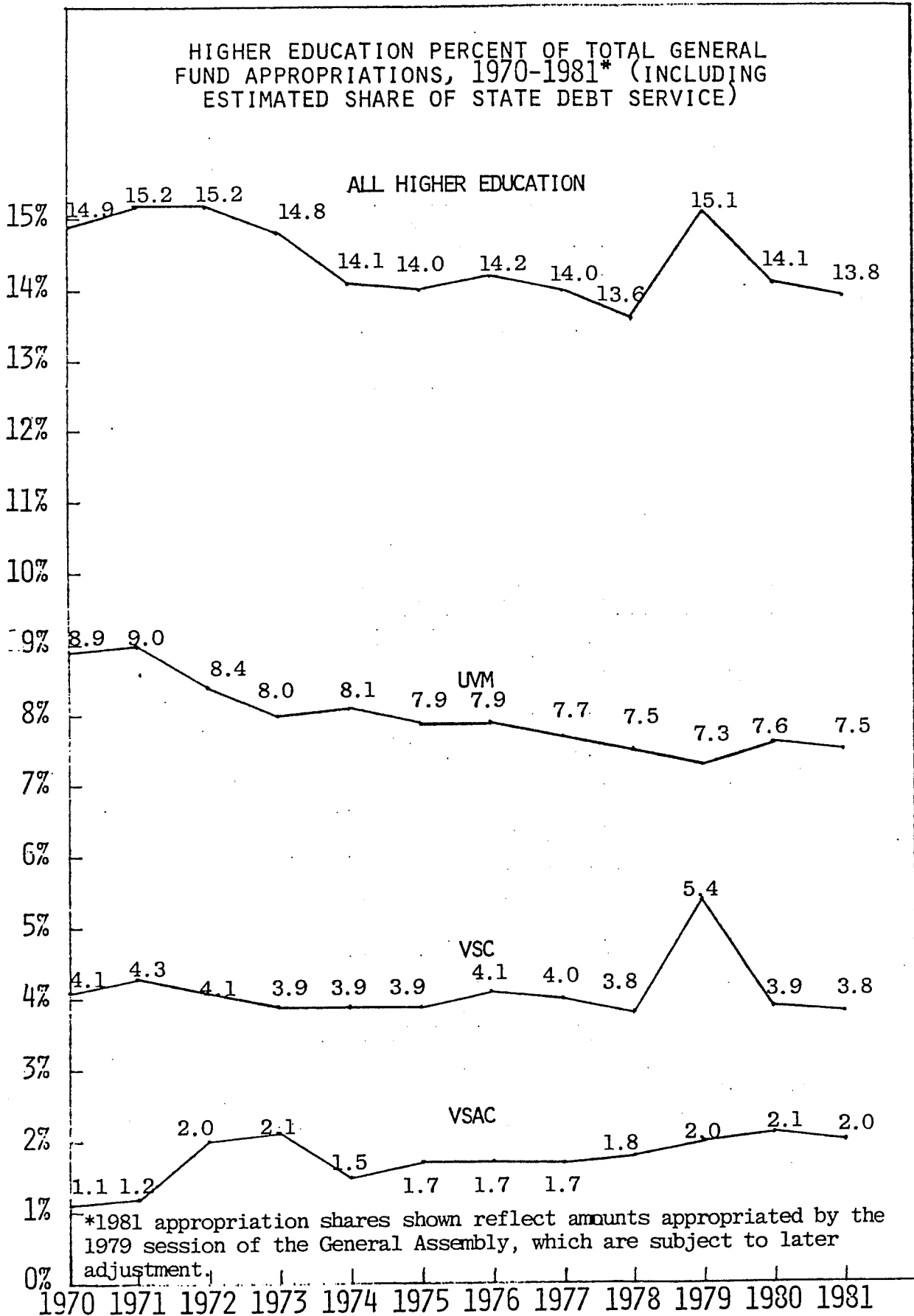
(In Thousands)
Fiscal Years

<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981 *</u>
11,542.0	11,292.0	11,198.5	12,844.1	13,969.1	14,807.0	15,399.3
4,991.4	5,140.3	5,090.3	5,931.7	10,042.3 ¹	6,966.6	7,245.2
2,841.6	2,839.5	2,839.5	3,439.5	4,164.5	4,489.5	4,616.1
90.0	90.0	90.0	90.0	60.0	60.0	60.0
25.6	25.7	15.3	26.7	26.7	31.7	34.3
611.3	608.2	583.2	647.1	568.2	697.7	725.6
20.0	10.0	5.0	5.0	5.0	7.8	8.0
	(25.0)	(50.0)	(73.5)	(100.5)	(114.5)	(130.5)
<u>20,121.9</u>	<u>20,005.7</u>	<u>19,821.8</u>	<u>22,984.1</u>	<u>28,925.8</u>	<u>27,060.3</u>	<u>28,088.5</u>
12.1%	12.3%	12.1%	11.9%	13.5%	12.5%	12.3%
<u>3,132.3</u>	<u>3,144.8</u>	<u>3,194.4</u>	<u>3,205.5</u>	<u>3,334.7</u>	<u>3,365.8</u>	<u>3,404.5</u>
<u>23,254.2</u>	<u>23,150.4</u>	<u>23,016.2</u>	<u>26,189.6</u>	<u>32,260.5</u>	<u>30,426.1</u>	<u>31,493.0</u>
14.0%	14.2%	14.0%	13.6%	15.1%	14.1%	13.8%
33,800.0	33,800.0	33,530.0	35,828.0	39,000.2	40,000.2	41,645.2
2,218.1	2,372.9	2,576.1	2,935.2	3,988.5	3,770.5	3,889.3
3,215.7	3,870.2	4,341.7	6,148.6	9,231.8	10,653.6	11,131.3
2,048.1	2,119.9	2,206.0	2,200.0	2,125.0	2,100.0	2,100.0
<u>1,020.6</u>	<u>1,123.6</u>	<u>278.2</u>	<u>867.6</u>	<u>1,086.8</u>	<u>1,230.8</u>	<u>1,260.9</u>
42,302.5	43,286.6	42,932.0	47,979.4	55,432.3	57,755.1	60,026.7
4,134.3	4,069.9	4,673.8	4,993.5	5,223.0	5,885.8	6,423.0
				<u>1,000.0</u>		
46,436.8	47,356.5	47,605.8	52,972.9	61,655.3	63,640.9	66,449.7
28.0%	29.1%	28.9%	27.5%	28.8%	29.5%	29.0%
<u>5,357.2</u>	<u>5,409.5</u>	<u>5,524.0</u>	<u>5,435.6</u>	<u>5,495.5</u>	<u>5,372.3</u>	<u>5,394.4</u>
51,794.0	52,766.0	53,129.8	58,408.5	67,150.8	69,013.2	71,844.1
31.2%	32.5%	32.3%	30.3%	31.4%	32.0%	31.4%
<u>166,106.5</u>	<u>162,495.8</u>	<u>164,483.0</u>	<u>192,512.2</u>	<u>213,990.7</u>	<u>216,000.9</u>	<u>228,851.4</u>

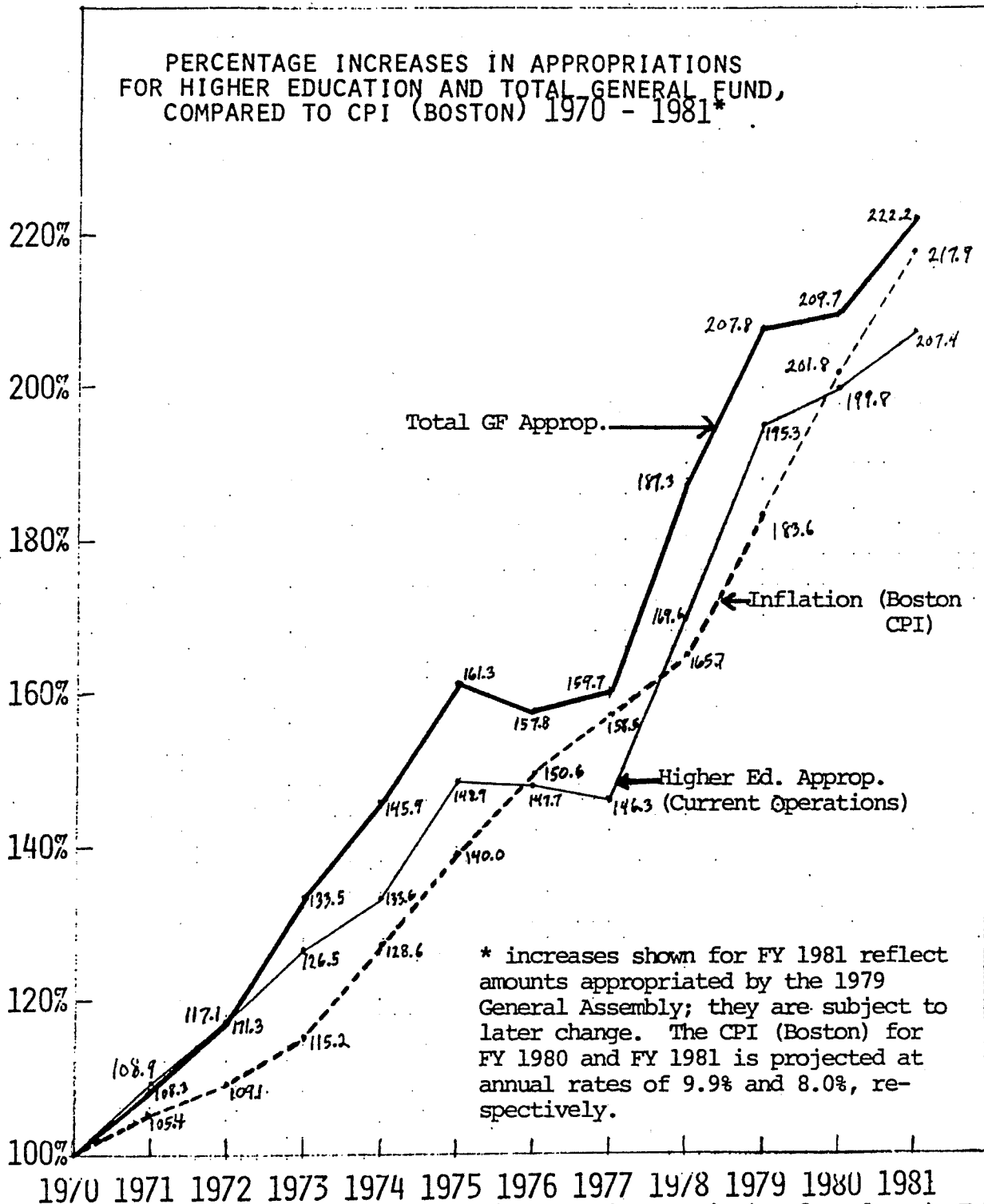
* 1981 appropriations shown are amounts appropriated by the 1979 session of the General Assembly; they are subject to later adjustment.

For Other Education appropriations and additional explanatory material, see the unabridged version of this table in the Vermont Higher Education Data Sourcebook.

¹Appropriation of FY 1979 funds for Vermont State Colleges was \$6572.3. Amount shown includes one-time appropriations from 1977 and 1978 surplus. For details see Sourcebook.



Source: Prepared by the Vermont Higher Education Planning Commission from data in Table 1.



1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981

Source: prepared by Vermont Higher Education Planning Commission from data in Table 1. Higher Education appropriations were adjusted to include amounts for current operations only. CPI data from the U.S. Bureau of Labor Statistics.

VERMONT GENERAL FUND EXPENDITURES
BY FUNCTION
(thousands)

<u>Function</u>	<u>FY</u>	<u>FY</u>	<u>9 Year Change</u>	
	<u>1969</u>	<u>1978¹</u>	<u>\$</u>	<u>%</u>
General Government	\$ 5054.1	\$ 12874.5	+ 7820.4	+ 154.7
Protection	4936.7	12309.3	+ 7372.6	+ 149.3
Human Services	22072.5	58180.0	+ 36107.5	+ 163.6
General Education (except Higher Ed.)	26258.8	53688.8	+ 27430.0	+ 104.5
Higher Education* (including est. share of state debt service)	13484.1	26212.2	+ 12728.1	+ 94.4
Environmental Conservation	1547.4	4346.5	+ 2799.1	+ 180.9
Development & Community Affairs	1067.8	2861.8	+ 1794.0	+ 168.0
Miscellaneous (incl. Manpower)	232.1	65.0	- 167.1	- 72
Debt Service* (except Higher Education)	<u>3886.4</u>	<u>13738.7</u>	<u>+ 9852.3</u>	<u>+ 253.5</u>
TOTAL GENERAL FUND	\$78540.0	\$184276.9	+ 105736.9	+ 134.6

* Higher Education's estimated share of state debt service is included in Higher Education but not in general Debt Service. Higher Education's increase would be 88.8% instead of 94.4% without its estimated share of state debt service. Debt Service's increase would be 227.2% instead of 253.5% if Higher Education's estimated share were included.

¹Expenditures of funds appropriated from the FY 1977 surplus are not included, but are shown in a similar table in the sourcebook.

Source: Reports of Finance and Annual Reports of State Treasurer and Commissioner of Finance.

Vermont Higher Education Planning Commission/Agency of Administration
December 13, 1979

Table 5

TRENDS IN STATE PER CAPITA INCOME AND TAX SUPPORT OF HIGHER EDUCATION
Fiscal Years 1970 - 1980

	Per Capita State Tax Support of Higher Education										
	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Vermont	\$30.89	\$33.71	\$34.62	\$36.24	\$39.77	\$42.81	\$42.75	\$42.76	\$48.28	\$54.82	\$55.57
United States	30.66	34.98	37.85	41.46	46.19	51.86	59.01	65.21	77.33	76.87	87.48
Vermont Rank	28th	28th	35th	38th	38th	40th	44th	47th	46th	46th	46th
VT % of U.S.**	100.8%	96.4%	91.5%	87.4%	86.1%	82.5%	72.4%	65.6%	67.7%	71.3%	63.5%

	Per Capita Personal Income		
	1971	1972	1973
Vermont	\$3,674	\$3,885	\$4,227
United States	4,195	4,537	5,023
Vermont Rank	32nd	35th	39th
VT % of U.S.**	87.6%	85.6%	84.2%

	Per Capita Personal Income		
	1974	1975 ^p	1976
Vermont	\$4,535	\$4,925	\$5,411
United States	5,449	5,834	6,399
Vermont Rank	41th	38th	34th
VT % of U.S.**	83.2%	84.4%	84.6%

Percent of Per Capita Income Used in Tax Support of Higher Education*

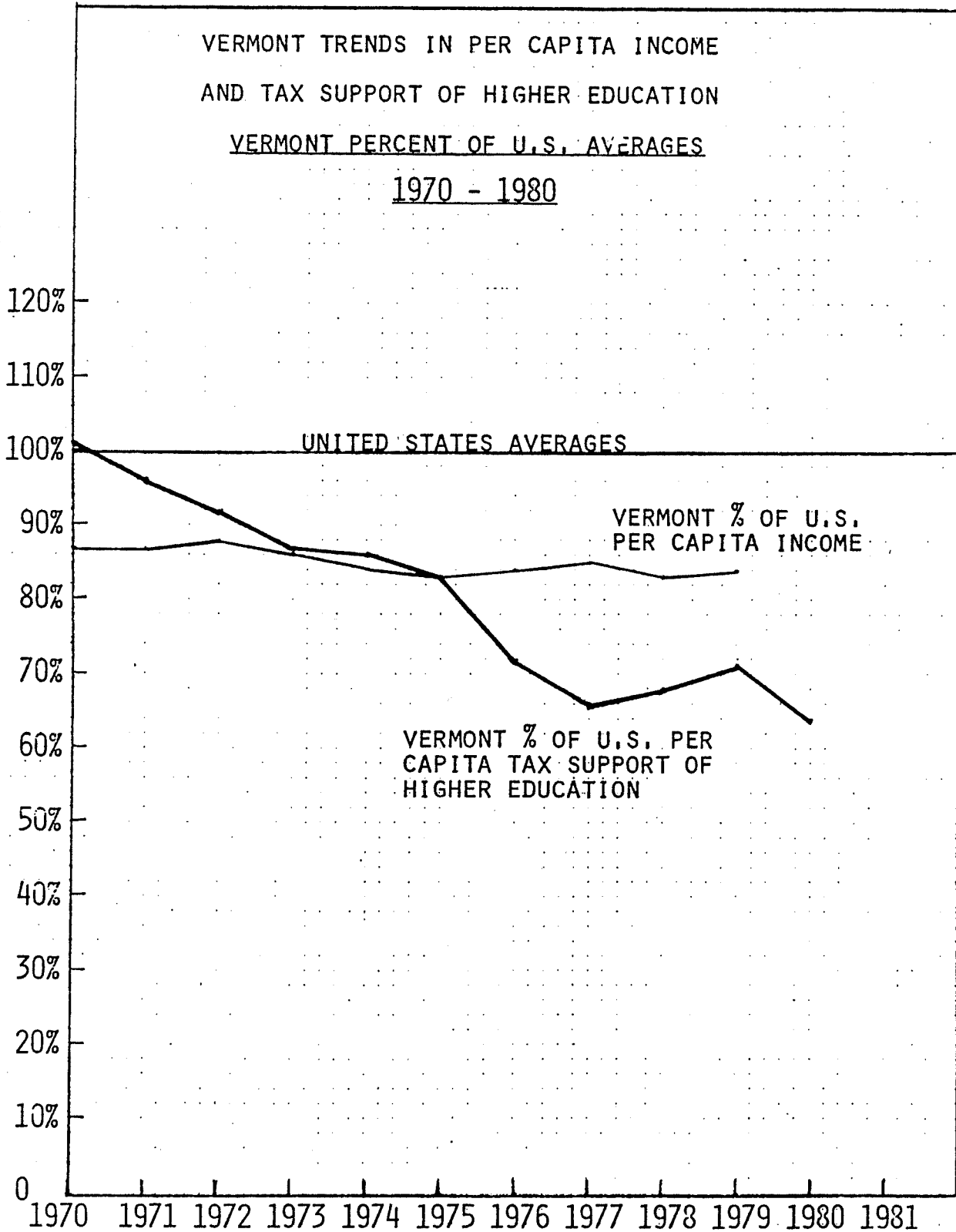
	Percent of Per Capita Income Used in Tax Support of Higher Education*										
	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Vermont	.947%	.972%	.942%	.933%	.941%	.944%	.870%	.862%	.892%	.941%	.846%
United States	.821%	.882%	.902%	.914%	.920%	.952%	1.011%	1.105%	1.112%	1.122%	1.116%
Vermont Rank	-	-	-	-	25th	31st	40th	44th	43rd	40th	43rd
VT % of U.S.	115.3%	110.2%	104.4%	102.1%	102.3%	99.2%	86.1%	78.0%	80.2%	83.9%	75.8%

P - Preliminary figures on per capita personal income for 1975; from April 1976 Survey of Current Business.

* - Comparing per capita tax support of higher education to per capita personal income for the most recent year the estimates were available when annual ratios were calculated.

Sources: State tax support for operating expenses of higher education from M.M. Chambers of Illinois State University; Population estimates from U.S. Bureau of the Census; Per capita personal income from Survey of Current Business of the U.S. Department of Commerce.

** For graphic presentation of Vermont's percentage of U.S. Average per capita personal income and per capita tax support of higher education, see Table 6.
Vermont Higher Education Planning Commission/Agency of Administration
December 13, 1979



SOURCE: PREPARED BY VERMONT HIGHER EDUCATION PLANNING COMMISSION
FROM DATA IN TABLE 5.

STATE RANKINGS: PER CAPITA INCOME AND TAX SUPPORT
OF HIGHER EDUCATION, 1979-80
(Appropriations Per Capita and as Percent of Personal Income)

State	Per Capita Personal Income 1978		Per Capita Tax Support of Higher Education		Percent of Personal Income Used in Tax Support of Higher Education	
		Rank		Rank		Rank
Alabama	\$ 6,291	47	\$100.78	16	1.602	6
Alaska	10,963	1	179.88	1	1.641	3
Arizona	7,372	29	98.86	18	1.341	15
Arkansas	5,969	49	77.61	34	1.300	19
California	8,927	3	126.24	3	1.414	12
Colorado	8,105	14	92.46	22	1.141	27
Connecticut	8,911	4	68.43	42	.768	47
Delaware	8,534	8	91.38	23	1.071	32
Florida	7,573	26	70.99	41	.937	38
Georgia	6,705	38	75.75	38	1.130	28
Hawaii	8,437	11	134.55	2	1.595	7
Idaho	7,015	34	95.23	21	1.358	14
Illinois	8,903	5	78.00	33	.876	42
Indiana	7,706	23	76.52	36	.993	37
Iowa	8,002	16	104.84	9	1.310	17
Kansas	7,882	19	101.72	14	1.291	21
Kentucky	6,607	40	85.74	28	1.298	20
Louisiana	6,716	37	83.21	30	1.239	25
Maine	6,292	46	52.49	49	.834	44
Maryland	8,363	12	78.14	32	.934	39
Massachusetts	7,924	17	54.54	48	.688	48
Michigan	8,483	10	87.97	24	1.037	35
Minnesota	7,910	18	114.97	7	1.453	11
Mississippi	5,529	50	97.23	19	1.759	1
Missouri	7,313	31	64.39	43	.881	41
Montana	6,755	36	77.06	35	1.147	26
Nebraska	7,582	25	96.45	20	1.272	23
Nevada	9,439	2	86.21	27	.913	40
New Hampshire	7,357	30	34.22	50	.465	50
New Jersey	8,773	6	54.64	47	.623	49
New Mexico	6,574	42	103.74	11	1.578	9
New York	8,224	13	86.96	25	1.057	33
North Carolina	6,575	41	104.03	10	1.582	8
North Dakota	7,174	32	116.04	6	1.618	5
Ohio	7,855	20	62.26	45	.793	46
Oklahoma	7,137	33	79.45	31	1.113	31
Oregon	8,092	15	102.11	13	1.262	24
Pennsylvania	7,740	21	62.87	44	.812	45
Rhode Island	7,472	28	76.38	37	1.022	36
South Carolina	6,288	48	102.54	12	1.631	4
South Dakota	6,864	35	72.28	40	1.053	34
Tennessee	6,547	45	73.03	39	1.115	30
Texas	7,730	22	101.09	15	1.308	18
Utah	6,566	43/44	111.23	8	1.691	2
VERMONT	6,566	43/44	55.57	46	.846	43
Virginia	7,671	24	86.26	26	1.124	29
Washington	8,495	9	123.93	4	1.459	10
West Virginia	6,624	39	85.31	29	1.288	22
Wisconsin	7,532	27	100.15	17	1.330	16
Wyoming	8,636	7	121.85	5	1.411	13
Median State	7,578	25/26	86.61	25/26	1.193	25/26
United States	7,836	--	87.48	--	1.116	--

Source: State approp. for current expense of higher education reported by M.M. Chambers of Illinois State University in Chronicle of Higher Education, October 9, 1979; for per capita tax support of higher education, state approp. were divided by the U.S. Census Bureau's estimates of resident population of the states for 1978; for percent of personal income used in tax support of higher education, the state approp. were divided by state personal income in thousands of dollars, reported by the U.S. Commerce Dept. for 1978; state per capita personal income was reported in Survey of Current Business, August, 1979.

Analysis of State Funds for Higher Education

	1979-80 Appropriations (a)		Appropriations per capita (b)		Approp. per \$1,000 of personal income (c)		2-year change (d)		10-year change (e)		2-year change minus inflation (f)		10-year change minus inflation (g)	
	Amount	Rank	Amount	Rank	Amount	Rank	Per cent	Rank	Per cent	Rank	Per cent	Rank	Per cent	Rank
Alabama	\$ 377,135,000	17	\$100.78	16	\$16.02	6	+21%	26	+420%	2	+ 5%	26	+171%	2
Alaska	72,492,000	41	179.88	1	16.42	3	+13%	43	+510%	1	- 2%	43	+218%	1
Arizona	232,707,000	30	98.86	18	13.41	15	+12%	44	+255%	15	- 3%	44	+ 85%	15
Arkansas	169,664,000	33	77.61	34	13.00	19	+34%	3	+256%	14	+17%	3	+ 86%	14
California	2,814,321,000	1	126.24	3	14.14	12	+43%	1	+276%	9	+25%	1	+ 96%	9
Colorado	246,866,000	27	92.46	22	11.41	27	+12%	45	+183%	33	- 3%	45	+ 48%	33
Connecticut	212,075,000	32	68.43	42	7.68	47	+11%	46	+164%	41	- 3%	46	+ 38%	41
Delaware	53,273,000	46	91.38	23	10.71	32	+21%	30	+215%	23	+ 5%	30	+ 64%	23
Florida	610,094,000	8	70.99	41	9.37	38	+25%	18	+207%	27	+ 8%	18	+ 60%	27
Georgia	385,132,000	16	75.75	38	11.30	28	+27%	9	+210%	26	+10%	9	+ 62%	26
Hawaii	119,073,000	38	134.55	2	15.95	7	+ 9%	49	+185%	31	- 6%	49	+ 49%	31
Idaho	83,608,000	39	95.23	21	13.58	14	+11%	47	+180%	35	- 4%	47	+ 46%	35
Illinois	876,951,000	4	78.00	33	8.76	42	+18%	35	+116%	49	+ 3%	35	+ 13%	49
Indiana	411,197,000	14	76.52	36	9.93	37	+17%	39	+166%	39	+ 1%	39	+ 39%	39
Iowa	303,631,000	23	104.84	9	13.10	17	+24%	20	+199%	29	+ 7%	20	+ 56%	29
Kansas	238,839,000	28	101.72	14	12.91	21	+26%	10	+200%	28	+10%	10	+ 56%	28
Kentucky	299,918,000	24	85.74	28	12.98	20	+32%	5	+214%	24	+15%	5	+ 64%	24
Louisiana	330,008,000	18	83.21	30	12.39	25	+36%	2	+232%	19	+18%	2	+ 73%	19
Maine	57,265,000	44	52.49	49	8.34	44	+25%	17	+120%	48	+ 8%	17	+ 15%	48
Maryland	323,732,000	19	78.14	32	9.34	39	+19%	33	+251%	17	+ 3%	33	+ 83%	17
Massachusetts	314,929,000	20	54.54	48	6.88	48	+25%	16	+269%	10	+ 9%	16	+ 93%	10
Michigan	808,320,000	5	87.97	24	10.37	35	+22%	23	+165%	40	+ 6%	23	+ 38%	40
Minnesota	460,782,000	12	114.97	7	14.53	11	+21%	28	+259%	13	+ 5%	28	+ 87%	
Mississippi	233,738,000	29	97.23	19	17.59	1	+25%	13	+389%	3	+ 9%	14	+155%	
Missouri	312,941,000	22	64.39	43	8.81	41	+21%	29	+145%	44	+ 5%	29	+ 28%	4
Montana	60,494,000	43	77.06	35	11.42	26	+16%	41	+126%	47	+ 1%	41	+ 18%	47
Nebraska	150,940,000	35	96.45	20	12.72	23	+15%	42	+212%	25	0%	42	+ 63%	25
Nevada	56,896,000	45	86.21	27	9.13	40	+25%	15	+285%	6	+ 9%	15	+101%	6
New Hampshire	29,806,000	49	34.22	50	4.65	50	+ 8%	50	+179%	37	- 6%	50	+ 45%	37
New Jersey	400,366,000	15	54.64	47	6.23	49	+18%	37	+217%	22	+ 2%	37	+ 65%	22
New Mexico	125,731,000	37	103.74	11	15.78	9	+31%	7	+248%	18	+14%	7	+ 81%	18
New York	1,543,416,000	2	86.96	25	10.57	33	+19%	34	+147%	42	+ 3%	34	+ 29%	42
North Carolina	580,190,000	9	104.03	10	15.82	8	+26%	12	+230%	20	+ 9%	12	+ 72%	20
North Dakota	75,660,000	40	116.04	6	16.18	5	+24%	21	+225%	21	+ 7%	21	+ 70%	21
Ohio	669,197,000	7	62.26	45	7.93	46	+21%	24	+179%	36	+ 5%	24	+ 45%	36
Oklahoma	228,827,000	31	79.45	31	11.13	31	+32%	4	+284%	7	+15%	4	+100%	7
Oregon	249,556,000	26	102.11	13	12.62	24	+26%	11	+185%	32	+ 9%	11	+ 48%	32
Pennsylvania	738,686,000	6	62.87	44	8.12	45	+11%	48	+133%	46	+ 4%	48	+ 21%	46
Rhode Island	71,412,000	42	76.38	37	10.23	36	+20%	32	+147%	43	+ 4%	32	+ 29%	43
South Carolina	299,206,000	25	102.54	12	16.31	4	+32%	6	+325%	4	+14%	6	+122%	4
South Dakota	49,872,000	48	72.28	40	10.54	34	+21%	25	+174%	38	+ 5%	25	+ 43%	38
Tennessee	318,173,000	21	73.03	39	11.15	30	+30%	8	+265%	11	+13%	8	+ 90%	11
Texas	1,315,525,000	3	101.09	15	13.08	18	+25%	14	+287%	5	+ 9%	13	+102%	5
Utah	145,384,000	36	111.23	8	16.93	2	+24%	19	+283%	12	+ 8%	19	+ 89%	12
Vermont	27,062,000	50	55.57	46	8.46	43	+18%	36	+100%	50	+ 2%	36	+ 4%	50
Virginia	444,054,000	13	86.26	26	11.24	29	+21%	27	+278%	8	+ 5%	27	+ 97%	8
Washington	467,717,000	11	123.93	4	14.59	10	+23%	22	+145%	45	+ 7%	22	+ 28%	45
West Virginia	158,684,000	34	85.31	29	12.88	22	+17%	40	+188%	30	+ 1%	40	+ 50%	30
Wisconsin	468,618,000	10	100.15	17	13.30	16	+17%	38	+183%	34	+ 2%	38	+ 47%	34
Wyoming	51,664,000	47	121.85	5	14.12	13	+20%	31	+252%	16	+ 5%	31	+ 84%	16
Total U. S.	\$19,075,829,000		\$ 87.48		\$11.16		+24%		+207%		+ 8%		+ 60%	

(a) Reported by M. M. Chambers of Illinois State University as state tax funds appropriated for operating expenses and scholarship programs for higher education. Not included are appropriations for capital outlay or sums which clearly originated from sources other than state taxes, such as student fees. Included are appropriations for annual operating expenses even if appropriated to some other agency of the state for ultimate allocation to institutions of higher education. Pre-allocated state taxes whose proceeds are dedicated to any institution of higher education are included even though the process of periodic appropriation by the legislature may be bypassed. Also included are state tax funds appropriated for scholarships and statewide governing or coordinating boards.

(b) State appropriations divided by the U. S. Census Bureau's estimates of resident population of the states for 1978.
 (c) State appropriations divided by state personal income, in thousands of dollars, reported by the U. S. Commerce Department for 1978.
 (d) Increase in appropriations for 1979-80 over those for 1977-78, as reported by M.M. Cham.
 (e) Increase in appropriations for 1979-80 over those for 1969-70, as reported by M.M. Cham.
 (f) Two-year increase in appropriations adjusted for inflation of 15.1 per cent during the two years ending last June, as measured by D. Kent Halstead's Higher Education Price Index of prices paid by colleges and universities for goods and services.
 (g) Ten-year increase in appropriations adjusted for inflation of 91.8 per cent during the 10 years ending last June, as measured by the Higher Education Price Index.

Vermont provides high quality financial aid programs for its students, through the Vermont Student Assistance Corporation (VSAC), and these programs compare very favorably with those of other states. Not only does Vermont make aid available to students attending both public and independent institutions within the state, but it is one of only 12 states, mostly in the Northeast, to provide "portability", which enables students to use their financial aid grants to attend postsecondary education institutions in other states. In general, Vermont places more emphasis on student financial aid than most states. Since this expands the range of educational opportunities open to Vermont students, it is fully consistent with the study group's policy goals of diversity, availability, and choice, and we support this policy.

Vermont's appropriations for its public institutions provide a much lower share of the total revenues of these institutions than is the case in most states, as shown by the following table:

PERCENT OF TOTAL CURRENT FUNDS
REVENUES (BY SOURCE)
FY 1977

	<u>Tuition and Fees</u>	<u>State Appropriation</u>	<u>Other</u>
All U.S. Public Total	13.1%	43.4%	43.5%
University of Vermont	30.2%	16.3%	53.5%
Vermont State Colleges	33.1%	33.0%	33.9%

Because of this, both in-state and out-of-state tuitions are substantially higher at the University of Vermont and the Vermont State Colleges than at most states' public institutions and are consistently among the very highest in the country for similar kinds of institutions (for further information see the sourcebook).

Because Vermont places relatively greater emphasis on student financial aid and provides relatively less direct support to its public colleges and university than most states, our state public policy toward the financing of higher education can be classified as a "high tuition/high student aid" approach.

Our reliance on a "high tuition/high student aid" policy makes sense for a small state like Vermont which obviously has only limited resources to support diverse higher education programs. One very alarming statistic with respect to Vermont's support of higher education, however, relates to the low rate of increase in total state higher education funding.

A recent national analysis indicates that Vermont ranks at the bottom of the list -- 50th among the 50 states -- in terms of the percentage increase which the state has appropriated to support all higher education activities during the ten year period from 1969-70 to 1979-80. Also, as Table 8 indicates, the ten year increase in Vermont's state appropriation in real dollars (i.e., minus inflation as measured by the Higher Education Price Index), has been only +4% compared to a national average of +60%. This table is consistent with the earlier analysis that the state's higher education appropriation increases have not always kept pace with increases in the Consumer Price Index.

Hence, our analysis of comparative state financial support for higher education reinforces our previous findings. State support for higher education in Vermont is in no sense "out of control". To the contrary, we appear to be falling behind other states.

c) Trends in Student Enrollments

A total of 10,731 full-time equivalent (FTE) Vermont students were enrolled in the state's public and independent higher education institutions in 1978. Of this total, 4,746 (FTE) Vermonters attended the University of Vermont, 3,558 (FTE) were enrolled at the Vermont State Colleges, and the remaining 2,427 (FTE) attended independent colleges in Vermont. The latter number probably understates somewhat the number enrolled in the independent colleges since a different method (Adjusted Headcount) was used to measure full-time equivalency.*

It is difficult to obtain accurate data on historic trends in student enrollments since figures for the early years of the past decade are very sketchy. However, the study group has been able to determine that the number of Vermont students (FTE) at UVM increased from approximately 4,150 in 1969 to 4,746 in 1978, a gain of 14% during this ten year period. The Vermont State Colleges, which were expanding their facilities during the 1970's experienced an even faster growth from approximately 2,850 Vermont students (FTE) in 1972 to 3,558 students in 1978, an increase of 25% during this six year period. Although precisely comparable numbers are not available, the number of Vermont undergraduate students (full-time only) attending the state's independent colleges also increased during the past decade, from 1,568 in 1968 to 1,945 in 1975, an increase of 24%.

*Starting with fall 1977 data, the University of Vermont and the Vermont State Colleges use common definitions for Full-time Equivalent (FTE) students. For example, the number of FTE undergraduate students is now determined by dividing by 15 the total number of student credit hours of instruction taken by undergraduates (both full-time and part-time students) in a semester. For FTE graduate students the number of student credit hours is divided by 12. The Adjusted Headcount method for estimating the number of FTE students is to add the total number of full-time students plus one-third the number of part-time students.

At the same time that the number of Vermont students attending the state's colleges and universities has increased, the number who have received financial assistance from VSAC has also grown very rapidly, increasing 113% from 1970 to 1979 as shown in Table 9.

Despite the fact that more Vermont students enrolled in the state's colleges and universities than was the case ten years ago, the percentage of Vermont high school graduates who continue into higher education is below the national average. In May 1978, a comprehensive Survey of Plans for Education and Careers (SPEC) administered to Vermont high school seniors revealed that slightly less than half the students (49%) had plans for a full-time education immediately following high school versus a national average in 1975 of 55%. However, the same percentage of Vermont students (6%) planned to attend postsecondary vocational schools as their counterpart. An additional 12% of the students may continue their education either on a part-time basis or full-time in a later year, compared to 24% of students nationwide. In total, 61% of Vermont high school seniors planned some kind of formal education beyond high school, either immediately after high school or later, compared to 70% nationwide. In addition to a survey of high school seniors, VSAC followed these students during the year after they graduated from high school in order to determine just what they actually did regarding their education. The results indicate that actual continuation rates were slightly lower than original plans of students who said they planned to immediately continue their education; however, those students who planned to continue their education part-time or after one year actually did continue.

	VERMONT		U.S.
	Educational Plans of VT 1978 High School Seniors in May of Senior Year	Actual Educational Choices of 1978 High School Seniors 1 Year after Grad.	Educational Plans of All U.S. High School Seniors in 1975
<u>Plan Some Form of Education Beyond H.S.</u>			
. will immediately attend 4 or 2 year college	43	40	49
. will immediately attend vocational school	6	5	6
. may attend part-time or after 1 year	<u>12</u>	<u>12</u>	<u>24</u>
Total	61	57	79
<u>Do Not Plan Education Beyond H.S.</u>			
	39	43	21
	<u> </u>	<u> </u>	<u> </u>
	100%	100%	100%

Source: Survey of Plans for Education and Careers (S.P.E.C.), Class of 1978 October 1978, V.S.A.C. and S.P.E.C. II Follow-up Study.

Table 9

Number of VSAC Incentive Grant Recipients by Type of Institution, FY 1970-1979

Fiscal Years

Inst. and Sector	1970		1971		1972		1973		1974		1975		1976		1977		1978		1979	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
University of VT	644	24.9	838	28.4	1320	36.4	1280	37.4	1431	36.0	1405	35.1	1526	32.1	1632	31.0	1628	29.6	1628	29.6
VT State Colleges	854	33.0	1023	34.7	1188	32.7	1091	31.9	1073	27.0	1025	25.6	1199	25.2	1150	21.9	1207	22.0	1159	21.0
TOTAL, STATE INST.	1498	57.9	1861	63.2	2508	69.1	2371	69.3	2504	63.0	2430	60.7	2725	57.3	2782	52.9	2835	51.6	2787	50.6
VT Independ. Inst.:	644	24.9	591	20.1	558	15.4	570	16.7	768	19.3	752	18.8	922	19.4	1065	20.3	1087	19.8	1052	19.1
TOTAL, VT INST.	2142	82.7	2452	83.2	3066	84.5	2941	85.9	3272	82.4	3182	79.5	3647	76.7	3847	73.2	3922	71.4	3839	69.7
Out-of-State Inst.	447	17.3	494	16.8	563	15.5	481	14.1	700	17.6	818	20.5	1109	23.3	1412	26.8	1572	28.6	1672	30.3
TOTAL, ALL INST.	2589	100.0	2946	100.0	3629	100.0	3422	100.0	3972	100.0	4000	100.0	4756	100.0	5259	100.0	5494	100.0	5511	100.0

• In FY 1974, the percentage of grant recipients attending out-of-state institutions began to increase as a result of passage of Act No. 69 (Robillard Bill, H-77) which expanded the definition of approved schools (2 year, vocational, technical, etc.) which Vermont students could attend and be eligible for a VSAC Incentive Grant.

• In FY 1977, VSAC began "capturing" federal Basic Educational Opportunity Grant (BEOG) dollars in its Incentive Grant awarding process. BEOG serves low income students first, therefore, VSAC was able to help more middle income families as lower income families received BEOG assistance. Since a higher percentage of lower income students attend VSC (which have lower tuition) not as many students needed VSAC aid as they received BEOG assistance. This is also true for low income students attending UVM and other colleges, but on a more limited basis.

• VSAC Incentive Grant recipients must be full-time undergraduate students. Part-time students defined as full-time equivalents (FTE) are not eligible for VSAC Incentive Grants.

Vermont Higher Education Planning Commission
Agency of Administration
December 7, 1979

Source: VERMONT STUDENT ASSISTANCE CORPORATION (VSAC)

The fact that a smaller than average percentage of Vermont high school graduates enroll in 2 and 4 year colleges takes on added significance when viewed against projected high school enrollment trends in the years immediately ahead. National statistical projections indicate that the 18 to 24 year old population age group will peak in 1981 and will then drop by approximately 17% until it begins to climb again in 1993. As a result, the nation's colleges and universities, including Vermont's, will have to deal with the impact of population drop in college age students during the 1980's.

Vermont could reduce the impact of the population decline if more Vermonters were encouraged to continue their education beyond high school. This emphasizes the need for strong programs of job and education information and counseling. In addition, higher education institutions in Vermont will probably place increasing emphasis on adult education programs during the 1980's as part of their response to the declining college-age population.

A recent Commission report, "Where Vermonters Went to College, Fall 1975", shows that many Vermonters leave the state to enroll in college programs not available in Vermont. Developing educational programs within the state to meet the needs of some of these Vermont students could also help reduce the impact of the college-age population decline on Vermont institutions.

d) Higher Education Appropriation/Allocation per Student Served

Information provided in preceding sections showed increases in higher education appropriations not always keeping pace with inflation while student enrollments grew substantially. This led members of the study group to ask how state appropriations per student directly served had increased during the period.

It is not possible to provide a precise answer to the question for the entire decade of the 1970's, primarily because of the lack of comprehensive enrollment data in the earlier years. For that reason, the following calculations cover only the FY 1973 through FY 1979 period. See tables 10 and 11.

FY 1973 appropriations for all current operations of higher education (excluding capital construction projects but including higher education's estimated share of state debt service) amounted to \$19,981,700. By FY 1979 these appropriations had increased to \$29,790,500, an increase of 49.1%. Deducting appropriations for Educational Television and Morgan Horse Farm and estimated allocations for the University's Agricultural Services (Extension Service, Experiment Station, etc.) and the Medical College, the remaining appropriations/allocation for the direct support of undergraduate/graduate student education amounted to \$13,342,900 in FY 1973 and \$22,596,400 in FY 1979, an increase of 69.4% (as shown in Table 10).

These amounts were then divided by the number of full-time equivalent Vermont undergraduate and graduate students at the University and the State Colleges plus the number of Vermont students at other institutions who received grants from VSAC. The

Table 10

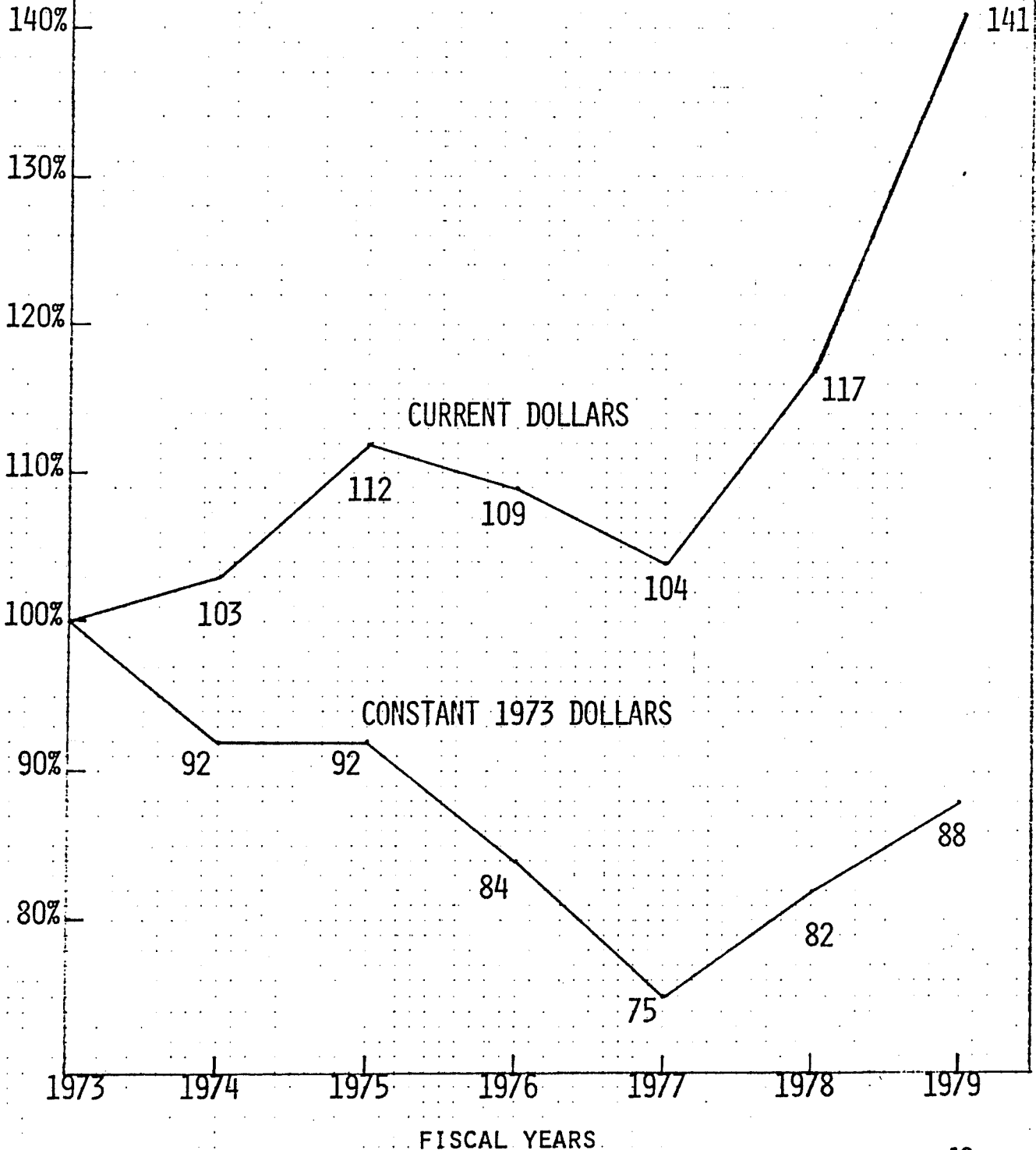
AVERAGE HIGHER EDUCATION APPROPRIATIONS/ALLOCATIONS PER VERMONT STUDENT SERVED, FY 1973 - 1979

Item	Fiscal Years						6 Years Change	
	1973	1974	1975	1976	1977	1978		1979
Total State Approp. for Higher Education - Current Operations - Includes Estimated Share of State Debt Service (\$000)	1981.7	21131.9	23254.2	23150.4	23016.2	26180.2	29790.5	+ 9808.8 + 49.1
Less Est. Amounts for Agriculture Services, EIV, Morgan Horse Farm and Medical College (\$000)	-6638.8	-6675.3	-6797.8	-5925.2	-6324.6	-6836.0	-7194.1	+ 555.3 + 8.4
Net, State Appropriation/Allocation for Higher Education - Student Education (\$000)	1342.9	14456.6	16456.4	17225.2	16691.6	19344.2	22596.4	+ 9253.5 + 69.4
Total, Vermont Undergrad./Graduate Students Served by Approp. (less Medical)	9,041	9,505	9,981	10,671	10,907	11,160	10,896	+ 1,855 + 20.5
Net State Fund Allocation per Undergrad./Graduate Student Served	1,476	1,521	1,649	1,614	1,530	1,733	2,074	+ 598 + 40.5
Consumer Price Index, (Boston; 1973=100)	100.0	111.6	121.6	130.7	137.6	143.8	159.4	+ 59.4
Net State Fund Allocation per Undergrad./Graduate Student Served (1973 Constant Dollars)	1476	1363	1356	1235	1112	1205	1301	- 11.9

Source: Appropriations data from Reports of Finance and Annual Reports of State Treasurer and Commissioner of Finance; Adjustments from same sources and UVM Cost Study. "Vermont undergraduate/graduate students directly served" is the sum of the number of full-time equivalent Vermont students (except medical students) at the University of Vermont and Vermont State Colleges plus the number of Vermont students attending other institutions who received grants from the Vermont Student Assistance Corporation.

Vermont Higher Education Planning Commission
 Agency of Administration
 December 7, 1979

AVERAGE STATE APPROPRIATION PER
VERMONT STUDENT DIRECTLY SERVED; INDEX OF CHANGE
FY 1973 - FY 1979 (1973 = 100%)



SOURCE: PREPARED BY THE VT HIGHER EDUCATION PLANNING COMMISSION FROM DATA IN TABLE 10.

number of students directly served increased from 9041 in FY 1973 to 10,896 in FY 1979, an increase of 20.5%.

Dividing the student education appropriations/allocations by the number of students directly served resulted in an average allocation per student of \$1476 in FY 1973 and \$2074 in FY 1979, an increase of 40.5%.

However, the Consumer Price Index (Boston, FY 1973 = 100), increased 59.4% during the same period. Adjusting the previously calculated average allocation per student by the CPI expresses the same allocations in constant FY 1973 dollars: \$1476 in FY 1973 and \$1301 in FY 1979, a decrease of 11.9%. Table 11 presents the same calculations graphically.

e) Summary of Findings

The study group's analysis of historic trends in state appropriations during the past decade, comparative funding trends in other states, and trends in student enrollments reveals:

1. the percentage share of the total General Fund which is appropriated to support higher education has declined from 14.9% in FY 1970 to 13.8% in FY 1981;
2. appropriation increases for higher education have not always kept pace with increases in the Consumer Price Index;
3. higher education General Fund expenditures have increased at a lower percentage rate than those of any other major area of state activity during the period from FY 69 to FY 78;
4. Vermont's public higher education institutions rely more heavily on tuition revenues and receive a lower percentage of their budgets from state appropriations revenues than is the case in other states;
5. Vermont ranks 50th among the fifty states in terms of the percentage increase in state appropriations for higher education during the period from 1970 to 1980;
6. the number of Vermont students enrolled in the state's higher education institutions has increased during the past ten years by 14% at UVM, and by approximately 25% at Vermont State Colleges and the independent colleges in the state.
7. state higher education appropriations/allocations per Vermont student directly served have not kept pace with inflation; in constant 1973 dollars, appropriations per student directly served have decreased by 11.9% from FY 1973 through FY 1979.

In light of the above, the study group concluded that the share of the total state General Fund to be appropriated to support the needs of higher education should be increased to a higher level of support and in no case should it be reduced below the current level.

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.

PART II
STATE APPROPRIATIONS
POLICY

1. HIGHER EDUCATION POLICY GOALS

State appropriations policy for higher education can be carried out most effectively in response to clearly defined goals, operating principles, and information resources. During its deliberations, the study group adopted the following policy goals for Vermont's higher education system:

I. GOALS

A. Diversity

Vermont should encourage a diversified system of higher education*.

Programs offered at both public and independent institutions of higher education should be included in the enumeration of the diversity of educational opportunities available in Vermont.

Citizens of the State of Vermont should have available, and be informed of, a broad range of higher educational opportunities which, in addition to undergraduate education, will include programs in advanced study, research and service.

Opportunities for higher education in Vermont should include preparation in general undergraduate curricula as well as in technical and professional curricula.

B. Quality

Institutions offering higher education in the State of Vermont should seek to provide programs of the highest quality, compatible with relevant professional standards.

C. Choice

Residents of the State of Vermont should be able to exercise critical selection from the range of higher education opportunities; this choice should be predicated upon:

1. The ability, preparation, and aspirations of the participant.
2. The needs--service, professional, general education, or technical--of the State and region.
3. Continuation of VSAC as an independently organized financial aid program that permits reasonable educational choice by preventing excessive disparity between total student resources and educational costs.

*All reference to higher education institutions include those defined as "approved college" in 16 VSA § 2822 (h).

D. Availability

Residents of the State of Vermont should not be denied access to the resources of higher education as a consequence of:

1. Lack of finances
2. Lack of information
3. Unavailability of programs in Vermont
4. Lack of suitable remedial programs

E. Accountability

Institutions offering higher education in the State of Vermont must demonstrate evidence of prudent management of resources and be responsive to changes in the environment in which they exist:

1. Demographic trends
2. Service needs of the State and region
3. The goals of society
4. Availability of resources

2. OPERATING PRINCIPLES

A set of commonly accepted operating principles constitutes the second critical criterion which is needed to guide the appropriation of public funds to achieve policy goals. Although various public officials and representatives of both public and independent higher education institutions in Vermont have developed implicit guidelines to govern higher education funding policies, these guidelines have never been integrated into an explicit statement of operating principles which has the common agreement of all interested parties.

The study group has developed a set of basic operating principles to guide future state higher education funding policies in Vermont. We strongly urge the Governor and the General Assembly to utilize these principles as the basic criteria to guide the appropriation of state funds to support higher education activities in the years ahead.

II. OPERATING PRINCIPLES

Public Institutions

- A. If limits on admissions exist, qualified Vermonters should be assured admission before out-of-state students.
- B. Auxiliary services should be self-supporting.

- C. Increased institutional costs which result from cost of living changes and cannot be absorbed or offset should be matched by increases in in-state and out-of-state tuition and fees, state appropriations and other general revenue sources.
- D. Vermont higher education public policy should be designed to enable Vermont students to take maximum advantage of federal student financial aid programs.
- E. Vermont state appropriations should not subsidize out-of-state students (except NEBHE).
- F. Vermont institutions should provide programs that meet critical employment needs and offer high employment opportunities for Vermont students.
- G. State institutions are expected to operate prudently to control costs, improve efficiency, maintain balanced budgets and provide high quality educational services without incurring unauthorized future obligations.

Independent Institutions

- H. Tuition Differential Grants should be available, through VSAC, to provide Vermonters reasonable freedom of choice to attend Vermont independent colleges.

All Institutions

- I. Program offerings of both public and independent institutions should afford all students maximum selection without unnecessary duplication.
- J. Outreach services providing financial aid and occupational and educational information should be available to Vermonters to both encourage and inform them of higher educational opportunities.
- K. Institutions should provide instruction to as many Vermonters as possible, with special attention to improving needed outreach services, within the capacity of existing facilities.
- L. Incentive Grants should be available, through VSAC, to Vermonters attending higher education institutions both in Vermont and out-of-state.
- M. Necessary steps should be taken by VSAC to ensure that student loans will be available to all who qualify for them.

3. INFORMATION SOURCEBOOK AND COMMON DATA BASE

The third essential component in state funding policy - in addition to a common set of policy goals and operating principles - is an accurate information resource base and a set of common benchmark indicators which can be used to evaluate the expenditure of

funds in a comparative fashion. Unless higher education institutions, for example, use common definitions to count full-time and part-time students, comparative evaluations of the relative numbers of students served become misleading and meaningless.

Because an accurate information base is so important to the information and evaluation of public policies, the study group devoted major attention to the development of a sourcebook containing basic information on a wide variety of higher education activities including the characteristics of Vermont institutions, student enrollment trends, basic financial data on expenditures and appropriations over time, state-to-state comparative funding information, the economic importance of the higher education industry to Vermont and other relevant factual data. Since consistent, up-to-date information is a prerequisite for intelligent planning and decision-making, the state should be prepared to ensure the continuation of the Higher Education Planning Commission's program of data collection, analysis and dissemination.

Current information prepared for this study is contained in a Higher Education Information Sourcebook. Copies are to be provided to the Appropriation and Education committees of the Senate and House of Representatives. Additional copies will be available on request from the office of the Higher Education Planning Commission.

PART III
CONCLUSIONS AND
RECOMMENDATIONS

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.

