DOCUMENT RESUME

ED 402 827 HE 029 744

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TITLE	Sharing the Costs of Postsecondary Education in Vermont: A Case Study of a "High Tuition, High Aid" State Strategy. ASHE Annual Meeting Paper.
PUB DATE	31 Oct 96
NOTE	27p.; Paper presented at the Annual Meeting of the Association for the Study of Higher Education (21st, Memphis, TN, October 31 - November 3, 1996). Some figures contain small print.
PUB TYPE	Reports - Evaluative/Feasibility (142) -- Speeches/Conference Papers (150)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Educational Finance; *Financial Policy; *Financial Support; Grants; Higher Education; *State Aid; *Student Financial Aid; Student Loan Programs; Tax Allocation
IDENTIFIERS	*ASHE Annual Meeting; *Vermont

ABSTRACT

This study examines the philosophy, strategic principles, and public funding mechanisms that form the "Vermont model" of postsecondary education finance and involve a "high tuition, high aid" finance strategy as an alternative to the predominant practice of heavily subsidized student-related postsecondary costs through taxpayer support of public colleges and universities. A pragmatic cost-containment strategy has guided state appropriations, tuition-pricing, and state assistance practices. From Fiscal Year 1985 to Fiscal Year 1993, Vermont state subsidies provided reasonable access and choice with public subsidies equitably distributed to lower-income grant recipients. However, trend analysis of enrollment and student assistance data suggest that between Fiscal Year 1989 and Fiscal Year 1993 educational opportunities may have declined for lower income Vermont residents and during this period responsibilities for financial postsecondary education shifted from federal and state taxpayers to families and institutions. The cost-containment and portability features of Vermont's strategy have contributed to the state's publicly-assisted institutions becoming more dependent upon out-of-state revenues and may have encouraged out-migration enrollment for Vermont Student Assistance Corporation recipients. As the burden shifts from taxpayers to families, access, choice, and affordability are declining for Vermont lower income grant recipients. A flexible framework is needed to address the new socioeconomic realities and challenges facing Vermont. Tables show distribution of aid and grants. (Contains 14 references.) (JLS)

SHARING THE COSTS OF POSTSECONDARY EDUCATION IN VERMONT:

A CASE STUDY OF A "HIGH TUITION, HIGH AID" STATE STRATEGY

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Paper to be presented at the
Annual Meeting of the Association for the Study of Higher Education
Memphis, Tennessee
October 31, 1996

ASHE
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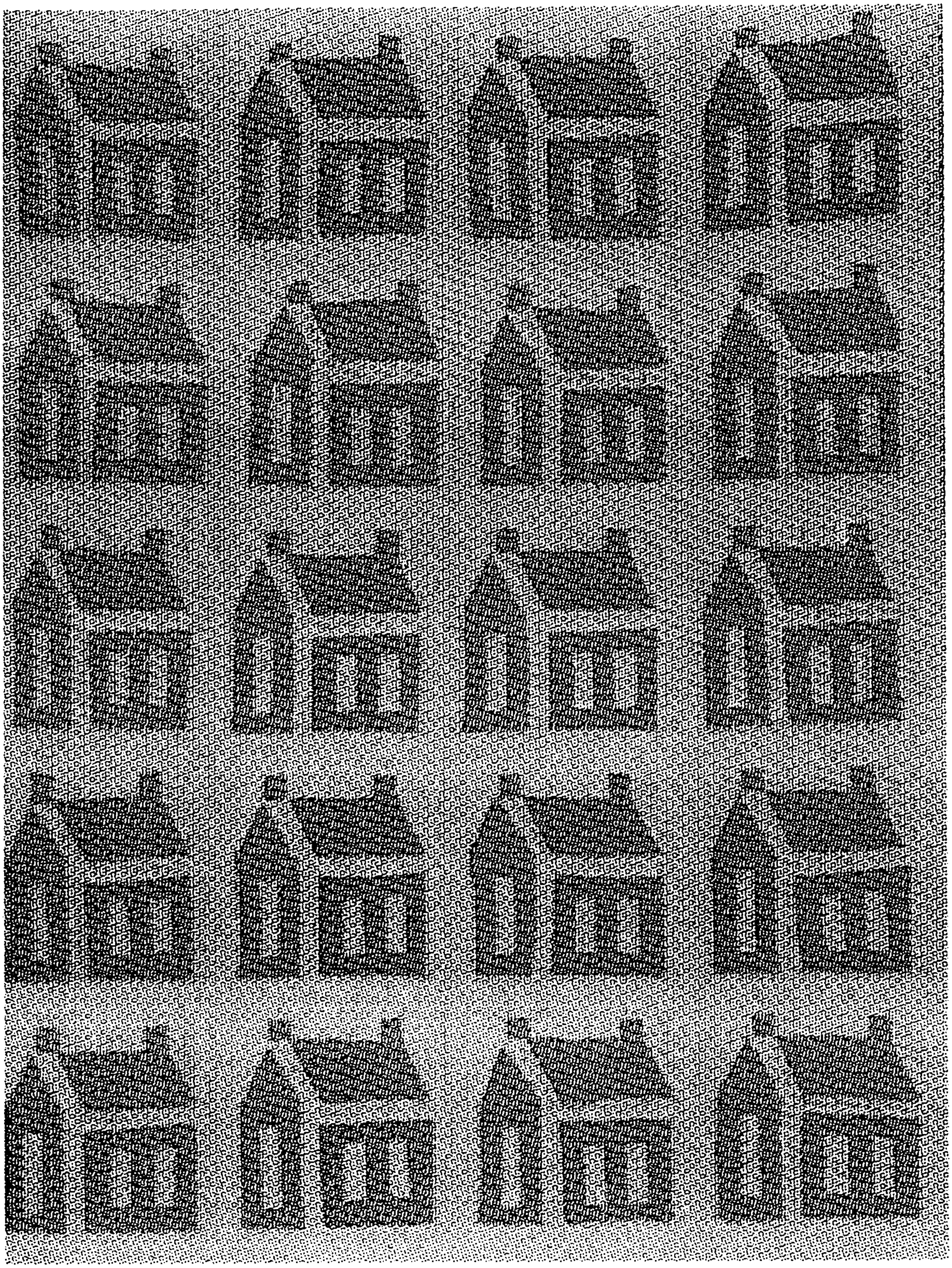
This paper was presented at the annual meeting of the Association for the Study of Higher Education held in Memphis, Tennessee, October 31 - November 3, 1996. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.



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SHARING THE COSTS OF POSTSECONDARY EDUCATION IN VERMONT:
A CASE STUDY OF A "HIGH TUITION, HIGH AID" STATE FINANCE STRATEGY

Purpose of the Study

The purpose of this study was to examine the philosophy, strategic principles, and public funding mechanisms that formed the so-called "Vermont model" of postsecondary education finance. This case study responded to the call for policy research regarding the benefits and disadvantages of the "high tuition, high aid" state finance strategy as an alternative to the predominant practice of heavily subsidizing student-related postsecondary costs through taxpayer support of public colleges and universities. A deeper understanding of the conceptual foundation, the various tuition-assistance subsidy mechanisms, and the actual subsidy distribution patterns that constituted Vermont funding practices can aid state policymakers in their continuing efforts to create more equitable and effective postsecondary finance policies and tuition-assistance practices for students (and their parents), taxpayers, and institutions (or philanthropists).

Conceptual Framework

Within the context of the recent national discussion concerning affordability and access, McPherson and Schapiro (1991) proposed that effective postsecondary education finance policy should promote educational opportunity and foster the equitable distribution of educational costs. Recent studies have suggested that public subsidies and merit-based scholarships could provide access and choice to a range of postsecondary institutions (Baum, 1990; Lee, 1987; Lee & Sango-Jordan, 1988; Hauptman, 1993). However, researchers and policy analysts are divided over the question of whether the "high tuition, high aid" finance strategy would improve or diminish postsecondary educational opportunity for economically disadvantaged students (Curry, 1988; Fischer, 1990; Lopez, 1993; McPherson & Schapiro, 1991, National Commission on Responsibilities for Financing Postsecondary Education, 1993; Wallace, 1993; Wittstruck & Bragg, 1988).

Methods and Data Sources

This case study surveyed relevant historical documents, examined empirical postsecondary education finance data, and presented the perspectives of key policy informants in describing Vermont's strategy and analyzing the effects of tuition-assistance subsidy distribution practices on promoting educational opportunity for lower income Vermonters and fostering the equitable distribution of costs between Vermont families, state taxpayers and philanthropists. A distinctive focus of this case study was to capture a "thick description" of how Vermont state officials and postsecondary policymakers have conceptualized the governance role and financial relationship that the state developed with respect to the higher education enterprise. Documentary evidence and the perspectives of key informants were utilized to profile the postsecondary education enterprise found in Vermont and to establish the policymaking relationship among the key actors -- state government officials, public college sector and state student assistance corporation boards and executives, and independent college sector representatives -- involved in this autonomous governance and coordination configuration.

Vermont's public policy objectives and the institutional policymaking mechanisms involved in determining state appropriations, tuition-pricing, and state student aid policies were also described. The relationship between state funding patterns, institutional tuition-pricing and discounting practices, and the interrelated workings of the need-based student financial aid system were examined in terms of the distribution of public tuition-assistance subsidies and the allocation of other student financial aid to lower income Vermonters by family income group status and the type of postsecondary institution attended.

This investigation examined the impact of state policies and funding patterns on lower income Vermonters during three points over a span of nine years -- Fiscal Year (FY) 1985, FY 1989, and FY 1993.

Financial aid records of full-time grant recipients, classified by parental income and institutional enrollment status, provided representative student aid packages. Calculations of total public subsidies and other student financial aid (total resources) awarded to Vermont incentive grant recipients -- full-time students from a family of four with one child in college -- were contrasted with similar resources received by analogous student groups over the three selected years.

Conclusions and Results

The major findings of this study, along with the conclusions that were drawn from these findings, are summarized in response to the four research questions (RQ) that guided this inquiry.

RQ #1. What strategic principles have guided Vermont's financing and governance responsibilities with respect to tuition-pricing, student financial aid, and program availability for public institutions of higher education?

Conclusion 1: The Vermont "high tuition, high aid" finance strategy is a historical phenomenon that originated from the early pattern of dual-purpose appropriation practices, was recast as a mixed institution-student funding model, and has more recently emphasized the features of a student funding model.

Conclusion 2: A pragmatic cost-containment strategy has guided state appropriations, tuition-pricing, and state student assistance practices. Designed to limit state obligations and maintain flexibility, Vermont postsecondary finance policymakers have relied on a "public market model" that compels publicly-assisted institutions (University of Vermont, Vermont State Colleges, and Vermont Student Assistance Corporation) to secure non-state revenues and places the primary responsibility for paying for college on families.

Conclusion 3: Autonomy is the regulatory posture that Vermont government officials prefer with respect to governing and coordinating the state's public policy interests in postsecondary education.

Conclusion 4: A "student-centered" funding model designed to provide Vermonters with access and choice to a broad range of postsecondary programs at the least cost to the state has become the predominant strategy guiding state appropriations to publicly-assisted institutions and the state student assistance agency.

RQ #2. What has been the effect of Vermont's "high tuition, high aid" strategy with respect to increasing access and equity of higher educational opportunity for lower income Vermonters through targeted public subsidies?

Conclusion 5: From FY 1985 to FY 1993, the pattern of public subsidies distributed to "average" full-time Vermont postsecondary students under the "high tuition, high aid" finance strategy appears to have contributed to providing reasonable access and choice to a range of programs -- particularly at out-of-state institutions -- which Vermont Student Assistance Corporation (VSAC) grant recipients found to be more attractive, accessible, or affordable.

Conclusion 6: Compared against their higher income cohorts, public subsidies disbursed under Vermont's state funding practices and tuition-assistance patterns were equitably distributed to lower income VSAC grant recipients -- both within and across institutions and sectors -- during each period.

Conclusion 7: Trend analysis of enrollment and student assistance data reviewed for the sample of lower income VSAC grant recipients investigated in this case study, together with the secondary analyses of prior Vermont policy research, suggests that between FY 1989 and FY 1993 educational opportunities may have declined for lower income Vermonters.

RQ #3. How have Vermont finance policies influenced the distribution of student-related postsecondary education costs among parents and students, state taxpayers, and postsecondary institutions?

Conclusion 8: Between FY 1985 and FY 1993 the responsibilities for financing postsecondary education costs for this sample of VSAC grant recipients has shifted from federal and state taxpayers to families and institutions.

Conclusion 9: The cost-containment and portability features of Vermont's "high tuition, high aid" funding strategy have contributed to the state's publicly-assisted postsecondary institutions becoming dependent upon out-of-state student revenues and may have encouraged a substantial out-migration enrollment pattern for VSAC grant recipients.

> *RQ #4. As perceived by key informants, what conclusions and implications can be drawn from the data concerning the degree to which state-level public policy sustained access, advanced equity of postsecondary educational opportunity, and promoted equitable cost-sharing for all Vermonters?*

Conclusion 10: As the financial burden shifts from taxpayers to families, most of the key informants are concerned that access, choice, and affordability are declining for Vermont lower income grant recipients.

Conclusion 11: Key informant opinion is divided over the type of governance and coordination mechanism that would contribute to a more frank and constructive discussion of public policy, but most respondents believe that some type of flexible, integrated policy framework must be found to address the new socioeconomic realities and the persistent fiscal challenges facing Vermont.

Significance for Theory and Practice Within Higher Education

The findings and conclusions of this case study suggest that Vermont postsecondary finance policymakers should consider pertinent aspects of the current postsecondary finance strategy with respect to the cost-sharing principles suggested by Johnstone (1986) and the resource-management framework proposed by St. John (1991).

Cost-sharing

Johnstone's (1986) comparative analyses of cost-sharing principles in postsecondary education financing outlined the key strategic issues that public policymakers must contend with in promoting the level of expenditures that should accrue to families, taxpayers and philanthropists: (a) enrollment levels to be supported by taxpayers and consumers, (b) participation and equal opportunity, (c) distributing postsecondary education's costs and benefits, (d) responsiveness to demands for quality, type and price of programs, and (e) the viability of the independent postsecondary education sector. Consequently, these public interests are analogous to the strategic issues that relate directly to the educational opportunity and cost-sharing concerns of this case study. Using this strategic framework permits the analysis of the predominant trends and events that, over time, have incrementally shaped the patchwork patterns of the Vermont finance strategy and the design of related funding and subsidization practices.

The initial ambiguity over the proper role of state government in financing higher education has been a lasting feature of Vermont policy. Still, it is clear that state legislators have consistently viewed the college funding dilemma as one that should not place excessive burdens on Vermont taxpayers and should be shouldered by the private philanthropist and the consumer. While leveraging student consumer (particularly out-of-state students) and philanthropic support, by the mid-1960s the cost-sharing strategy shifted a greater burden on federal taxpayers to support program capacity and student enrollments.

Participation and student equity have not been among the prominent concerns of state policymakers until the latter half of the twentieth century. The economic barriers confronting lower income Vermonters did not become a political issue until the G. I. Bill stimulated public interest in postsecondary education. The adoption of a tuition reduction appropriation at The University of Vermont (UVM), the expansion of enrollment capacity through the The Vermont State Colleges (VSC) system, and the consolidated student aid programs entrusted to the VSAC further demonstrated state policy responses to the increased demand for financial and geographic access to postsecondary programs. The incremental manner in which Vermont legislators formulated the funding of higher education demonstrated that benefits accrued to both the individual and society. The state, its communities, industries, and citizens all shared to gain from these policies; therefore, each had a financial responsibility. The more recent emphasis on taxpayer investment in providing economic security, reducing poverty, and promoting equal opportunity has prompted a more diversified policy approach to determining the costs and benefits that should be supported by taxpayers, families, and private philanthropy.

The issues of quality and price are more recent concerns. The introduction of differential tuition-pricing practices for resident students enrolled in public colleges in the 1950s required both public and independent colleges to reconsider these factors. UVM and Vermont's independent colleges relied heavily on the in-migration of students. Pricing, discounting, and financial aid practices continued to evolve as both the federal and state governments shifted their funding towards providing direct assistance to students rather than subsidizing institutional programs. The recent shift towards a public system of postsecondary education in Vermont, together with the institution of a new student assistance agency and the subsequent loss of direct instructional and scholarship support, has threatened the financial welfare of some of Vermont's independent colleges.

Resource-management

St. John (1991) suggested that a resource-management framework can assist state officials and postsecondary institution policymakers in crafting appropriate strategies to assure that public institutions have adequate resources to meet traditional state goals and objectives. This framework illustrates the interconnected relationships among three characteristic state policy goals: equity, quality and economic development; five resource-management strategies: cost management, program and facilities planning, institutional subsidy, student financial aid, and enrollment management; and related intervening and external factors that confront state policymakers.

The foundation of the Vermont postsecondary education finance model is the necessity to contain costs. This imperative has a direct relationship with the other four resource-management strategies. These strategies were incrementally patched together as internal or external factors have required new approaches to changing environmental conditions. The original dual purpose state appropriation pattern was produced by the need to provide programs and to contribute operational support to Vermont's senior colleges. Together with the next strategy, student financial aid, the early funding strategies were redesigned into the institution-student funding model following the establishment of the three public corporations. Finally, with the addition of an enrollment management strategy in the 1970s, the student funding model was established.

Recommendations for Further Research

Finally, suggestions for Vermont postsecondary education policymakers and recommendations for further postsecondary education finance policy research are presented. These suggestions and recommendations concentrate on the governance and financing mechanisms that relate to the educational opportunity and cost-sharing research interests that guided this case study.

Recommendations for Vermont policymakers. In the final analysis, the intent and design of Vermont's postsecondary finance strategy will always be driven by cost-management forces. However, state officials and postsecondary education stakeholders must be willing to gather around the current model of Vermont's patchwork policy quilt and renew the policy discussion regarding the appropriate purposes, financing mechanisms, and relevant governance and coordination processes that can provide the ways and means to a more cooperative relationship that will honor the civic-mindedness of the Vermont citizenry while contributing to the state's future socioeconomic prosperity. Within the framework of St. John's resource-management model, Vermont policymakers should adopt a multiple-perspective approach to reviewing the state's current "dual purpose funding mechanisms." This review must evaluate the strengths and weaknesses of the current patchwork policy quilt of state appropriations, compact agreements, and tuition-assistance practices; and reconsider the broad set of state interests that are served through the diverse set of state postsecondary finance strategies available to state policymakers.

With respect to the current "public market model" and student-centered funding strategy, Vermont policymakers should make explicit which state interests drive institutional subsidy and student assistance funding practices and hold the three public corporations accountable for their individual and collective performance. Rather than imposing a centralized regulatory mechanism, a new set of compact agreements -- developed jointly by public corporation officers and state legislators -- should reflect the shared responsibilities borne by policymakers on both sides of the handshake.

Current issues challenging postsecondary education finance policymakers. As we near the dawn of the twenty-first century, rapidly-changing social, political and economic circumstances challenge postsecondary education finance policymakers at the national, state and campus levels. Outlined below are several issue of particular relevance to Vermont officials that also warrant further research by postsecondary scholars and policy analysts concerned with the viability of the postsecondary education finance system.

The development of a more current standard that reflects the public and private benefits that accrue to taxpayers and student consumers. As tuition-assistance practices have (implicitly or explicitly) integrated tuition pricing and student financial assistance, the cost-sharing framework first suggested by the Carnegie Foundation in the early 1970s should be revisited. Given the new emphasis on affordability and the cost-shifting that is resulting from declining federal effort, the proportionate responsibilities that must be shared by state taxpayers, families and philanthropists merit consideration. A renewed interest in human capital investment and economic development suggests that the role of business and industry in financing new postsecondary delivery systems also seems warranted.

The flexibility of the "high tuition, high aid" funding strategy as a public finance policy instrument that can adapt to meet emergent state needs. Key policy informants were divided on the adaptability of this state finance strategy. Case studies and policy analyses from other states may respond to this question.

The impact of "need-sensitive" admissions policies -- currently being adopted by some postsecondary institutions -- on postsecondary opportunity for low income students. As colleges struggle to manage resources and enrollments, some have scrapped their need-blind admission policies in an effort to enroll students with the financial means and the academic preparation to persist through their intended program objective. In this environment, access and choice may disappear for low income students at these more selective colleges.

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Table 32

Issues Confronting Vermont Policymakers in Crafting A Cost-sharing Strategy for Postsecondary Education, 1777 - 1965

	VERMONT POSTSECONDARY EDUCATION FINANCE POLICY ISSUES, 1777-1965				
Time Periods	Enrollment levels to be supported at taxpayer and consumer expense	Participation and equal opportunity for disadvantaged families/students	Relationship between the distribution of public and private benefits derived from postsecondary education and costs shared by taxpayers, families and philanthropists	Postsecondary system's responsiveness to demand for quality, type and price of college programs	Viability of the independent postsecondary education sector
Colonial College Era 1777-1852	Original university plans rescinded from 1786 Constitution after land-grant created; temporary union with NH towns leads to land-grant to Dartmouth; UVM chartered and endowed with state college lands	Land grant endowment was intended to enable schools and colleges "to instruct youth at low prices," but land rents were insufficient to endow a college	Societal benefits included morality, virtue, and happiness; public land-grants, private donations, and tuitions combine to endow and fund UVM	UVM as non-denominational college offering liberal education, medical lectures; Middlebury as Congregational college providing liberal arts; Norwich offers training in the military arts	Methodists establish seminaries that would later become Vermont College and Green Mountain College; medical schools chartered at Castleton and Woodstock
Land-Grant College Era 1866-1932	Morrill Act establishes taxpayer support for State Agricultural College; Senatorial scholarships support 30 students each at Norwich, Middlebury and UVM; Normal schools come under state control	Little concern expressed for economic barriers; Senatorial scholarships based on merit, geographical equity and fairness among Vermont's colleges	UVM considered private, State Agricultural College public with philanthropists and taxpayers sharing costs; family assumes responsibility for student charges	Morrill Act provides federal subsidies for State Agricultural College; state funds programs in teacher training, medicine, forestry, and agricultural, mechanical, and industrial arts	State appropriations support scholarships and instructional costs at Norwich and Middlebury capacity grows as St. Michaels, Southern Vermont, Trinity, Bennington, Goddard, and Champlain Colleges chartered
G. I. Bill Era 1946-1954	State Agricultural College receives supplemental state funds; Normal schools become State teacher's colleges; Senatorial Scholarship funds grow to $96,000 at Norwich, Middlebury, St. Michaels, and UVM's Arts & Science/ Engineering colleges	GI Bill stimulates interest in access concern for equal opportunity; UVM tuition highest of any land-grant university in U. S.; Senatorial scholarships awarded to qualified, worthy, and needy	Economic readjustment seen as public good; state appropriates $820,000 for agriculture and medicine, students enrolled in these colleges receive tuition subsidy	GI Bill demand prompts establishment of Vermont Higher Education Council to address enrollment capacity issues; UVM fiscal problems prompts request for increased state aid; 40% of college-bound Vermonters enroll out-of-state	Enrollments grow then stabilize after World War II; Marlboro, Windham and College of St. Joseph chartered
National Security Era 1955-1965	Taxpayer role increases as UVM receives tuition reduction appropriation, VSC system is established and Vermont joins NEBHE compact; importance of out-of-state enrollments prompts tuition price differentials at UVM and VSC; VSAC established to support enrollment of qualified Vermont students	Low continuation rate (40%) prompts support for UVM tuition reduction appropriation, creation of VSC system, and VSAC loan, grant and information programs to provide greater educational opportunity for more Vermont students; Senatorial scholarships come under fire	UVM asserts public benefits of improved access to increase taxpayer support; importance of post-high school education to socioeconomic interests of Vermont prompts consolidation of VSC system; and shifting scholarship funds to VSAC seen as increased taxpayer investment in talent development and poverty reduction	Price and financial access take priority; importance of quality recognized as critical to attract out-of-state students UVM stresses quality programs at subsidized prices for Vermonters; VSC hopes to expand beyond teacher training and improve quality and access; VSAC portable aid extends access and lowers price	Independent sector concerned over enrollment shift to lower-priced public colleges and lobbies to protect share of state funding for programs/scholarships; Sterling College chartered

Notes. NH = New Hampshire; UVM=University of Vermont; VSC=Vermont State Colleges; VSAC=Vermont Student Assistance Corporation; NEBHE=New England Board of Higher Education.

Table 7

Chronology of Vermont Postsecondary Education Finance Policy Documents Since 1969

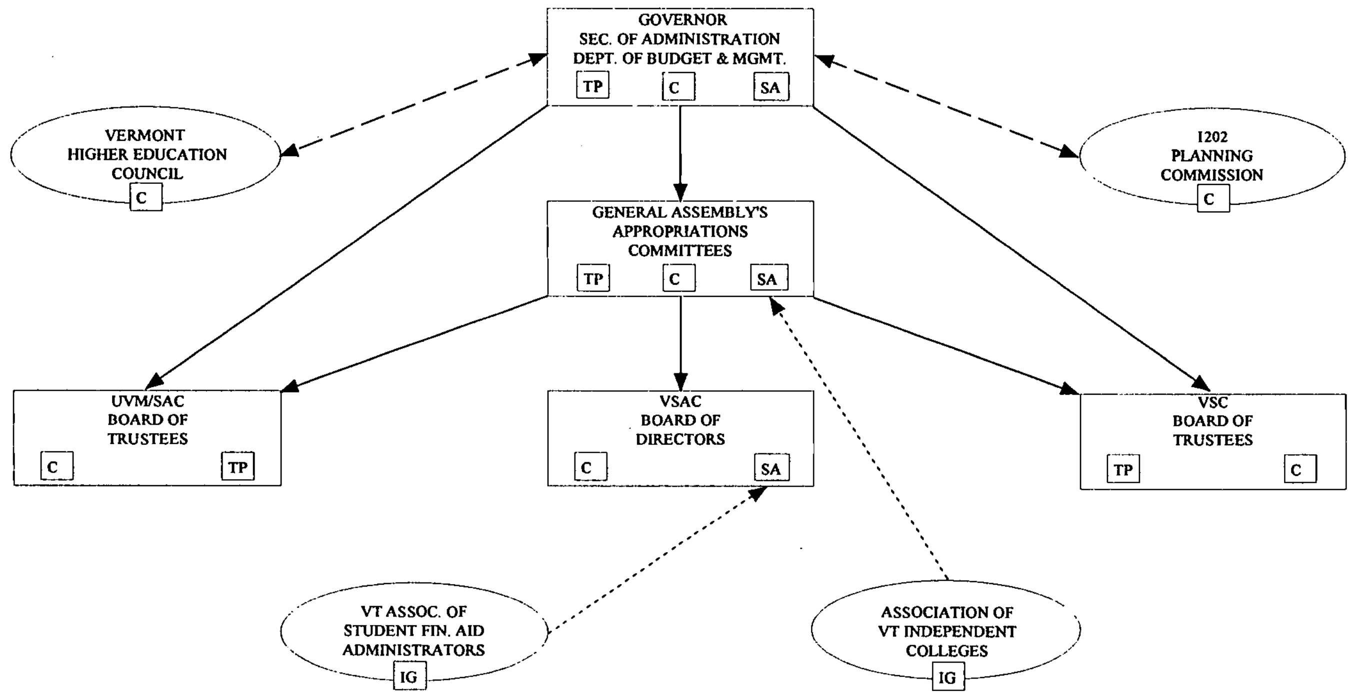
Policy Documents	Year	Governmental philosophy and policy purposes: Definition of the policy problem	Governmental philosophy and policy purposes: Explicit/implicit philosophy or purposes	Policymaking and regulatory processes	Funding mechanisms recommended to implement finance strategy
Higher Education in Vermont: Its Resources & Needs (Institute for Economic Development Report to Vermont Commission on Higher Education Facilities)	1969	Vermont lacks funds for a comprehensive system of postsecondary education to meet projected enrollment growth	Diverse public and independent college programs can provide opportunity for the least cost to state taxpayers	Proposed creation of a coordinating council to plan for the efficient investment of limited state funds	Investment of state funds in balanced public-independent programs
Higher Education in Vermont: Past, Present and Future (Report to Joint Committee on Higher Education Planning)	1971	UVM and VSC need increased funding to enhance capacity, quality and diversity of public programs to meet state needs	Postsecondary education funding is an investment that yields socio-economic benefits for communities and individuals	Comprehensive planning mechanism with authority to coordinate future efforts can encourage independent sector cooperation	Direct operational support to public institutions and indirect support to independent colleges through VSAC grant programs
Interim Report Governor's Blue Ribbon Commission on Higher Education	1973	Fragmented planning limits effect of policy; high tuitions and lack of information about student aid contribute to low aspiration rate	Public priorities should guide investment of funds to meet state needs and to address the low aspiration problem	A single governing board should be created to plan, coordinate and operate public postsecondary education programs	Rather than investing in campus-based programs, Vermont should build in as much flexibility as possible to permit widespread student choice
Measures of Relative State Financial Effort in Support of Higher Education (Otis, VHEPC)	1974	State effort is limited by taxpayer capacity, high medical college costs, in-migration of students, and high tuitions	Vermont per capita spending is high for all government programs, but postsecondary effort is commensurate with ability to pay	VHEPC policy analysis can assist state officials in making funding decisions consistent with taxpayer capacity	"State effort" measures must consider percent of per capita personal income appropriated to higher education
Statewide Coordination & Planning of Postsecondary Education in the State of Vermont - Interim Report (Elmendorf)	1975	Low priority of postsecondary issues and legislators' reluctance to delegate authority to college leaders limits statewide planning	Postsecondary education opportunity defined as a right guaranteed to all qualified Vermonters	Governor and legislature control state spending through appropriations process; college officials prefer autonomy	Recommends a single coordinating board to review programs and budgets, make budget requests to state, and speak with a voice
The State's Interest in Postsecondary Education (Otis, VHEPC)	1975	Access is limited by lack of funds and information on aid, distance from a college, and narrow range of programs	State goals: promote access, provide skills and knowledge, use funds efficiently, and foster accountability	Goals were to be part of Governor's policy statement, but VHEPC was contacted by his planning staff "as an afterthought"	VHEPC will study postsecondary system, set priorities, adopt goals and measurable objectives objectives, and recommend to legislators
Postsecondary Education Goals for the State of Vermont (VHEPC)	1975	Lack of consistent planning hinders the effective use of funding to address public interests through postsecondary education	Statewide plan and planning mechanism needed to attain postsecondary goals and social, cultural and economic welfare	VHEPC will study postsecondary system, set priorities, adopt goals and measurable objectives objectives, and recommend to legislators	VHEPC efforts to measure effective use of postsecondary resources can contribute to greater accountability
Financing Access to Postsecondary Education in Vermont (VHEPC)	1976	Declining state funds to postsecondary education is reflected in high tuitions, lower VSAC grants and dropping continuation rates	State funding is essential to restore access, contribute to a balanced postsecondary system and ensure a healthy economy	VT VHEPC, Governor and Legislature	Policy proposals recommended by VHEPC to governor and legislature
Regional Cooperation in Higher Education, NEBHE, the Regional Student Program & Other Related Matters (Otis, VHEPC)	1977	Support for Regional Student Program fades as institutions face financial problems and seek to withdraw programs from compact	Compact saves money for state taxpayer and families, fosters access to range of programs and promotes economic development	Governor and Vermont's NEBHE delegates recommend proposal developed by VHEPC	Established a regional tuition price above in-state and below out-of-state tuition prices to preserve cost-sharing and help colleges
Description of Postsecondary Education Resource Acquisition/Allocation Process at the State Level (Otis, VHEPC)	1978	Level of funding that state taxpayers can afford is further diminished by the lack of a formal, coordinated funding mechanism	Competitive "free market" model that emphasizes student aid is cost-effective means to secure access and choice	Governor dictates budget and legislature sets appropriations bills with input from UVM, VSC and VSAC Boards	Executive and legislative officials control incremental budgeting scenario involving board members and postsecondary officials
Vermont Higher Education Funding Study (Smallwood, VHEPC)	1979	What share of general fund appropriations should support the needs of postsecondary education and how should they be allocated	Balanced funding to colleges and students based on goals: quality, diversity, choice, availability and accountability	State appropriations to postsecondary education should use policy guidelines and consider established benchmark data	Tuition, state aid and leveraged federal student aid share costs; admissions preference for Vermonters, self-supporting auxiliary services

Table 7 (continued)

Chronology of Vermont Postsecondary Education Finance Policy Documents Since 1969

Policy Documents	Year	Governmental philosophy and policy purposes: Definition of the policy problem	Governmental philosophy and policy purposes: Explicit/implicit philosophy or purposes	Policymaking and regulatory processes	Funding mechanisms recommended to implement finance strategy
Report on Certain Aspects of Public Financing of Higher Education in Vermont (Associates in Management Report for Legislative Council)	1983	Are appropriations to UVM, VSC and VSAC used consistent with legislative intent to provide programs and services to Vermont	State should focus on major policy issues and target funds to general purposes as UVM, VSC and VSAC operate in marketplace environment	Legislators control structure and select some trustees, but UVM, VSC and VSAC boards are accountable for direction and operation	Tuition policy guided by market and available funds; student aid policy considers caseload, attendance prices and other sources of funds in setting a "level of aid" and estimating "unmet need"
Vermont State Colleges Report of Futures Task Force (Strategic Planning Document)	1987	High tuitions, inadequate federal aid and misconceptions about student aid hurt efforts to improve access to college	Meaningful opportunity requires grant aid, support services, broad spectrum of quality programs and geographic access	VSC officials must continue sound fiscal policy and budget management to sustain stability and enhance program quality	Financial vitality requires increased state funding to meet program operation needs, restrain tuition, and improve academic resources
Vermont Higher Education Council's Government Relations Committee (LaCasce Papers)	1987-1989	Declining state support hurts colleges and students as tuitions rise to sustain quality and balance budgets, and student aid shifts from grants to loans increasing debt burden	Investment in education, training and research benefits Vermont's citizens, employers and economy in a rapidly changing world market	VHEC-GR coalition strategy to gain Governor's support for task force to review funding issues results in political fallout for VHEPC	Sought return to FY 1979 funding levels and balanced support for colleges and students to provide access and choice, enhance quality and sustain economic development
Trends in Postsecondary Education Financing, 1985-1989 (VSAC Research Department)	1989	Decline in federal funding and change in needs analysis shifted postsecondary costs to states, families, and colleges	Finance policy changes have direct bearing on Contributions required of taxpayers, families and colleges, should consider capacity to pay	Tuition pricing, student aid distribution and family capacity to pay are determined by college and government policymakers	Grants, loans, work and family contributions should be packaged based on available levels of public funds and family capacity to pay
Report of the Vermont Higher Education Study Commission (Hindes Report to Gov. Kunin)	1989	HT/HA strategy once provided reasonable access, but rising tuitions and untargeted aid policy may be threatening access for some	Finance policy must promote accessible, affordable and quality programs that respond to changing social and economic conditions	Joint compacts and more effective dialogue between state officials and corporate boards can clarify expectations and responsibilities	Funding should reward how well public needs are met, VSAC aid should be targeted to most needy, portability should be reviewed
Report of the Advisory Committee on the Recommendations of the Higher Education Study Commission (Report to VSAC Board)	1990	Equitable and cost-effective strategy must provide fair share of funds so student selects best program suited to their educational needs	Portability is a cost-effective vehicle that expands opportunity by providing access and choice for needy students	VSAC Board expanded, standing committees established and advisory groups created to improve governance and public input	VSAC funding model and grant distribution policy supplements family contributions and federal aid to provide equity for all eligible students
Changes in Student Debt Burdens: Vermont Student Loan Recipients, 1972-1989 (VSAC Research Department)	1991	Has college loan debt become a real problem or is repayment manageable given college graduates' earnings	Student responsibility to pay for college includes manageable borrowing levels, but inappropriate debt loads prevent access	Federal and state officials must monitor student indebtedness levels, capacity to repay, and impact on participation rates	Tuition growth must be slowed, grant aid and work programs funded and options for repayment made available to student borrowers
Vermont State Colleges Futures Task Force II Report (VSC Strategic Plan)	1992	Low state support forcing VSC to cut budget and rely on out-of-state enrollments to limit in-state tuitions and maintain access mission	Access to quality programs that are affordable and meet critical state needs reduces poverty and strengthens income	VSC officials must operate at capacity levels and strategically manage finances to sustain access and deliver quality programs	VSC must manage costs and seek additional revenues from state, federal, tuition and private sources to continually improve quality
Opportunity for Postsecondary Education: The Vermont Model of Financing Higher Education Opportunity and Indicators of its Performance (Mortenson Report for VSAC)	1993	Postsecondary opportunity vanishing for Vermonters due to inadequate funding of grant aid component of HT/HA strategy	"High aid" funding critical to sustain access and choice, reduce poverty, and improve workforce productivity	VSAC officials should monitor performance indicators, particularly those regarding affordability and postsecondary participation	Vermont should substantially increase VSAC funding so state resources can be targeted to those students with financial need
Enrollment Management Subcommittee Report to President's Commission on Critical Choices (UVM Strategic Plan)	1993	Weak economy, decreasing federal and state support to UVM and students, led to fiscal problems that jeopardizes student access	Adequate state revenues necessary to maintain comparative advantage, provide admissions preference and financial access for Vermonters, and serve state needs	UVM Board and key administrative officers must reconsider strategic alternatives and select financial policies to restore financial stability	Sought temporary relief from trustee's balanced budget mandate, reconsidering need-blind admissions and assured financial access policies, and promoting student aid in fundraising effort

Figure 9. Vermont's "de facto" postsecondary education governance/coordination structure and finance policymaking relationships, 1985 - 1993.



Appropriations Policy	Governor has statutory authority to establish fiscal priorities and recommend a state budget to the General Assembly, where House and Senate Committees on Appropriations have statutory authority to recommend lump-sum appropriations to UVM, VSC and VSAC; capital appropriations and bonding authority are also approved by executive and legislative branches
Tuition Policy	UVM and VSC Boards have statutory authority to control corporate finances (TP); boards propose corporate budgets -- projecting enrollments, tuition & fees and other revenues -- to Governor/General Assembly
Student Aid Policy	VSAC Board has statutory authority to control corporate finances and state student assistance funds (SA); board recommends a "level of aid" -- projecting grant applicant caseload, student attendance charges at Vermont colleges, and other sources of student aid -- to Governor and General Assembly
Coordination and Planning	Vermont's public corporations -- UVM, VSC and VSAC -- are governed by independent boards (CP) that respond to state interests and concerns through the Governor's and General Assembly's selection of board members and through discussions, reports and audits; Vermont has no overall governing or coordinating board with statutory authority, but advisory boards (CP) -- such as the Vermont Higher Education Council and the 1202 Higher Education Planning Commission -- provide fora for discussions and analyses of benchmark data to facilitate consensus among the diverse public and independent sector interest groups (IG)

Legend:

TP Tuition Policy — S Student Aid Policy — C Coordination & Planning — IG Interest Group

Statutory Authority — Advisory Role — Interest Group Influence

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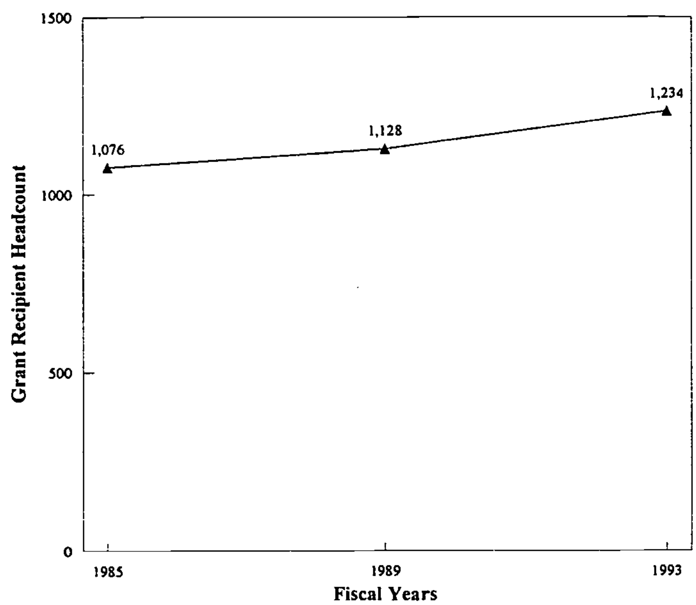
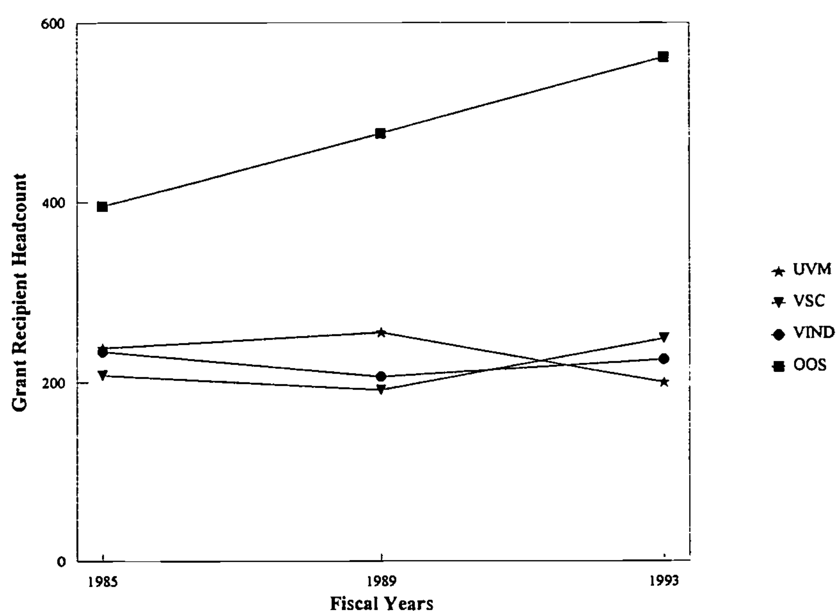
Figure 3.

VSAC grant recipient headcount and enrollment by sector.

Total VSAC Grant Recipient Headcount



VSAC Grant Recipients by Sector



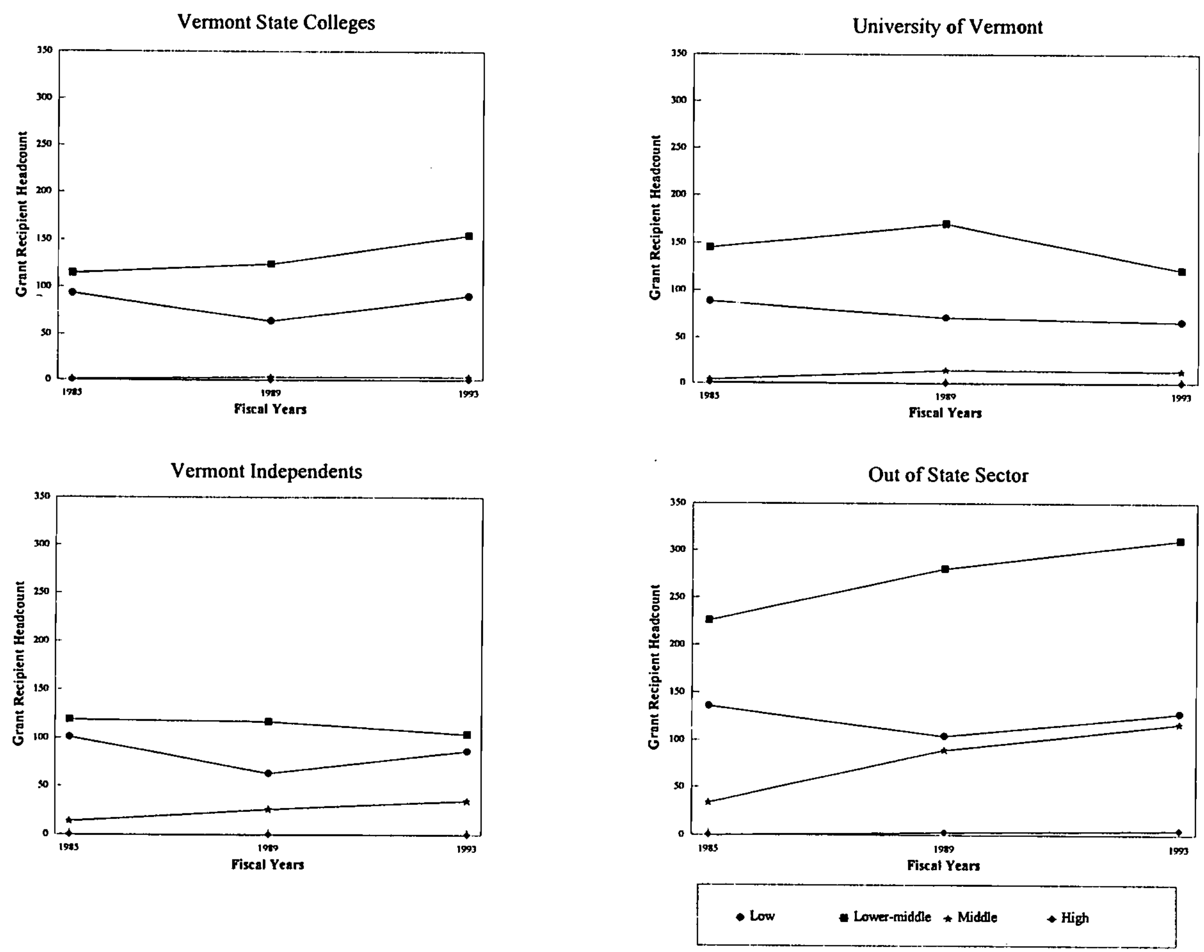
Notes. Grant recipient cohort represents full-time, dependent students from a family of four with one in college. UVM = University of Vermont, VSC = Vermont State Colleges, VIND = Vermont Independent Colleges, OOS = Out of State Colleges

Source. Vermont Student Assistance Corporation (VSAC) Grant Files, (VSAC Research Department, 1994).

Figure.12.

Access for low income VSAC grant recipents by sector

Compared to other income groups.

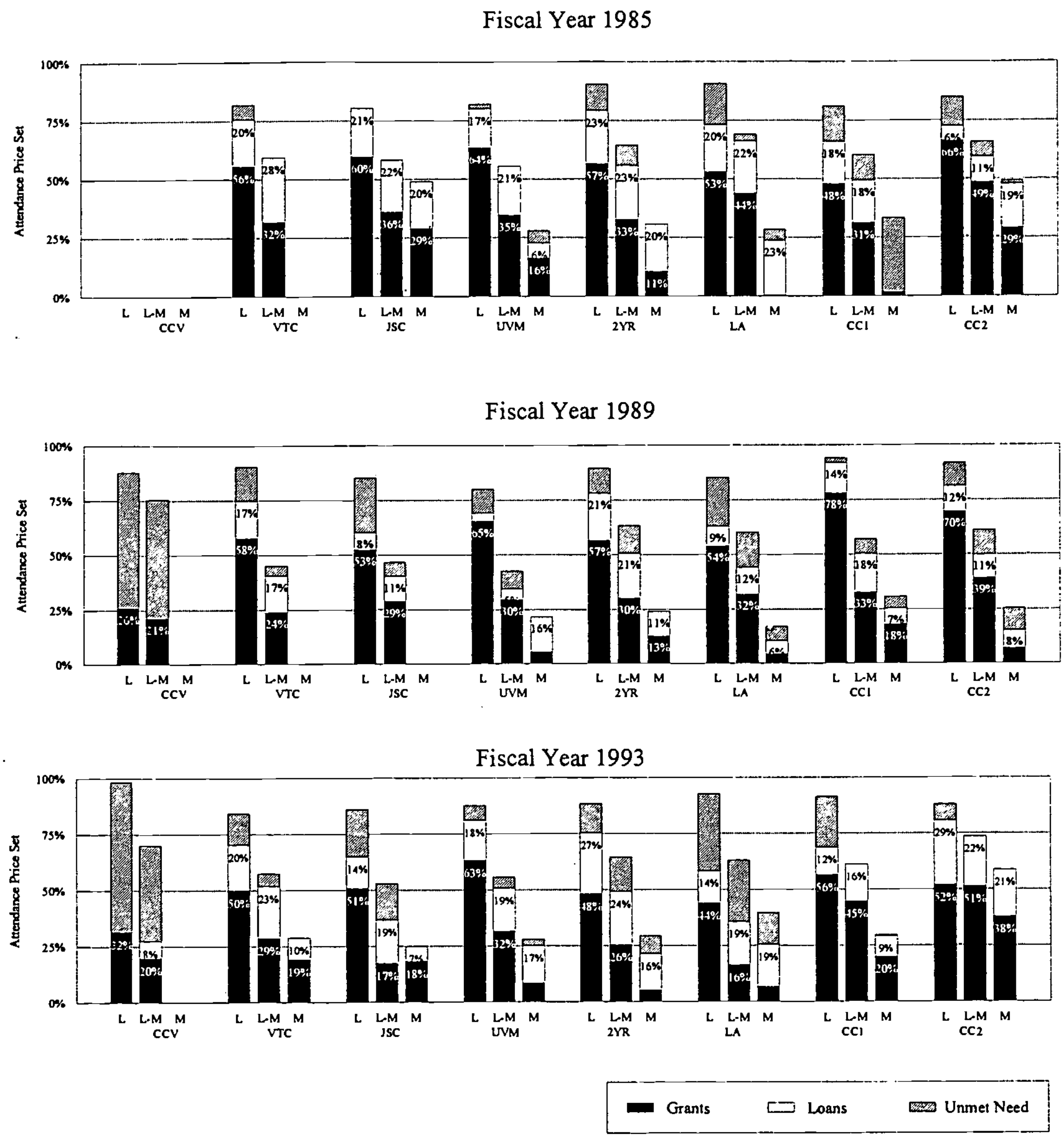


Notes. Grant recipient cohort represents full-time, dependent students from a family of four with one in college.
Income groups: Low = $0 - $20,000; Lower-Middle = $20,001 - $40,000; Middle = $40,001 - $60,000; High = $60,001+

Source. Vermont Student Assistance Corporation (VSAC) Grant Files, (VSAC Research Department, 1994).

Figure 18.

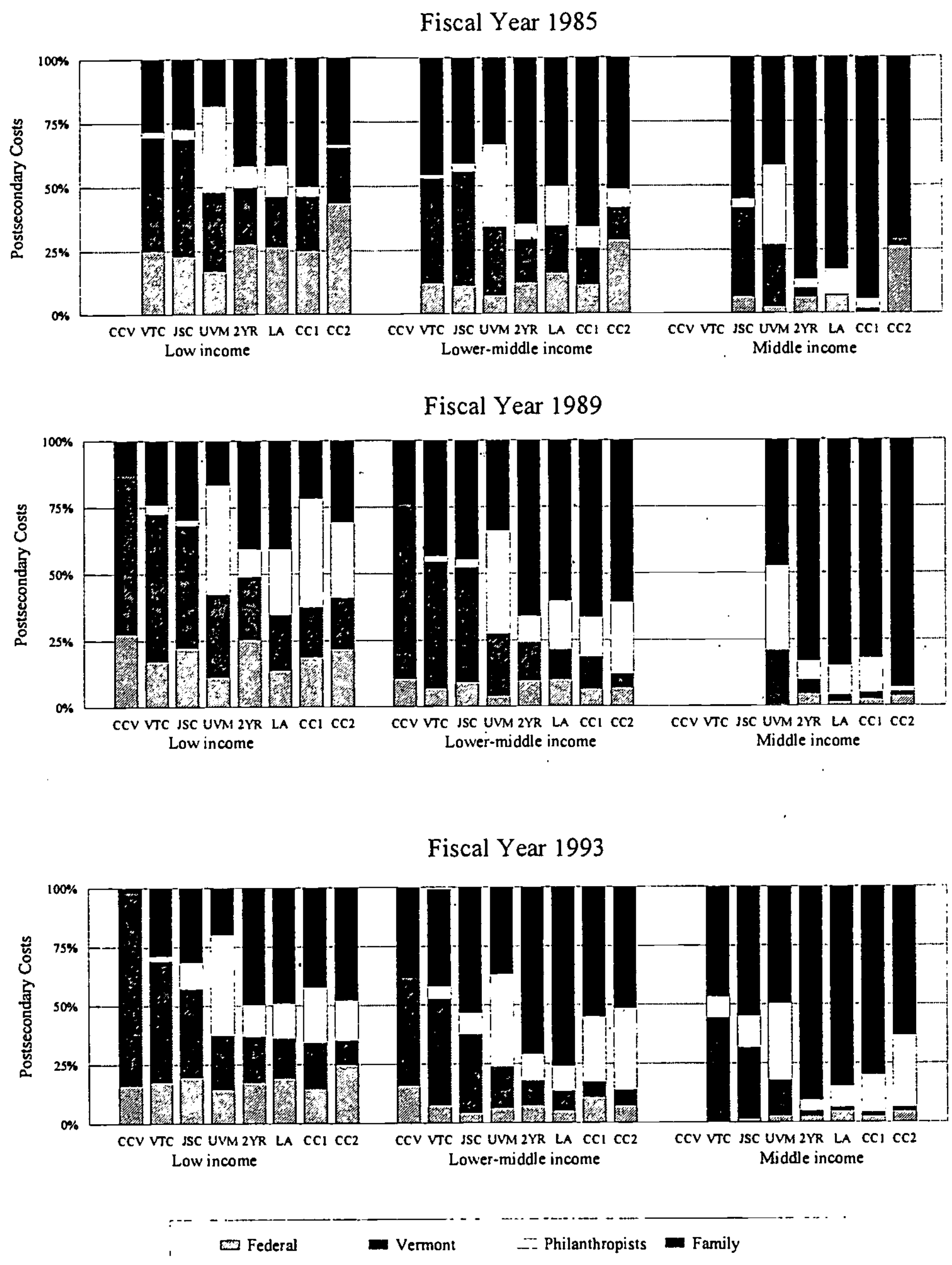
Grant & loan aid and unmet need for VSAC grant recipients by income groups and colleges.



Notes. Grant recipient cohort = Full-time, dependent Vermont students from a family of four with one child in college.
Grant amounts combine federal, Vermont and institutional grants plus the "grant-equivalent" portion (25% of face value) of subsidized federal loans.
Loan amonts combines the unsubsidized portion of federal loans, plus all other loans.
Attendance price set = Tuition, fees, room and board (TFRB) charges.
Family income: L = Low ($0 - $20,000), L-M = Lower-middle ($20,001 - $40,000), M = Middle ($40,001 - $60,000).
Public colleges: CCV = Community College of Vermont, VTC = Vermont Technical College, JSC = Johnson State College, UVM = University of Vermont.
Independent colleges: 2YR = Two-Year College, LA = Liberal Arts II College, CC1 = Comprehensive College #1, CC2 = Comprehensive College #2.
Figures in stacked bars indicate percentage of loans contained in student aid package.
Empty data cells indicate that there were no grant recipients that fit selection criteria.

Source. Vermont Post Secondary Education Sourcebook (1986,1990, 1994); VSAC Grant Files (VSAC Reseach, 1994).

Figure 20. **Responsibilities for financing student postsecondary costs**
between Vermont families, federal & state taxpayers and philanthropists.



Notes. Postsecondary costs = total student-related Educational & General Expenditures plus actual dormitory and dining costs.
Public colleges: CCV = Community College of Vermont, VTC = Vermont Technical College, JSC = Johnson State College, UVM = University of Vermont.
Independent colleges: 2YR = Two-year College, LA = Liberal Arts II College, CC1 = Comprehensive College #1. CC2 = Comprehesive College #2.
Family income: Low = $0 - $20,000, Lower-middle = $20,001- $40,000, Middle = $40,001- $60,000.
Family share = parent and student contributions + work-study + unsubsidized portions of college loans + remaining need.
Federal taxpayer share = federal grants + grant-equivalent portion of subsidized federal loans (25% of face value).
Vermont taxpayer share = public institution subsidy + VSAC incentive grant.
Philanthropic share = independent institution subsidy + institutional scholarships and grants + other grants.
Empty data cell indicates that there were no grant recipients that met selection criteria.

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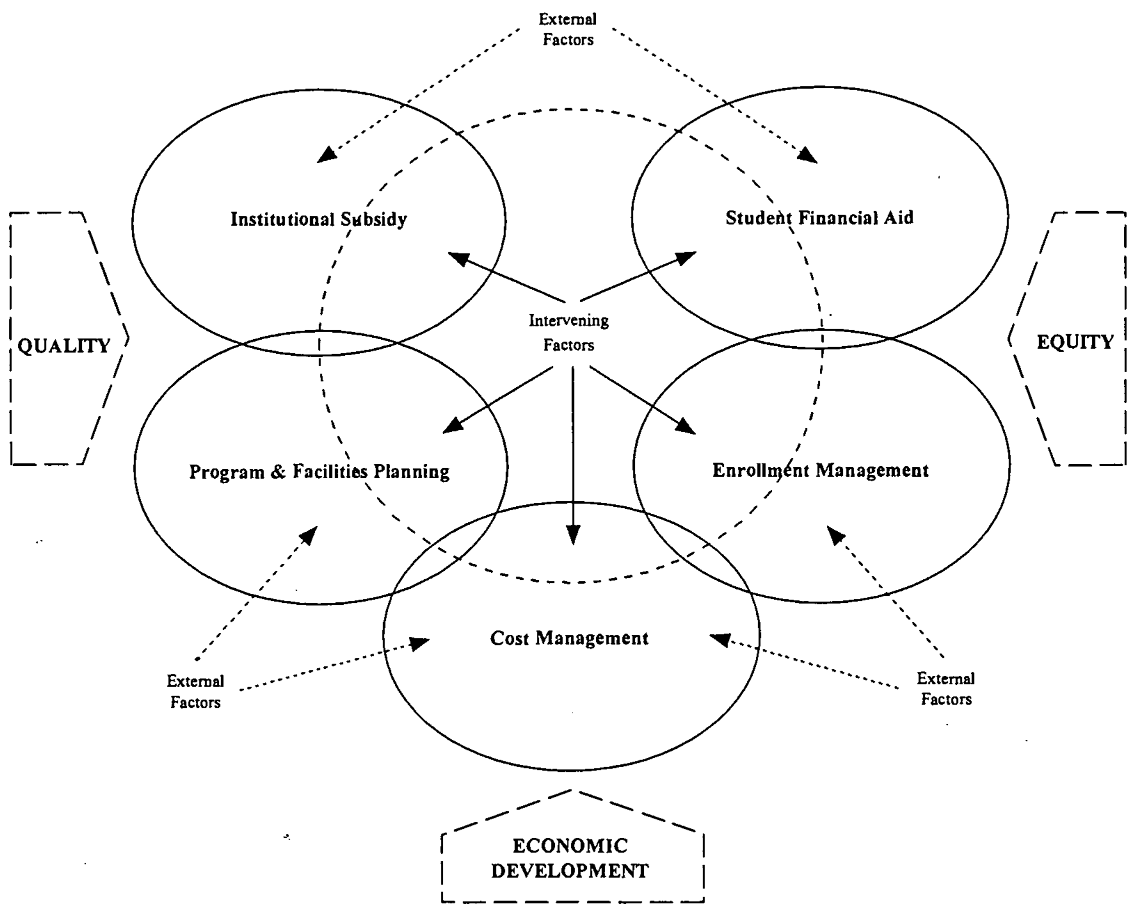
Figure 27. Analytical framework for examining state postsecondary education finance policy:
State finance policy goals, resource-management strategies, and related environmental factors.



Policy Goals	Equity, quality, and economic development
Resource Strategies	Program and facilities planning, cost management, institutional subsidies, student financial aid, and enrollment management
Intervening Factors	State tax revenues, other state obligations, federal financial strategies, other institutional revenue sources, and the policymaking process
External Factors	Demographic trends, economic conditions, technological/economic development, and public attitudes about taxation

Notes. Adapted from St. John (1991)

Table 33

State Interests in Financing Postsecondary Education, Funding Mechanisms and Effectiveness Criteria

	Resource-Management Strategy				
	Cost Management	Program and Facility Management	Institutional Subsidy	Student Financial Aid	Enrollment Management
State Interests	Equitable Cost-sharing	Economic Development	Educational Opportunity	Affordability	Quality
Policy Objectives	Equity in Contributions and Benefits	Develop Human Resources and Foster Economy Growth	Geographic Access	Financial Access	Choice of Program
Funding Mechanisms	State appropriations for student assistance programs to support eligible postsecondary students	State appropriations to maintain quality of instructional programs, develop human resources, promote promote economic development, and foster technological innovation	State appropriations to support operations of a range of public institutions and programs	Targeting and distribution of tuition-assistance subsidies to families with financial need	State appropriations to support tuition-assistance for students enrolled at independent and out-of-state colleges
Effectiveness Criteria	Relative capacity and effort of taxpayers and families to pay college costs and charges	Educational attainment, performance in meeting state employment and training needs, and joint ventures promoting technology transfer to industry	Location of postsecondary education programs in proximity to population	Public subsidies, net price and unmet need measures; enrollment by income level	Percentage of students by income group enrolled in public, independent and out-of-state colleges

Note. Adapted from St. John (1991)