

The 40% rule and why it makes no sense

The University of Vermont has a long held reputation as a high quality public university with a tuition rate that ranks among the nation's highest. But the tuition rate is akin to the listed price of a retail product; not everyone pays the list price. That's particularly true for Vermont students attending UVM. An in-state student pays roughly \$14,000 for two semesters; an out-of-state student pays \$35,000.

How is it that such a disparity can exist and who funds the difference?

The disparity is by intent. In 1959, the Vermont Legislature amended the University of Vermont's charter to stipulate that Vermont students would pay no more than 40 percent of the tuition rate charged to out-of-staters. The difference was to be made up by state appropriations to the university.

In other words, Vermont taxpayers were to make up the difference.

As we all know, that didn't happen. Vermont ranks near the bottom in terms of its appropriations to higher education. For UVM, current state appropriations constitute about seven percent of its budget needs. The university has been put in the position of depending on out-of-state students to pay the bills. Currently, out-of-staters make up about two-thirds of UVM's student population.

The so-called "40 percent rule" made sense in 1959. It doesn't today. In effect, taxpayers are subsidizing many students from high income families, and the net cost of the 40 percent rule to the university is roughly \$15 million annually.

The university gets pushed into an untenable position as the cost of tuition rises and other colleges and universities compete for those students able to afford the higher tuitions.

It's a serious issue and one the Legislature has begun to address. Legislation is being debated today in the House that would end the 40 percent rule for graduate students and for those students taking on-line courses. It would remain in place for undergraduate students.

The proposed legislation makes complete sense. Why would legislators think it prudent to subsidize all graduate students regardless of their ability to pay?

It also makes sense to end the 40 percent rule for students taking online courses. The price competition for online courses is intense. If the school is required to charge 60 percent more than the in-state tuition rate, then students will go elsewhere. The school loses.

At a very superficial level there might be the tendency of lawmakers to recoil at the thought of anything that would raise prices to Vermont's students attending UVM. Not only would that be wrong, and political pandering of the worst sort, it would hurt the very people who need help the most.

Across the board subsidies mean helping those who don't need help and doing less for those who do. Why would any legislative body committed to helping those who need help the most continue with a policy that does the opposite?

The 40-percent rule also erodes the capacity of the university to remain competitive. It's a tuition-dependent school and if the school's hands remain completely tied as to what it may charge for all tuition students, its ability to respond to market forces is limited.

How does it continue to offer a high-quality education?

This is an issue of disproportionate importance to Vermont. We're a small state with a state university that generates over \$1 billion through the state's economy each year. It makes sense to keep it healthy, it makes no sense to hamstring its ability to survive and prosper.

The proposed legislation only affects graduate students and those taking online courses. It's a small step forward. Legislators should be encouraged to embrace legislation that gives UVM the flexibility it needs to price its product, and legislation it needs to provide more to those Vermont students who really need the help.

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