

Wendy Koehnig 4/29/16

Issues Regarding the UVM 40% Rule April 2016

Background

- Current rule: Vermont students may not be charged more than 40% of the tuition charged to out-of-state students.
- UVM is the only institution of higher education in Vermont (or nationally) subject to this rule.
- Fiscal constraints put UVM at a competitive disadvantage: low state appropriation (49th in the US); no state investment in UVM capital projects; and the 40% rule.
- Fiscal constraints combined with the 40% rule have pushed nonresident tuition to a near breaking point. UVM and the state of Vermont need talented nonresident students, 33% of whom stay and work in Vermont after graduation.
- Eliminating the 40% rule would allow UVM to moderate the growth of nonresident tuition and better attract talented students without needing to devote as many resources to scholarships for those nonresidents.
- UVM has the capacity to increase the undergraduate student body (both Vermont and out of state) and expand tuition revenue from out of state students even if we lower their tuition, as the change will permit a more affordable and competitive tuition rate. A lower price equals greater demand for enrollment.
- This proposal is budget neutral, requiring no state dollars. This is an innovative way for UVM to control college costs and generate new revenue that can be reinvested in academic programs and student support.

Eliminating the 40% Rule Will Not Harm Vermonters

- Oversight by the Board of Trustees protects Vermonters.
 - The UVM Board of Trustees includes 9 legislative trustees, 3 gubernatorial appointees, and the Governor. These legislative and gubernatorial appointees comprise a majority of the Board membership. Any tuition increase requires Board review and approval before taking effect. All Board members, and especially the legislative and gubernatorial appointees, have an inherent commitment to protect Vermont students.
 - In addition to the public members of the Board, there are two elected students. These students have full voting rights on all Board matters, including tuition.
- There was no deleterious effect on Vermonter tuition or Vermonter enrollment when the 40% rule was eliminated two years ago for graduate education and distance education. The rule change is central to new enrollments.
- UVM is committed to protecting access and affordability for Vermonters.
 - UVM allocates half of the state appropriation directly to scholarship support of Vermonters.
 - UVM actively seeks and then allocates substantial private fundraising dollars to scholarship support.
 - 43% of Vermonters attended UVM tuition free in 2015.
- Legislative oversight protects Vermonters.
 - UVM reports annually to the legislature on a host of issues, including tuition and financial aid. The president appears before the Senate and House Education

Committees, the Senate and House Appropriation Committees, and the Senate and House Institutions Committees each year.

- The result of this oversight is a clearly transparent check and balance process over tuition decisions.

Imposing a Sunset Provision is Unnecessary and Harmful

- A sunset puts UVM back to where we started, requiring a perennial return to this issue and a focus again of time and resource away from management of the University and back to educating new legislators about the 40% rule history and difficulties.
- A sunset prevents UVM from engaging in long range planning, and similarly hinders recruitment of students as it will derail multi-year tuition forecasts that assist in recruiting students.
- As Vermont's land grant university, UVM is committed to providing affordable, high quality education to Vermonters. If the legislature becomes dissatisfied with how UVM manages tuition, it can re-impose a 40% rule in the future, given the present legislative review process.

Imposing a Cap on Tuition is Unnecessary and Harmful

Coupling a relaxation of the 40% rule with imposition of a cap on annual tuition growth or an inflator limit for Vermont tuition is unnecessary and potentially harmful.

- Imposing inflexible rules that artificially constrain all future tuition increases regardless of circumstances would constitute unprecedented micromanaging of the University's budget. The setting of tuition is a complicated, market driven process that requires careful analysis of a wide range of competitive factors. A tuition cap for Vermonters or an inflator limit could be more onerous than the 40% rule itself, and allows less flexibility for contingencies created by unforeseen fiscal challenges outside the University's control, such as another recession and/or a decrease in state support. In such cases, without flexibility in the budgeting process, the quality of the student experience and student success will suffer with a direct negative consequence on UVM students.

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