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FUNDING OF PROGRAMS FOR
PART-TIME AND RETURNING STUDENTS

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Prepared by the Staff
of the Minnesota Higher
Education Coordinating Board

Study of Post-Secondary Opportunities for
Part-Time and Returning Students

Preface to Working Papers

In the spring of 1979, the staff of the Higher Education Coordinating Board began a study of Minnesota state policies regarding post-secondary education for students who are part-time or older than the traditional pool of undergraduates. The final report will be submitted to the Coordinating Board for discussion in August, 1980. Because the study will take place over an extended time and deal with multiple issues, the staff will prepare working papers on key topics as interim products. The report presented to the Coordinating Board at the conclusion of the study will be a synthesis of working papers and recommendations as they have been refined in internal discussion.

All working papers are drafts for discussion purposes only. Conclusions reached in these documents are not to be taken as official positions of the Higher Education Coordinating Board or as final staff recommendations. Papers will be shared with members of the Special Advisory Committee appointed by the Executive Director, the staff Management Planning Team and other members of the Higher Education Coordinating Board staff. They are not intended for general release or for quotation.

Some of the material in working papers has been prepared as background to members of the Special Committee or as assistance to the staff in assuring the broadest possible consideration of issues and solutions before reaching conclusions to be transmitted to the Board. In this respect, the working papers should not be read as drafts of the final report since the two documents may differ significantly in terms of the amount and presentation of information provided to their readerships.

Dr. Susan Powell, Director of Program Planning and Coordination, is responsible for the overall design and conduct of the study. Questions may be directed to Nancy Bunnett at (612) 297-2021.

FUNDING OF PROGRAMS FOR
PART-TIME AND RETURNING STUDENTS

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FUNDING OF PROGRAMS FOR PART-TIME AND RETURNING STUDENTS

The following draft is the final paper in a series prepared for the Coordinating Board's study of post-secondary opportunities for part-time and returning students. Previous papers have analyzed definitions used to describe programs for these students, enrollment patterns, the administration and distribution of various programming approaches, the missions of the state's post-secondary institutions and other providers, financial aid policies, and interinstitutional coordination practices.

This paper describes the present pattern of funding for certain programs often serving part-time and returning students. In the past, funding distinctions have been made both within public institutions of a single type and between the different systems of post-secondary education. These differences affect the ability of the state to provide part-time and returning students with accessible quality instruction. Following an analysis of the current situation, alternative funding policies are suggested.

As institutions derive an increasing portion of their enrollments from part-time students, funding formulas based on full-year equivalents provide inadequate recognition of costs which are fixed for each enrollee regardless of course load. The Task Force on Future Funding of Post-Secondary Education, recently convened by the Coordinating Board, will be analyzing overall treatment of fixed and variable costs in budgeting for public systems during a period of anticipated declining enrollments. This issue will be included in that effort rather than as part of the study on part-time and returning students.

The funding of private post-secondary institutions is not discussed in this paper.

I. FUNDING PRINCIPLES AND OBJECTIVES

Through the state budgeting process, the Minnesota Legislature and Governor determine the shape of post-secondary education during the coming biennium. In the broadest sense, the size of state appropriations dictates the level of services that the post-secondary systems will be able to provide. The Legislature further controls specific priorities within the overall budget through examination and decisions on individual line items. Once legislative funding decisions have been made, the decision-making authority passes to the governing board.

Because the day-to-day responsibility for post-secondary education rests with the governing boards, administration, and faculties, it is important that state funding policies provide incentives for achieving goals which have been established for the state as a whole. Certainly, such policies should not discourage system and campus-level decisions which will enhance a mutual desire to offer high quality post-secondary education to Minnesota residents.

Within broad sets of objectives, however, state funding policies should allow system and campus decision-makers the freedom to respond to local priorities. Post-secondary institutions must be able to manage their own affairs in the light of local and changing needs.

When appropriate, funding policies should further distinguish between the different purposes of the state's public post-secondary systems. On the other hand, differences in funding should be avoided when similar purposes are served, even when these activities exist in separate systems.

Besides reflecting intended priorities for post-secondary education, the state's funding practices are derived from judgments concerning the appropriate distribution of costs between the state, students, and other

sources. It has long been recognized that education provides both social and personal benefits. For this reason the Coordinating Board has previously taken the position that "the costs of providing post-secondary education should be shared in an equitable manner by all students through tuition and by the state through direct institutional subsidies and financial aid" (A Recommended Tuition Policy for Minnesota Public Post-Secondary Education, 1978).

Estimates of the relative magnitude of personal and social benefits are difficult to validate empirically, but the Coordinating Board has recommended that students should bear 30% of total instructional costs through tuition. This explicit policy has not been adopted, and the Legislature has continued to allocate costs as a by-product of the level of state funding. In making these decisions, the state has followed the policy of keeping tuition in the public systems as low as possible while still maintaining an extensive program of need-based grants to assure that Minnesotans will be able to afford post-secondary education.

II. EXPENDITURES AND SOURCES OF INCOME BY SYSTEM

Funding of programs for part-time and returning students can be accomplished on the same basis as all other instruction or it may receive differential treatment. Each system makes different distinctions, and it is, therefore, difficult to compare the financing of similar programs in each system. The following distinctions have budgetary implications for part-time and returning students in one or more of the public post-secondary systems:

1. Administrative unit (University of Minnesota)
2. Credit/non-credit (state universities, community colleges and University of Minnesota)

3. On or off-campus (state universities)
4. Program objective and scheduling mode (area vocational-technical institutes)

To document these conditions, the University of Minnesota, the State University Board office and the Community College Board office were asked to provide FY 1979 data on expenditures and sources of funds used to support on-campus instruction during evenings and weekends, off-campus undergraduate instruction, off-campus graduate instruction, and non-credit instruction.

The University of Minnesota was asked for data only on Continuing Education and Extension offerings which represent the majority of classes in the requested categories. The information supplied included all CEE expenditures and income at Duluth, Morris, Rochester, and the Twin Cities, and for Independent Study. Data could not be separated by on- or off-campus location, time or credit status.

The State University Board office responded that they were unable to supply any of the requested information without detailed work at each campus. The analysis below is, therefore, based on other sources of data available to the Coordinating Board staff, including campus fund expenditure records by activity and the 1979-81 Budget Proposal.

The Community Colleges provided the information as requested, using estimates to separate expenditures by activity since credit instruction is budgeted as a single function.

In addition to requests made of the public collegiate systems, the area vocational technical institutes were asked for FY 1979 summary financial data on the sources and uses of funds for adult vocational education. To date, responses have been received from all AVTIs except Jackson and Suburban Hennepin.

A. UNIVERSITY OF MINNESOTA

1. Administration and Funding Overview

At the University of Minnesota, many programs for part-time and returning students are administered out of Continuing Education and Extension (CEE), a unit which is funded separately and differently than academic departments with teaching faculty. As a division, CEE is expected to be largely self-supporting although selected, mainly non-instructional activities receive state funding.

The funding distinction is based on administrative sponsor, rather than program location or delivery mode. In practice, CEE administers nearly all evening and off-campus credit instruction, except for programs through the Waseca and Crookston campuses. Similar programs offered directly by academic departments could, however, be funded out of the regular instructional accounts, if the department chose to use its resources in that fashion.

Most CEE credit classes are taught by faculty as an overload assignment. On limited occasions CEE has provided academic departments with position funds. CEE classes are then taught as part of the standard load. More commonly, courses are taught as part of load when CEE reimburses the academic department for CEE registrants enrolled in eligible day classes.

CEE is also responsible for much of the University of Minnesota's non-credit instruction, often through the Department of Conferences and programming ties to professional associations. CEE's link to non-credit instruction, however, is less complete than for evening and off-campus credit programs, and numerous other units within the

University may offer non-credit instruction on their own. It is not possible to locate or count all of the efforts apart from CEE.

2. Level of Activity

As shown in Table 1, Continuing Education and Extension generated 13.0% of the total full-year equivalent (FYE) enrollments at the University of Minnesota during fiscal year 1979. Proportionately, the level of activity was highest in the Twin Cities; CEE enrollments represented only 7.9% and 4.8% of total FYE at Duluth and Morris respectively.

The 7,448 FYE were produced by 84,997 credit registrations as shown in Table 2. Only 6.6% of the total registrations were for graduate credit, but 74.3% of the registrations at the Rochester Center were in graduate classes.

In addition to credit enrollments, CEE generated 55,196 registrations in non-credit instruction.

3. Expenditures

During 1979, CEE spent \$9.5 million on credit and non-credit instruction. Instructional costs represented 69% of the total CEE budget of \$13.7 million. In addition to these expenditures, CEE administered several federal and foundation grants for special projects.

Non-instructional expenditures included CEE Research, CEE Counseling, accounting services, the Audio Visual Library Service, the World Affairs Center, University Media Resources and other public service activities administered through CEE.

Table 1. University of Minnesota Full-Year Equivalent Enrollments in Regular Instruction and in Continuing Education and Extension FY 1979

	<u>Regular Instruction</u>	<u>Summer Session</u>	<u>CEE</u>		<u>Total</u>
			<u>N</u>	<u>%</u>	
Crookston	966	Included in Regular Instruction	-	-	966
Duluth	5,912	416	546	7.9%	6,874
Morris	1,426	27	74	4.8%	1,527
Twin Cities	37,629	2,669	6,108	13.2%	46,406
Waseca	1,004	Included in Regular Instruction	-	-	1,004
Rochester Center	-	-	86	100.0%	86
Independent Study	-		584	100.0%	584
Juvenile Justice Institute	-		15	100.0%	15
Summer Arts Study Center	-		35	100.0%	35
	<u>46,937</u>	<u>3,112</u>	<u>7,448</u>	<u>13.0%</u>	<u>57,497</u>

Table 2. University of Minnesota Credit and Non-Credit Registrations in Continuing Education and Extensions FY 1979

<u>CEE Unit</u>	<u>Credit Registrations</u>			<u>Non-Credit Registrations</u>
	<u>Under-Graduate</u>	<u>Graduate</u>	<u>Total</u>	
Independent Study	7,384	-	7,384	-
Twin Cities	63,990	4,964	68,954	45,727
Duluth	7,112	50	7,162	4,141
Morris	751	101	852	1,527
Rochester	166	479	645	3,801
TOTAL	79,403	5,594	84,997	55,196

Direct instructional expenditures for fiscal year 1979 are displayed in Table 3. Generally, half of all direct costs were attributed to instructional salaries although differences by campus are apparent.

Not included in these data are fringe benefits and indirect cost allocations which are not controlled through the CEE budget. CEE has estimated the costs to the University for fringe benefits for administrative and classified employees to be about \$450,000. Instructional personnel, paid on an overload or adjunct basis, normally do not receive benefits. In fiscal year 1978, the University allocated \$1.2 million in indirect costs of the physical plant, general administration and academic support to CEE activities. CEE, however, is not required to pay these costs out of its budget.

4. Sources of Funds

Apart from special purpose grants, CEE receives funding from student tuition and fees and state Operations and Maintenance and Special Appropriations (Table 4). Fifty-six per cent of the state funds used for CEE instruction come from a Special Appropriation which subsidizes the Rochester Center and equalizes the tuition rates between the day school and CEE and Summer Session. The Rochester Center was started in 1966 with special legislative funds to provide services to Rochester, a major city without a four year institution and it retains its special status.

Unlike academic departments funded by the regular instructional accounts, CEE retains the tuition and fees it collects and uses these funds to finance instructional activities. Through this

Table 3. University of Minnesota FY 1979 Continuing Education and Extension Instructional Expenditures¹

<u>CEE Unit</u>	<u>Instructional Salaries²</u>	<u>Unclassified Administrative Salaries²</u>	<u>Classified and Other Salaries²</u>	<u>Other Direct Costs</u>	<u>Total Direct Costs</u>
Independent Study (statewide)	211,005 (36.7%)	70,243 (12.2%)	173,499 (30.2%)	120,280 (20.9%)	575,027 (100.0%)
Twin Cities campus	4,130,836 (53.4%)	742,049 (9.6%)	969,590 (12.5%)	1,893,274 (24.5%)	7,735,749 (100.0%)
Duluth	400,000 (70.0%)	48,978 (8.6%)	43,195 (7.6%)	79,050 (13.8%)	571,223 (100.0%)
Morris	67,510 (39.4%)	43,470 (25.4%)	20,868 (12.2%)	39,386 (23.0%)	171,234 (100.0%)
Rochester Center	151,044 (35.3%)	94,250 (22.0%)	65,831 (15.4%)	117,354 (27.4%)	428,479 (100.0%)
TOTAL	4,960,395 (52.3%)	998,990 (10.5%)	1,272,983 (13.4%)	2,249,344 (23.7%)	9,481,712 (100.0%)

1. Includes both credit and non-credit.
2. Does not include fringe benefits.

Table 4. University of Minnesota FY 1979 Continuing Education and Extension Sources of Funds for Instruction¹

<u>CEE Unit</u>	<u>Tuition and Fees</u>	<u>State Appropriations</u>		<u>Total</u>	<u>Surplus (Deficit)</u>
		<u>O & M</u>	<u>Special</u>		
Independent Study (statewide)	545,973 (6.3%)		31,363 (7.3%)	577,336 (6.1%)	2,309
Twin Cities campus	7,215,985 (82.8%)	308,925 (91.0%)	249,174 (58.2%)	7,774,084 (82.0%)	38,335
Duluth	527,000 (6.0%)	3,000 (.9%)	25,566 (6.0%)	555,566 (5.9%)	(15,657)
Morris	133,232 (1.5%)	1,000 (.3%)	12,015 (2.8%)	146,247 (1.5%)	(24,987)
Rochester Center	291,779 (3.3%)	26,700 (7.9%)	110,000 (25.7%)	428,479 (4.5%)	-
TOTAL	8,713,969 (100.0%)	339,625 (100.0%)	428,118 (100.0%)	9,481,712 (100.0%)	- 0 -

1. Includes both credit and non-credit.

mechanism, CEE generates a surplus over direct instructional expenses in the Twin Cities and subsidizes the programs in Duluth and Morris. Transferred funds represented 2.7% of total expenditures in Duluth and 14.6% of expenditures in Morris.

Overall, student tuition and fees paid 92% of all CEE direct instructional costs (Table 5). The proportion of costs paid by students at each campus or unit ranged from 95% for independent study courses to 68% for the Rochester Center. When redistributed tuition and fees are taken into account, state subsidies of CEE instruction range from 5.0% in Duluth to 31.9% in Rochester (Table 6).

5. Comparison with Regular Instruction

The data in Table 7 compare the funding of CEE with regular instruction and summer session. If all tuition revenues are applied to narrowly-defined instructional costs, the state subsidy to regular instruction out of Operations and Maintenance funds amounts conservatively to \$962 for each FYE. Student tuition revenues covered 49% of instructional costs.

Within CEE, students paid 92% of all costs of credit and non-credit instruction combined. If state funds for CEE instruction are all applied to credit-generating activities (assuming no subsidy of non-credit instruction), the state subsidy is only \$103 for each FYE. With present funding mechanisms, CEE is dependent on large enrollment classes, chiefly in the Twin Cities, to generate the surpluses that will allow it to offer a diversified program.

Table 5. University of Minnesota Continuing Education and Extension Fees as a Percent of Expenditures

CEE Units	Student Tuition and Fees as a Per Cent of:		
	<u>Instructional Salaries¹</u>	<u>Total Salaries¹</u>	<u>Total Direct Costs²</u>
Independent Study (statewide)	258.7%	120.1%	94.9%
Twin Cities campus	174.7%		93.3%
Duluth	131.8%	107.1%	92.3%
Morris	197.4%	101.0%	77.8%
Rochester Center	193.2%	93.8%	68.1%
TOTAL	175.7%	120.5%	91.9%

1. Does not include fringe benefits.

2. Total costs do not include academic or other support services.

Table 6. State Funds as a Per Cent of Total Direct Costs

Independent Study	5.5%
Twin Cities campus	7.2%
Duluth	5.0%
Morris	7.6%
Rochester	31.9%
TOTAL	8.1%

Table 7

Comparison of Continuing Education and Extension
and Other University of Minnesota Instruction

	FYE		Total Direct Costs ¹		Tuition Revenue	Net State Appropriation	Net State Appropriation	Tuition
	<u>Total</u>	<u>%</u>	<u>(\$000's)</u>	<u>%</u>	<u>(\$000's)</u>	<u>(\$000's)</u>	<u>Per FYE</u>	<u>as % of Costs</u>
Regular Instruction	46,937	81.6%	\$ 88,587.8 ⁴	87.8%	\$43,419.4	\$45,168.4 ⁴	\$962 ⁴	49.0%
CEE	7,448	13.0%	9,481.7	9.4%	8,713.9 ²	767.8	103 ³	91.9%
Summer Session	<u>3,112</u>	<u>5.4%</u>	<u>2,852.3⁴</u>	<u>2.8%</u>	2,832.4 ⁴	19.9 ⁴	6	99.3%
	57,497	100.0%	\$100,921.8	100.0%				

1. Fringe benefits not included.
2. Includes fees for non-credit instruction.
3. Assumes that state appropriations subsidize only credit instruction.
Includes special appropriations applied to instruction.
4. Does not include special appropriations. Data from 1979-81 Budget Proposal.

In both instances, substantial additional expenditures and state subsidies are incurred for academic support, student services, physical plant, fringe benefits and other necessary educational expenses. To the extent possible, these items have been excluded from all data reported in Table 7.

6. Tuition and Fee Policies

The University of Minnesota Board of Regents establishes tuition policies and sets tuition rates for credit instruction according to the revenue needs of the University as measured against state appropriations and other sources of income.

Tuition is differentiated by college. At the present time, a fixed quarterly tuition charge is made for full-time students, and part-time students pay a credit hour fee. Quarterly tuition rates are generally equivalent to 12 credits taken at the part-time rate. Since most full-time students take more than 12 credits, their cost per credit is less than the cost to part-time students.

Tuition rates for courses taken through Continuing Education and Extension are different than those set for the colleges. CEE rates further vary by level of instruction. CEE receives a legislative special appropriation to maintain tuition rates which are similar to those charged to full-time, day students.

On the Twin Cities campus, full-time day students must pay CEE tuition to take classes offered through CEE. In Duluth, full-time students may take CEE classes at no additional charge.

In December, 1979 the Board of Regents adopted a new tuition policy in which:

- 1) Students taking between one and 14 credits will be

charged for each credit.

- 2) Students taking 15-18 credits will pay a flat rate equal to the charge for 14 credits.
- 3) Students taking 19 or more credits will pay an additional charge for each credit over 18.

In addition to these changes, the Regents decided to charge all lower division students the same rates regardless of college. The new policies will be implemented gradually.

Under present student fee policies, students who are less than half-time pay no fees; students taking six or more credits (seven at Waseca) pay the same fee. The cost of the sixth credit is, therefore, quite high. Students enrolling through CEE do not pay mandatory fees regardless of course load.

Fees for non-credit instruction through CEE or other units are individually determined depending on the direct costs of the program.

B. COMMUNITY COLLEGES

1. Administration and Funding Overview

The community colleges operate under single legislative funding approach for credit instruction regardless of location, time, or administrative practice. All credit instruction is subsidized by the state. Funds are appropriated to each campus by the Community College Board according to credit enrollments, but provision is made for minimum staffing requirements at the smaller institutions.

Faculty assignments, both on and off-campus, are generally taught as part of load, although occasionally overload assignments are necessary to adhere to the provisions of the collective

bargaining agreement with the faculty. Like the other systems, the community colleges use part-time adjunct instructors more often during evenings and off-campus than they do in the standard day programs.

The direct costs of non-credit instruction are primarily supported out of participant's fees. Unlike the University of Minnesota and the state universities, each campus has designated one or more individuals who are responsible for all non-credit instruction. Generally, these administrators are state-supported although a few large campuses have chosen to fund additional support personnel out of receipts.

The ability of each campus to staff non-credit instruction with funded positions is ultimately tied to credit enrollments since position and fund allocations are based on credit production.

As an administrative and budgeting entity, non-credit instruction is poorly differentiated from non-instructional public services activities such as community theater, GED testing, conferences, and exhibitions.

Beginning with the 1979-81 Biennium, the Community College Board received legislative permission to use occupational program development monies for selected public service activities. During the current year \$60,000 is being made available for high priority projects. Both instructional and non-instructional services may be funded thorough this Legislative Special Appropriation.

Austin and Vermilion Community Colleges have worked out cooperative agreements with their local community education programs. These agreements allow the community colleges access to community

education tax levies and legislative appropriations to support non-credit instruction in fulfillment of the college's community services function. In Austin, the college and the local school district share in the support of an administrator who run a joint program of non-credit instruction appropriate to the combined resources of the college and the K-12 schools. At Vermillion, the Dean of Instruction is responsible for identifying and planning the college's non-credit offerings which are then offered under the auspices of community education.

2. Level of Activity

FY 1979 full-year equivalent enrollments for credit classes offered off-campus or on-campus on evenings and Saturdays are shown in Table 8. Registrations and student contact hours in non-credit classes are shown in Table 9. Registration data reflect programs of varying lengths.

As shown in Table 8, six of the 18 community colleges did not offer off-campus instruction for credit during FY 1979. Among the remaining colleges, off-campus enrollments represented .5% to 12.5% of total college credit production.

All community colleges provided some instruction on-campus during the evening or on weekends. Except for one college, these enrollments were much larger than off-campus enrollments, averaging 15.5% of total instructional activity.

Non-credit registrations generally mirrored credit enrollments with two-thirds of the registrations occurring in the six metropolitan area colleges. North Hennepin Community College accounted for more than one-third of the registrations systemwide. The average participant received 12 clock hours of instruction.

Table 8

Community College Evening and Off-Campus
Full-Year Equivalent Enrollments FY 1979

<u>Community College</u>	<u>Total FYE</u>	<u>Evening/Saturday</u>		<u>Off-Campus</u>	
		<u>FYE</u>	<u>% of Total</u>	<u>FYE</u>	<u>% of Total</u>
Anoka-Ramsey	1,611	288	17.9%	104 ¹	6.5%
Austin	622	48	7.7	11	1.8
Brainerd	460	53	11.5	14	3.0
Fergus Falls	451	39	8.6	12	2.7
Hibbing	456	45	9.9	0	0
Inver Hills	1,594	419	26.3	169	10.6
Itasca	503	56	11.1	7	1.4
Lakewood	1,833	241	13.1	78	4.3
Mesabi	529	64	12.1	0	0
Minneapolis	1,237	207	16.7	48	3.9
Normandale	3,037	486	16.0	0	0
North Hennepin	2,312	559	24.2	58	2.5
Northland	344	37	10.8	43	12.5
Rainy River	289	42	14.5	0	0
Rochester	2,076	171	8.2	0	0
Vermilion	382	28	7.3	0	0
Willmar	643	67	10.4	3	.5
Worthington	361	54	15.0	10	2.8
TOTAL	18,740	2,904	15.5%	557	3.0%

¹ Includes East Central Community College
Service Center (Cambridge)

Tab 9

Persons Enrolled in Non-Credit
Community College Classes 1978-79

Community Colleges	REGISTRATIONS				Total Contact Hours	Average Contact Hours Per Registration
	Occupational Improvement Skills	Societal Problem Solution	Personal Enrichment	Total Registrations		
Anoka-Ramsey	1,497	485	261	2,243	28,512	12.4
East Central	53			53		
Austin	508		1,239	1,747	20,682	11.8
Brainerd	20		8	28	342	12.2
Fergus Falls	202		33	235	5,391	22.9
Hibbing	347	74	411	832	13,734	16.5
Inver Hills	1,337	476	206	2,019	29,970	14.8
Itasca	403	26	522	951	8,703	9.2
Lakewood	376		584	960	15,291	15.9
Mesabi			530	530	7,722	14.6
Minneapolis	793	592	807	2,192	36,225	16.5
Normandale	1,309		185	1,494	20,358	13.6
North Hennepin	5,046	2,990	2,057	10,093	91,026	9.0
Northland			497	497	5,697	11.5
Rainy River	15	154	151	320	4,563	14.3
Rochester	1,129	659		1,788	19,107	10.7
Vermilion	85	161	497	743	10,908	14.7
Willmar	285	237	166	688	10,071	14.6
Worthington	75	271	605	951	9,801	10.3
TOTAL	13,480 (47.5%)	6,125 (21.6%)	8,759 (30.9%)	28,364 (100.0%)	338,103	

3. Expenditures

Based on proportionate credit activity, the community colleges spent an estimated \$3 million on evening on-campus instruction and an estimated \$645,000 on off-campus instruction during FY 1979 (Tables 10 and 11). It is the belief of the Community College Board office that these instructional costs may be overstated for the following reasons:

1. Instructional salaries reflect the systemwide average whereas it is known, although undocumented, that part-time, adjunct instructors predominate in off-campus and evening programs. These instructors are paid considerably less than full-time instructors used in the day classes.
2. Colleges offer many off-campus and evening classes on the stipulation that tuition receipts cover a part-time instructor's salary since the assignments of part-time faculty are often part of the enrollment bulge being absorbed without additional state resources. To the extent that this policy is used for off-campus and evening courses, these classes may need to be larger than classes in the regular day program. Since these classes use less than the average amount of instructional resources per enrollment, reported data, based on campus averages, will be overstated.

Expenditure data for non-credit instruction and other public service functions are presented in Table 12. Fiscally, these activities are treated as a unit. Total expenditures during FY 1979 were \$1.4 million with direct instructional salary costs repre-

Table 10

Community College Expenditures for On-Campus
Instruction During Evenings and Weekends FY 1979

<u>Community College</u>	<u>Instructional Salaries and Benefits</u>	<u>Administrative Salaries and Benefits</u>	<u>Other Salaries and Benefits</u>	<u>Other Direct Costs</u>	<u>Total</u>
Anoka-Ramsey	\$ 253,339	\$ 27,240	\$ 12,652	\$ 7,814	\$ 301,045
Austin	60,794	2,346	3,062	1,020	67,222
Brainerd	57,438	1,951	2,793	1,109	63,291
Fergus Falls	50,306	3,455	2,622	835	57,218
Hibbing	56,449	4,018	2,831	2,334	65,632
Inver Hills	365,959	24,750	19,081	5,391	415,181
Itasca	63,587	2,737	3,681	1,782	71,787
Lakewood	202,673	12,266	10,459	3,211	228,609
Minneapolis	199,572	16,888	9,730	1,865	228,055
Mesabi	73,582	3,611	5,452	1,087	83,732
Normandale	364,544	29,426	19,372	6,227	419,569
North Hennepin	455,948	30,291	21,624	5,086	512,949
Northland	37,651	5,967	2,987	871	47,476
Rainy River	55,440	1,121	2,536	1,311	60,408
Rochester	155,235	11,425	8,155	4,548	179,363
Vermilion	23,461	2,178	2,724	589	28,952
Willmar	62,075	3,127	3,652	1,455	70,309
Worthington	105,302	5,694	4,159	1,201	116,356
 TOTAL	 \$2,643,355 (87.6%)	 \$188,491 (6.2%)	 \$137,572 (4.6%)	 \$47,736 (1.6%)	 \$3,017,154 (100.0%)

Community College Expenditures for
Off-Campus Instruction FY 1979

<u>Community College</u>	<u>Instructional Salaries and Benefits</u>	<u>Administrative Salaries and Benefits</u>	<u>Other Salaries and Benefits</u>	<u>Other Direct Costs</u>	<u>Total</u>
Anoka-Ramsey	\$ 28,788	\$ 3,095	\$ 1,438	\$ 888	\$ 34,209
E. Central Community College Service Center	66,246	62,386		3,243	131,875
Austin	13,599	525	685	228	15,037
Brainerd	15,249	518	741	294	16,802
Fergus Falls	15,209	1,045	793	252	17,299
Hibbing	--	--	--	--	--
Inver Hills	147,564	9,980	7,694	2,174	167,412
Itasca	7,798	336	451	218	8,803
Lakewood	65,378	3,957	3,374	1,036	73,745
Minneapolis	45,761	3,872	2,231	428	52,292
Mesabi	--	--	--	--	--
Normandale	--	--	--	--	--
North Hennepin	47,785	3,175	2,266	533	53,759
Northland	43,865	6,952	3,480	1,015	55,312
Rainy River	--	--	--	--	--
Rochester	--	--	--	--	--
Vermilion	--	--	--	--	--
Willmar	2,434	123	143	57	2,757
Worthington	14,287	773	564	163	15,787
TOTAL	\$513,963 (79.7%)	\$96,737 (15.0%)	\$23,860 (3.7%)	\$10,529 (1.6%)	\$645,089 (100.0%)

**Community College Expenditures for Non-Credit
Instruction and Community Services FY 1979**

<u>Community College</u>	<u>Instructional Salaries and Benefits</u>	<u>Administrative Salaries and Benefits</u>	<u>Other Salaries and Benefits</u>	<u>Other Direct Costs</u>	<u>Total</u>
Anoka-Ramsey	\$ 12,927	\$ 16,709	\$ 20,162	\$ 19,387	\$ 69,185
Austin	103,941	12,042	13,278	60,145	189,406
Brainerd	1,528	6,117	3,089	33,684	44,418
Fergus Falls	17,932	10,241		9,415	37,588
Hibbing	510	16,288	10,739	24,325	51,862
Inver Hills	57,802	21,919	12,956	26,170	118,847
Itasca	13,670	24,365	16,194	21,218	75,447
Lakewood	51,857	31,001		24,845	107,703
Minneapolis	26,919	24,983	11,858	16,763	80,523
Mesabi		13,802	8,566	27,181	49,549
Normandale	34,788	10,142	3,934	37,515	86,379
North Hennepin	57,691	57,192	52,118	143,768	310,769
Northland	4,667	6,117	3,277	1,845	15,906
Rainy River	1,621	6,117	2,984	1,740	12,462
Rochester	15,349	42,867	6,144	34,140	98,500
Vermilion		6,117		1,829	7,946
Willmar	10,161	19,225	2,835	16,556	48,777
Worthington	4,391	6,117		27,906	38,414
 TOTAL	 \$415,754 (28.8%)	 \$331,361 (23.0%)	 \$168,134 (11.6%)	 \$528,432 (36.6%)	 \$1,443,681 (100.0%)

senting 28.8% of this amount. Indirect costs are not assigned to the public service budget.

4. Sources of Funds

In the community colleges, credit instruction is supported by student tuition and direct state appropriation. Tables 13 and 14 contain estimated data on the sources of funds used in support of evening and off-campus credit classes. Again, since expenditure data are based on campuswide averages for the total instructional program, potential variations in the funding of programs with particular appeal for part-time and returning students are obscured. Nevertheless, if differential practices in faculty assignment are ignored, on the average, community college students pay approximately one-half of direct instructional costs (including administration) through tuition. The students' share of total educational expenditures is much less, of course, when academic support, student services, and plant operations are considered.

The allocation process set by the Community College Board protects the quality of programs at smaller colleges by recognizing core staffing requirements. By campus, therefore, the percent paid by students varies between 25% to 63% because instructional costs are proportionately higher at some smaller, outstate colleges.

The sources of support for non-credit instruction and other community services are shown in Table 15. Participants in these activities also pay approximately one-half of the direct costs through various fees. Special purpose federal grants at selected colleges pay for 8% of the systemwide expenditures.

Table 13

Community College Sources of Income for On-Campus
Instruction During Evenings and Weekends FY 1979

<u>Community College</u>	<u>Student Tuition</u>	<u>Other State Appropriations</u>	<u>Total</u>
Anoka-Ramsey	\$155,520	\$145,525	\$301,045
Austin	25,920	41,302	67,222
Brainerd	28,620	34,671	63,291
Fergus Falls	21,060	36,158	57,218
Hibbing	24,300	41,332	65,632
Inver Hills	226,260	188,921	415,181
Itasca	30,240	41,547	71,787
Lakewood	130,140	98,469	228,609
Minneapolis	111,780	116,275	228,055
Mesabi	34,560	49,172	83,732
Normandale	262,440	157,129	419,569
North Hennepin	301,860	211,089	512,949
Northland	19,980	27,496	47,476
Rainy River	22,680	37,728	60,408
Rochester	92,340	87,023	179,363
Vermilion	15,120	13,832	28,952
Willmar	36,180	34,129	70,309
Worthington	29,160	87,196	116,356
TOTAL	\$1,568,160 (52.0%)	\$1,448,994 (48.0%)	\$3,017,154 (100.0%)

Table 14

Community College Sources of
Income for Off-Campus Instruction FY 1979

<u>Community College</u>	<u>Student Tuition</u>	<u>Other State Appropriations</u>	<u>Total</u>
Anoka-Ramsey	\$ 17,820	\$ 16,389	\$ 34,209
E. Central	38,340	93,535	131,875
Austin	5,940	9,097	15,037
Brainerd	7,560	9,242	16,802
Fergus Falls	6,480	10,819	17,299
Hibbing	--	--	--
Inver Hills	91,260	76,152	167,412
Itasca	3,780	5,023	8,803
Lakewood	42,120	31,625	73,745
Minneapolis	25,920	26,372	52,292
Mesabi	--	--	--
Normandale	--	--	--
North Hennepin	31,320	22,439	53,759
Northland	23,220	32,092	55,312
Rainy River	--	--	--
Rochester	--	--	--
Vermilion	--	--	--
Willmar	1,620	1,137	2,757
Worthington	5,400	10,387	15,787
TOTAL	\$300,780	\$344,309	\$645,089

Table 15

Community College Sources of Income¹
for Non-Credit Instruction and
Community Services FY 1979

<u>Community College</u>	<u>Fees</u>	<u>Other State Appropriations</u>	<u>Federal Funds</u>	<u>Total</u>
Anoka-Ramsey	\$ 22,316 (32.3%)	\$ 46,869 (67.7%)		\$ 69,185
Austin	131,756 (69.6%)	57,650 (30.4%)		189,406
Brainerd	930 (2.1%)	43,488 (97.9%)		44,418
Fergus Falls	4,464 (11.9%)	33,124 (88.1%)		37,588
Hibbing	8,492 (16.4%)	43,370 (83.6%)		51,862
Inver Hills	60,839 (51.2%)	28,869 (24.3%)	\$ 29,139 (24.5%)	118,847
Itasca	17,487 (23.2%)	34,156 (45.3%)	23,804 (31.6%)	75,447
Lakewood	34,361 (31.9%)	51,342 (47.7%)	22,000 (20.4%)	107,703
Minneapolis	51,311 (63.7%)	29,212 (36.3%)		80,523
Mesabi	21,942 (44.3%)	27,607 (55.7%)		49,549
Normandale	69,407 (80.4%)	8,472 (9.8%)	8,500 (9.8%)	86,379
North Hennepin	196,979 (63.4%)	82,309 (26.5%)	31,481 (10.1%)	310,769
Northland	4,154 (26.1%)	11,752 (73.9%)		15,906
Rainy River	1,067 (8.6%)	11,395 (91.4%)		12,462
Rochester	44,249 (44.9%)	54,251 (55.1%)		98,500
Vermilion		7,946 (100.0%)		7,946
Willmar	26,003 (53.3%)	22,774 (46.7%)		48,777
Worthington	1,976 (5.1%)	36,438 (94.9%)		38,414
TOTAL	\$697,733 (48.3%)	\$631,024 (43.7%)	\$114,924 (8.0%)	\$1,443,681

¹ Does not include private donations and grants.

5. Tuition and Fee Policies

The community colleges charge a single flat rate per credit hour regardless of place of academic unit. The rate combines tuition and student fees charges. This rate is \$12.75 a credit for the 1979-80 academic year.

Fees for non-credit instruction are individually determined depending on the direct costs of the program.

C. STATE UNIVERSITIES

1. Administration and Funding Overview

Funding of credit programs offered by the state universities differs by the location and level of the course. Administrative arrangements do not have the funding implications of CEE at the University of Minnesota.

Except for St. Cloud, the academic departments are responsible for the credit on-campus evening program. Special administrative divisions plan and schedule off-campus classes, using the academic departments as faculty resources.

At Southwest, St. Cloud, and Moorhead, these divisions are also responsible for some on-campus credit classes which are not part of the regular curriculum. Generally these units handle some non-credit instruction, but regular academic departments may also offer non-credit instruction on their own.

Faculty compensation for off-campus credit instruction may be on an overload basis or may, through reimbursement back to the department, be included in the instructor's base salary. Campuses vary in their practices, dependent on on-campus enrollments and custom. On several campuses both approaches are in use.

When on-campus, evening classes or off-campus undergraduate courses are budgeted, the academic or continuing education unit, as appropriate locally, negotiates for state resources on the basis of anticipated enrollments. These programs are funded in the same way as on-campus, day classes.

Off-campus graduate courses, however, do not receive direct state funding as a result of a State University Board decision, confirmed by the 1977 legislature, to reallocate state funds to other uses. This policy applies to all off-campus graduate classes, regardless of sponsoring administrative unit.

Non-credit instruction is not supposed to receive direct state funding. The costs of administration and indirect costs such as space and utilities are usually not recovered through participant fees. The state universities do not budget separately for non-credit instruction and the direct costs of these activities, supported by fees and grants, are not differentiated from non-instructional public service activities such as speakers bureaus, arts festivals, and concerts.

Because the state universities are unable to determine the costs and sources of support of off-campus graduate and non-credit instruction, it is difficult to verify the degree to which they are self-sustaining, as contended.

2. Level of Activity

As shown in Table 16, off-campus full-year equivalent enrollments represent 2.7% of undergraduate and 30.7% of graduate efforts. At all campuses with graduate programs, off-campus enrollments are significant.

Table 16

State University On and Off-Campus
Full-Year Equivalent Enrollments 1978-79

<u>State University</u>	<u>Undergraduate</u>			<u>Graduate</u>			<u>Total</u>		
	<u>On- Campus</u>	<u>Off- Campus</u>	<u>Total</u>	<u>On- Campus</u>	<u>Off- Campus</u>	<u>Total</u>	<u>On- Campus</u>	<u>Off- Campus</u>	<u>Total</u>
Bemidji	3,830 (95.0%)	203 (5.0%)	4,033 (100.0%)	97 (54.8%)	80 (45.2%)	177 (100.0%)	3,927 (93.3%)	283 (6.7%)	4,210 (100.0%)
Mankato	7,576 (96.2%)	298 (3.8%)	7,874 (100.0%)	521 (66.1)	267 (33.9%)	788 (100.0%)	8,097 (93.5%)	565 (6.5%)	8,662 (100.0%)
Metropolitan	783 (100.0%)	--	783 (100.0%)	--	--	--	783 (100.0%)	--	783 (100.0%)
Moorhead	5,354 (99.2%)	45 (.8%)	5,399 (100.0%)	115 (77.7%)	33 (22.3%)	148 (100.0%)	5,469 (98.6%)	78 (1.4%)	5,547 (100.0%)
St. Cloud	8,783 (98.0%)	179 (2.0%)	8,962 (100.0%)	303 (82.1%)	66 (17.9%)	369 (100.0%)	9,086 (97.4%)	245 (2.6%)	9,331 (100.0%)
Southwest	1,625 (98.9%)	18 (1.1%)	1,643 (100.0%)	--	--	--	1,625 (98.9%)	18 (1.1%)	1,643 (100.0%)
Winona	3,590 (96.3%)	136 (3.7%)	3,726 (100.0%)	75 (61.5%)	47 (38.5%)	122 (100.0%)	3,665 (95.2%)	183 (4.8%)	3,848 (100.0%)
TOTAL	31,541 (97.3%)	879 (2.7%)	32,420 (100.0%)	1,111 (69.3%)	493 (30.7%)	1,604 (100.0%)	32,652 (96.0%)	1,372 (4.0%)	34,024 (100.0%)

Source: Higher Education Coordinating Board

The state universities do not systematically record non-credit registrations so this information is unavailable.

3. Expenditures

The state universities spent \$48.2 million in 1978-79 in direct instructional expenditures for graduate and undergraduate credit education (Table 17). Over \$1.6 million or 3.5% was spent on off-campus or other "extension" programs. Administrative costs for program directors and planners may not be included in these figures. Instructional administration and support, which cost the state universities \$4.5 million in FY 1979, are not always allocated to individual programs.

At four of the state universities with off-campus programs, expenditures per FYE are less than expenditures for on-campus enrollments despite the greater importance of graduate instruction off-campus. On the average, Bemidji, Mankato, St. Cloud and Winona State Universities spent 70% as much per capita for off-campus instruction as they did for on-campus programs. At Moorhead and Southwest, off-campus expenditures per FYE exceeded on-campus expenditures.

At all universities, salaries for instructors and other staff represented a smaller portion of costs in the off-campus programs than in the on-campus programs. Purchased instructional services, however, are correspondingly higher, reflecting a greater reliance on adjunct faculty in off-campus programs. When permanent and adjunct staff are considered together, these items account for 92% of on-campus and 88% of off-campus expenditures.

As expected, in-state travel expenses are proportionately higher for off-campus instruction. Expenditures on in-state

**State University On-Campus and Off-Campus
Expenditures for Credit Instruction 1978-79**

<u>State University</u>	<u>Salaries and Benefits</u>	<u>Purchased Instruct. Services</u>	<u>Subtotal</u>	<u>In-State Travel</u>	<u>Other Direct Costs</u>	<u>Total Expend.</u>	<u>Sal. & Pur. Instruct/FYE</u>	<u>In-State Travel/FYE</u>	<u>Total Expend/FYE</u>
<u>Bemidji</u>									
On-Campus	\$ 4,548.1 (91.5%)	\$ 77.7 (1.6%)	\$4,625.8 (93.0%)	\$12.1 (.2%)	\$ 334.3 (6.7%)	\$4,972.2 (100.0%)	\$1,178	\$ 3.08	\$1,266
Off-Campus	155.9 (55.8%)	86.6 (31.0%)	242.5 (86.8%)	.2 (.1%)	36.7 (13.1%)	279.4 (100.0%)	857	.70	987
<u>Mankato</u>									
On-Campus	11,326.9 (91.6%)	88.9 (.7%)	11,415.8 (92.3%)	45.3 (.4%)	902.5 (7.3%)	12,363.6 (100.0%)	1,410	5.59	1,527
Off-Campus	441.6 (80.5%)	14.2 (2.6%)	455.8 (83.1%)	36.1 (6.6%)	56.6 (10.3%)	548.5 (100.0%)	807	63.89	971
<u>Metropolitan</u>									
Total	738.5 (62.0%)	324.2 (27.2%)	1,062.7 (89.3%)	2.0 (.2%)	125.5 (10.5%)	1,190.2 (100.0%)	1,357	2.55	1,520
<u>Moorhead</u>									
On-Campus, Regular	6,832.9 (91.4%)	47.2 (.6%)	6,880.1 (91.4%)	31.3 (.4%)	567.4 (7.6%)	7,478.8 (100.0%)	1,258	5.72	1,367
Off-Campus and other on-campus*	267.7 (76.5%)	52.4 (15.0%)	320.1 (91.5%)	6.6 (1.9%)	23.0 (6.6%)	349.7 (100.0%)	1,392	28.70	1,520
<u>St. Cloud</u>									
On-Campus	11,572.9 (90.3%)	97.5 (.8%)	11,670.4 (91.1%)	47.3 (.4%)	1,098.6 (8.6%)	12,816.3 (100.0%)	1,284	5.21	1,410
Off-Campus	236.4 (81.7%)	36.8 (12.7%)	273.2 (94.4%)	8.9 (3.1%)	7.3 (2.5%)	289.4 (100.0%)	1,115	36.33	1,181
<u>Southwest</u>									
On-Campus	2,180.3 (92.2%)	19.1 (.8%)	2,199.4 (93.0%)	7.1 (.3%)	159.1 (6.7%)	2,365.6 (100.0%)	1,353	4.37	1,456
Off-Campus	29.6 (78.9%)	5.1 (13.6%)	34.7 (92.5%)	.5 (1.3%)	2.3 (6.1%)	37.5 (100.0%)	1,928	27.78	2,083

*Includes expenditures for 130 FYE on-campus classes offered by the Division of Continuing Education and 22 FYE through External Studies at Moorhead.

Table 17 (Continued)

State University On-Campus and Off-Campus
Expenditures for Credit Instruction 1978-79

	<u>Salaries and Benefits</u>	<u>Purchased Instruct. Services</u>	<u>Subtotal</u>	<u>In-State Travel</u>	<u>Other Direct Costs</u>	<u>Total Expend.</u>	<u>Sal. & Pur. Instruct/FYE</u>	<u>In-State Travel/FYE</u>	<u>Total Expend FYE</u>
<u>Winona</u>									
On-Campus	4,689.8 (88.6%)	2.8 (.1%)	4,692.6 (88.7%)	15.6 (.3%)	583.8 (11.0%)	5,292.0 (100.0%)	1,280	4.26	1,444
Off-Campus	130.0 (72.3%)	21.7 (12.1%)	151.7 (84.3%)	8.7 (4.8%)	19.5 (10.8%)	179.9 (100.0%)	829	47.54	983
<u>TOTAL</u>									
On-Campus	41,889.4 (90.1%)	657.4 (1.4%)	42,546.8 (91.5%)	160.7 (.3%)	3,771.2 (8.1%)	46,478.7 (100.0%)	1,303	4.92	1,423
Off-Campus	1,261.2 (74.9%)	216.8 (12.9%)	1,478.0 (87.7%)	61.0 (3.6%)	145.4 (8.6%)	1,684.4 (100.0%)	970	40.03	1,105

Source: Fiscal Year 79 Object Detail By Fund Within Activity

travel were \$4.92 per on-campus FYE and \$40.03 per off-campus FYE.

The state universities do not budget separately for non-credit instruction. Non-credit expenditures, called "Community Education and Extension," include non-instructional forms of public service. On-campus responsibility for public service activities is decentralized, making it difficult to account consistently for expenses. With these comments in mind, FY 1979 public service expenditures are reported by campus in Table 18. As shown, the dollar magnitude compared with total expenditures for credit instruction varies tremendously from campus to campus. It will be shown below that many public services projects are funded through special purpose grants, accounting for large variations in expenditures when campuses with and without substantial grant funding are compared.

4. Sources of Funds

The policy of the State University Board is to support off-campus undergraduate instruction from the same sources as graduate and undergraduate on-campus instruction and to support off-campus graduate instruction exclusively by tuition receipts from that activity. The accounting procedures used in the state universities do not distinguish between these activities, and without this capability, it is difficult to document the adherence to these policies.

Nevertheless, some analysis is possible from campus expenditure accounts, providing that several assumptions are made about accounting practices and expenditure policies which may differ by campus. This analysis was derived without the assistance of the State University Board office which has determined that their other responsibilities do not permit the time necessary to verify information from each campus.

Table 18

State University Community Education
and Extension Expenditures FY 1979

	<u>Total Community Education and Extension Expenditures</u>	<u>Community Education & Extension Expenditures per \$1,000 of Instruc- tional Expenditures</u>
Bemidji	\$ 475.8	\$84.70
Mankato	196.9	14.35
Metropolitan	--	--
Moorhead	39.9	4.91
St. Cloud	75.3	5.40
Southwest	212.3	85.87
Winona	61.4	10.73
TOTAL	1,061.6	20.89

Source: Fiscal Year 79 Object Detail By Fund
Within Activity.

The primary funds supporting "extension" instruction - defined as off-campus credit courses - are the Maintenance and Equipment (M&E) state appropriation, the graduate off-campus program and non-allocated income. The following assumptions have been made:

- 1) Since M&E appropriations are not supposed to subsidize the direct costs of off-campus graduate education, expenditures from this fund are assumed to be exclusively for undergraduate work,
- 2) The off-campus graduate program fund is assumed to reflect expenditures for that program only,
- 3) Non-allocated income is derived from campus-based fees and other sources. The State University Board prefers that non-allocated income be spent on the activity generating the income. In practice, campuses are allowed great latitude in their distribution of non-allocated income and it is not possible to say with certainty what forms of off-campus activity are reflected in expenditures from that fund. For purposes of this analysis non-allocated income expenditures for off-campus instruction are assumed to support only undergraduate courses. This assumption is consistent with the stated intent of the State University System and with the incentives faced in the campus budgeting process.

Based on the above assumptions, the data in Table 19, have been assembled for on-campus (General Academic) instruction and for off-campus (Extension) instruction by graduate and undergraduate levels. At Bemidji, Southwest, and Winona, significant portions of the off-campus expenditures are funded out of non-allocated income, money which is controlled locally. The presence of these funds is an indication that campus officials are willing to use

State Universities Estimated Sources of Funds for
On and Off-Campus Instruction FY 1979

	<u>M&E Appropriation</u>	<u>Off-Campus Graduate Receipts</u>	<u>Non- Allocated Income</u>	<u>Other State and Misc.</u>	<u>Federal Grants</u>	<u>Private Grants</u>	<u>Total Expend- itures</u>	<u>Estimated Tuition Revenue</u>	<u>% of Costs Pd. by Tuition</u>
<u>Bemidji</u>									
On-Campus	\$ 4,856.9 (97.7%)		\$115.2 (2.3%)				\$ 4,972.1 (100.0%)	\$2,017.6	40.6%
Off-Campus Undergraduate	160.3 (75.9%)		51.0 (24.1%)				211.3 (100.0%)	97.3	46.0
Graduate		68.1 (100.0%)					68.1 (100.0%)	82.8	121.6
<u>Mankato</u>									
On-Campus	\$11,795.5 (95.4%)		\$ 15.5 (.1%)	\$ 1.5 --	\$542.9 (4.4%)	\$ 8.2 (.1%)	\$12,363.6 (100.0%)	\$4,290.1	34.7
Off-Campus Undergraduate	290.0 (98.4%)		4.7 (1.6%)				294.7 (100.0%)	142.8	48.5
Graduate		253.7 (100.0%)					253.7 (100.0%)	276.3	108.9
<u>Metropolitan</u>	\$ 1,080.9 (90.8%)		\$ 5.6 (.5%)		\$ 81.2 (6.8%)	\$22.4 (1.9%)	\$ 1,190.2 (100.0%)	N/A	N/A
<u>Moorhead</u>									
On-Campus, Regular	\$ 7,035.4 (94.4%)		\$ 85.0 (1.1%)	\$15.9 (.2%)	\$309.8 (4.1%)	\$32.7 (.4%)	\$ 7,478.8 (100.0%)	\$2,729.1	36.5
Off-Campus Funded Instruction ¹	334.6 (100.0%)						334.6 (100.0%)	97.9	29.3
Graduate, off-campus		15.1 (100.0%)					15.1 (100.0%)	34.2	226.5
<u>St. Cloud</u>									
On-Campus	\$12,112.6 (94.5%)		\$ 52.8 (.4%)	\$74.4 (.6%)	\$576.5 (4.5%)		\$12,816.3 (100.0%)	\$4,501.5	35.1

Table 19 (Cont.)

State Universities Estimated Sources of Funds for
On and Off-Campus Instruction FY 1979

	<u>M&E Appropriation</u>	<u>Off-Campus Graduate Receipts</u>	<u>Non- Allocated Income</u>	<u>Other State and Misc.</u>	<u>Federal Grants</u>	<u>Private Grants</u>	<u>Total Expend- itures</u>	<u>Estimated Tuition Revenue</u>	<u>% of Costs Pd. by Tuition</u>
<u>St. Cloud (Cont.)</u>									
Off-Campus									
Undergraduate	212.5 (99.8%)					.4 (.2%)	212.9 (100.0%)	85.8	40.3
Graduate		76.5 (100.0%)					76.5 (100.0%)	68.3	89.3
<u>Southwest</u>									
On-Campus	\$ 2,318.4 (98.0%)		\$ 30.0 (1.3%)			\$17.2 (.7%)	\$ 2,365.6 (100.0%)	\$ 850.1	35.9
Off-Campus									
Undergraduate	13.9 (37.1%)		23.6 (62.9%)				37.5 (100.0%)	8.6	22.9
<u>Winona</u>									
On-Campus	\$ 5,089.6 (96.2%)		(1.6)	\$ 11.9 (.2%)	\$ 191.2 (3.6%)	\$.9	\$ 5,292.0 (100.0%)	\$ 2,002.8	37.8%
Off-Campus									
Undergraduate	113.5 (84.2%)		21.3 (15.8%)				134.8 (100.0%)	65.2	48.4
Graduate		45.1 (100.0%)					45.1 (100.0%)	48.6	107.8
<u>TOTAL</u>									
On-Campus ²	\$43,208.4 (95.4%)		\$296.9 (.7%)	\$103.7 (.2%)	\$1,620.4 (3.6%)	\$59.0 (.1%)	\$45,288.4 (100.0%)	\$16,394.0	36.2
Off-Campus ¹									
Undergraduate	1,124.8 (91.8%)		100.6 (8.2%)			.4	1,225.8 (100.0%)	497.6	40.6
Graduate		458.5 (100.0%)					458.5 (100.0%)	510.2	111.3

- ¹ Includes both graduate and undergraduate on campus classes offered by the Division of Continuing Education at Moorhead.
- ² Total does not include Metropolitan State University

Sources: Expenditure data from Fiscal Year 79 Object Detail By Fund Within Activity. Tuition revenue estimated from enrollment data in Table 16.

their discretionary resources to support the extension of instruction to off-campus populations. The flexibility of non-allocated income, however, also means that this budget component can be withdrawn more easily than the basic M&E appropriation. In this respect, depending on campus policies, non-allocated income may be a form of "soft" money similar to grants which must be renegotiated annually.

In Table 19, tuition receipts have been estimated from enrollment data submitted by the State University Board Office. On-campus students paid from 34.7% to 40.6% of direct instructional costs depending on campus; the average for the six conventional universities was 36.2%. Off-campus undergraduates paid from 22.9% to 48.4% with an average of 40.6%. At four of the six outstate universities, off-campus undergraduates paid a slightly greater percentage of costs than on-campus students and at two universities they paid less. It should be noted that the on-campus program includes graduate courses and is more likely to include high-cost undergraduate laboratory and other instruction. These factors, as well as inconsistencies in the accounting of certain costs may explain some within-campus variations in costs apparently borne by on and off-campus students in subsidized instruction.

Comparison of expenditures from the graduate off-campus fund and estimated tuition receipts for off-campus graduate instruction indicates that receipts covered more than 100% of direct costs at four of the five campuses with graduate programs. This information is consistent with remarks by other observers. At the end of the year, surpluses in this program become a form of non-allocated

income under the discretion of the local administration. Surplus funds may, therefore, be used in subsequent years to improve the off-campus graduate program or they may be directed to on-campus uses.

Sources of income for non-credit instruction and other public service are shown in Table 20. From this information, it is not possible to determine the allocation of costs between participants, the state, and other sources. More than three-fourths of the public service expenditures are derived from grants to the universities.

5. Tuition and Fee Policies

The State University Board annually establishes tuition and fee policies based on revenue needs after state appropriations and other sources of income. All tuition and fees are based on credit load and part-time and full-time students pay proportionate rates.

Tuition rates are uniform for each of the six outstate universities. Metropolitan State University employs a different method of assessing tuition since credits are not assigned for academic work. Separate resident rates apply to all undergraduates, on-campus graduate students, and off-campus graduate students. When graduate instruction was placed on a self-supporting basis, the tuition was raised from on-campus rates. Off-campus graduate students now pay \$10.00 more per credit hour than on-campus students in similar classes.

Each campus sets its own student fees within a maximum set by the State University Board. The campuses differ in their policies toward off-campus and evening students. Four campuses do not charge fees on off-campus courses, one charges a reduced fee, and one charges

Table 20

State University Sources of Funds
for Public Service and Non-Credit
Instruction FY 1979

	<u>M & E</u>	<u>Non- Allocated Income</u>	<u>Other State & Misc.</u>	<u>Federal</u>	<u>Private Grants</u>	<u>Total Expenditures</u>
Bemidji	\$ 12.2	\$18.9	\$ 6.9	\$437.7		\$475.7
Mankato	12.5	26.1	--	146.3	\$ 12.0	196.9
Metropolitan	0	0	0	0	0	0
Moorhead	24.4	4.4	8.4	2.7		39.9
St. Cloud	--	22.5	31.3	13.9	7.5	75.3
Southwest	--	.6	.4	72.5	138.8	212.3
Winona	61.4	--	--	--	--	61.4
TOTAL	110.5 (10.4%)	72.5 (6.8%)	47.0 (4.4%)	673.1 (63.4%)	158.3 (14.9%)	1,061.4 (100.0%)

Source: Fiscal Year 79 Object Detail By Fund Within Activity.

rates which depend on distance from campus. Bemidji State charges evening students slightly less than day students.

Fees for non-credit instruction are individually determined depending on the direct costs of the program.

D. AREA VOCATIONAL TECHNICAL INSTITUTES

1. Administration and Funding Overview

Area Vocational Technical Institutes provide residents with two types of vocational instruction which are related, but statutorially and fiscally separate.

Post-secondary vocational technical education is the major type of instruction, absorbing \$117.6 million in expenditures during FY 1979. The purpose of the post-secondary program is to prepare students to attain entry-level employment in fields requiring non-baccalaureate vocational-technical training.

State funding is provided to local districts according to a formula which changed in FY 1980 from an enrollment-driven base to a complex equation which takes into account both enrollments and instructional costs.

Traditionally, the post-secondary program has been designed for full-time attendance. Students have been required to be in class or other supervised training for at least six clock hours a day and five days a week. Beginning in 1979, state reimbursement has been allowed for part-time students in the post-secondary programs. To qualify for state funds, part-time student clock hours are converted to full-time average daily memberships (ADM) in which 1,050 hours of instruction represent one ADM. Part-time students must follow the same curriculum and sequence as full-time students. It is not

possible, therefore, to offer a special curriculum for only part-time students under post-secondary funding.

The second type of instruction offered by AVTIs is in many ways an add-on to the post-secondary program. Adult vocational programs, in contrast to the post-secondary programs, are primarily geared to needs for upgrading or retraining rather than entry-level skills. On occasion, however, the adult vocational program is used for entry-level preparation, especially when short programs are needed to train or retrain the unemployed. The line between the post-secondary program, which provides initial training, and the adult vocational program, which may "retrain" individuals for an entirely new occupation, is not always clear. As career change becomes common, the distinction in the purposes of the two types of instruction is blurring.

In contrast to the funding of collegiate and post-secondary vocational technical education, the funding of adult vocational education is straightforward. Local districts receive reimbursement for the following expenses:

- 1) 75% of the salaries of essential licensed personnel
- 2) 50% of necessary travel between instructional sites

To receive reimbursement, classes in a single occupational area must average at least ten persons. Licensed personnel include the coordinator of adult vocational education and instructors. Persons teaching less than six clock hours a quarter are exempt from the state's licensure requirement. With this exception, unlicensed instructors may teach, but the district cannot collect reimbursement.

Instructors teaching adult farm management, small business management, and veteran's farm management are employed full-time by the local district. All other adult vocational instructors are part-time, temporary employees. When post-secondary instructors teach adult vocational classes, they are paid on an overload basis. Most programs make extensive use of community instructors as well as AVTI faculty.

Adult vocational reimbursements are not collected for fringe benefits, supplies, space, utilities, clerical support and other unlicensed personnel, or advertising. Two sources of funds cover these costs. First, some costs may be borne by the post-secondary programs or, less commonly, other district programs. Each district sets its own policies regarding the use of equipment, space, supplies, and services paid for by the post-secondary program. In most districts, the costs of capital equipment are not allocated to the adult vocational program. The costs of supplies, services and other variable items are more often attributed separately to adult vocational education, but district policies again vary on the specific arrangements.

All costs which are not covered by state reimbursement or consolidated in post-secondary expenditures are charged to participants in the form of fees established by the adult vocational coordinator.

2. Level of Activity

Districts vary greatly in the relative magnitude of adult vocational instruction in the operation of the AVTI. When adult vocational contact hours are converted to average daily memberships according to the post-secondary formula, adult vocational activities

range from 1.3% to 42.0% of AVTI instructional efforts (Table 21). The size of the adult vocational program affects the visibility of costs which are not borne by reimbursements and fees. As the adult portion grows larger, it becomes more difficult to subsidize supply and other costs through the post-secondary budget.

3. Expenditures

FY 1979 adult vocational education expenditures in 30 out of 33 AVTIs amounted to \$6.7 million as shown in Table 22. Reported "other" expenditures include direct costs attributable to adult vocational education as well as indirect costs allocated as a result of district policy. District 916, for example, has allocated \$128,845 of indirect costs to adult vocational education although most of these costs are not recovered through adult vocational fees and reimbursements. In other districts, such as Thief River Falls where other costs are only 7.8% of total expenditures, only nominal direct costs are assessed by the district.

4. Sources of Funds

Adult vocational education is funded by student fees set by the institute, state reimbursement of salary and travel costs according to formula, special grants from the state and other sources, and miscellaneous income such as the sale of used supplies. Grants are available through the State Department of Education to support special programs in Crash Injury Management, consumer homemaking, Emergency Medical Technician training, Special Needs instruction, and training for new industries.

The total state funds spent on regular adult vocational reimbursements in FY 1979 was \$5.4 million; \$4.5 million or 83% was reimbursed to 33 AVTIs (Table 23). The remainder was used for adult

Table 21

Adult Vocational Education
Contact Hours FY 1979

<u>AVTI</u>	<u>Adult Voc. ¹ Contact Hours</u>	<u>Adult Voc. ² ADM Equivalent</u>	<u>Post- Secondary ADM ³</u>	<u>Adult Voc. % of Total Equated ADM</u>
Albert Lea	11,602	11	512	2.1%
Alexandria	265,335	253	1,468	14.7
Anoka	232,565	221	1,921	10.3
Austin	39,104	37	588	5.9
Bemidji	35,344	34	393	8.0
Brainerd	Data Needs Clarification		738	
Canby	321,670*	306*	423	42.0*
Dakota County	141,041	134	1,581	7.8
Detroit Lakes	123,571	118	691	14.6
Duluth	240,097	229	1,307	14.9
East Grand Forks	47,927	46	463	9.0
Eveleth	136,844	130	300	30.2
Faribault	41,282*	39*	399	8.9*
Granite Falls	185,323	176	429	29.1
Hibbing	103,710*	99*	380	20.7*
Hutchinson	36,725	35	536	6.1
Jackson	Data Needs Clarification		621	
Mankato	N/A	N/A	1,144	N/A
Minneapolis	N/A	N/A	1,190	N/A
Moorhead	57,384*	55*	985	5.3*
Pine City	5,505	2	155	3.1
Pipestone	16,508	16	524	3.0
District 916	N/A	N/A	2,069	N/A
Red Wing	20,433	19	461	4.0
Rochester	123,717	118	835	12.4
St. Cloud	N/A	N/A	1,493	N/A
St. Paul	902,296	859	2,435	26.1
Staples	51,912	49	623	7.3
Suburban Hennepin	Data Not Yet Submitted		3,383	
Thief River Falls	38,695	37	445	7.7
Wadena	64,166	61	496	11.0
Willmar	85,979*	82*	1,406	5.5*
Winona	19,036	18	616	2.8

* Does not include Adult Farm Management, Veteran's Farm Management, or Small Business Management contact hours.

¹Source: AVTI adult vocational directors

²Source: Computed on the basis of 1,050 contact hours per ADM equivalent

³Source: Higher Education Coordinating Board

Table 22

Adult Vocational Education
Expenditures FY 1979

<u>AVTI</u>	<u>Salaries of Licensed Personnel</u>	<u>Reimbursable Travel Expenditures</u>	<u>Other*</u>	<u>Total Expenditures</u>
Albert Lea	\$ 29,437	\$ 1,496	\$ 13,718	\$ 44,651
Alexandria	113,819	2,902	33,397	150,118
Anoka	171,196	1,294	28,638	201,128
Austin	100,067	4,509	53,733	158,309
Bemidji	82,735	3,281	16,993	103,009
Brainerd	Data Needs Clarification			
Canby	149,339	3,077	19,688	172,104
Dakota County	260,488	637	57,655	318,780
Detroit Lakes	153,556	8,548	135,710	297,814
Duluth	220,253	4,907	29,861	255,021
East Grand Forks	25,811	3,398	50,448	79,657
Eveleth	151,614	1,292	7,119	160,025
Faribault	149,788	3,758	38,413	191,959
Granite Falls	134,531	6,468	13,394	154,393
Hibbing	121,541	2,996	15,297	139,834
Hutchinson	65,302	1,421	14,182	80,905
Jackson	Data Not Yet Submitted			
Mankato	203,533	8,724	48,884	261,141
Minneapolis	539,480	1,246	130,560	671,286
Moorhead	70,671	1,833	13,906	86,410
Pine City	63,084	3,541	23,333	89,958
Pipestone	100,112	5,327	7,700	113,139
District 916	306,468	0	260,702	567,170
Red Wing	71,284	2,351	29,019	102,654
Rochester	118,784	6,884	118,046	243,714
St. Cloud	180,174	3,140	27,500	210,814
St. Paul	903,144	0	169,406	1,072,550
Staples	122,168	6,917	19,993	149,078
Suburban Hennepin	Data Not Yet Submitted			
Thief River Falls	165,794	11,459	14,931	192,184
Wadena	86,812	10,955	107,874	205,641
Willmar	115,778	4,735	74,915	195,428
Winona	11,572	-	6,255	17,827
TOTAL	\$4,988,335	\$117,096	\$1,581,270	\$6,686,701

* Includes non-reimbursed salaries and salaries paid out of other state grants.

Sources: State Department of Education and AVTI
adult vocational directors.

Sources of Funds Spent on Adult Vocational Education FY 1979

AVTI	Fees	Reimburse- ments	Grants	Misc.	Total Sources of Funds	Deficit (Surplus)	Total Expenditures
Albert Lea	\$ 18,710	\$ 22,826		\$ 3,115	\$ 44,651	--	\$ 44,651
Alexandria	65,367	86,815			152,182	\$ (2,064)	150,118
Anoka	80,647	129,044			209,691	(8,563)	201,128
Austin	61,106	77,305	\$ 3,000	2,516	143,927	14,382	158,309
Bemidji	36,439	63,692			100,131	2,878	103,009
Brainerd			Data Needs Clarification				
Canby	39,014	113,543		5,652	158,209	13,895	172,104
Dakota County	136,672	195,685			332,357	(13,577)	318,780
Detroit Lakes	52,543	119,441		129,785*	301,769	(3,955)	297,814
Duluth	74,411	167,643			242,054	12,967	255,021
East Grand Forks	21,395	21,057	27,462	4,329	74,243	5,414	79,657
Eveleth	43,201	114,357	9,137		166,695	(6,670)	160,025
Faribault	71,553	114,220	2,476		188,249	3,710	191,959
Granite Falls	44,710	104,132	6,540		155,382	(989)	154,393
Hibbing	34,674	92,654			127,328	12,506	139,834
Hutchinson	32,819	49,687		3,500	86,006	(5,101)	80,905
Jackson			Data Not Yet Submitted				
Mankato	108,046	157,012	6,871		271,929	(10,788)	261,141
Minneapolis	208,198	405,233		16,228	629,659	41,627	671,286
Moorhead	31,921	53,920			85,841	569	86,410
Pine City	31,026	49,084		9,507*	89,617	341	89,958
Pipestone	34,000	77,748			111,748	1,391	113,139
District 916	206,963	229,851		11,272	448,086	119,084	567,170
Red Wing	39,657	54,639	7,466		101,762	892	102,654
Rochester	69,141	92,530	83,319		244,990	(1,276)	243,714
St. Cloud	75,000	136,701			211,701	(887)	210,814
St. Paul	395,192	677,358			1,072,550	--	1,072,550
Staples	12,830	95,085	18,893	10,668	137,476	11,602	149,078
Suburban Hennepin			Data Not Yet Submitted				
Thief River Falls	49,944	130,075		10,340	190,359	1,825	192,184
Wadena	75,810	70,587	32,955	30,584*	209,936	(4,295)	205,641
Willmar	77,770	89,201	24,055		191,026	4,402	195,428
Winona	12,148	8,679		2,393	23,220	(5,393)	17,827
TOTAL	\$2,240,907	\$4,496,044	\$222,174	\$239,889	\$6,502,774	\$183,927	\$6,686,701

*Includes some grants as well as other miscellaneous income.

Source: AVTI adult vocational directors

vocational programs at secondary vocational centers and school districts without an AVTI.

Some districts operated their adult vocational programs at a loss in FY 1979, while other generated a surplus. State law requires all adult vocational funds be used for that type of instruction. Surpluses may be used for supplies, advertising or special programs.

Student fees paid for 33.5% of total expenditures reported by 30 out of 33 AVTI districts (Table 24). Fees accounted for 34.5% of all funds collected for adult vocational education in these AVTIs. Fees ranged from \$0.12 to \$5.64 per student contact hour.

5. Comparison of Adult and Post-Secondary Vocational Instruction

As shown in Table 25, post-secondary vocational students paid, on the average, 17.2% of their direct instructional costs of \$70.7 million in FY 1979. In addition to paying the remaining \$58.2 million in instructional program costs, local state and federal sources paid \$47.0 million for support services and plant operations. Although these latter expenditures are charged against the post-secondary programs, adult vocational students benefit from some of them, chiefly central administrative services and facilities. Where adult programs are in the same fields as post-secondary programs they also use specialized equipment which has been purchased for post-secondary training. In FY 1979 equipment costs were \$5.5 million or 7.7% of post-secondary direct instructional costs.

The 33.5% of instructional costs paid by adult vocational students must be viewed in the context of some unmeasured subsidies which flow from the post-secondary to the adult programs. A few

Table 24

Adult Vocational Education Fees

Fees as a Percent of:

	<u>Total Sources</u> <u>Funds</u>	<u>Total</u> <u>Expenditures</u>	<u>Fees per</u> <u>Contact Hour</u>
Albert Lea	41.9%	41.9%	\$1.61
Alexandria	43.0	43.5	.25
Anoka	38.5	40.1	.35
Austin	42.5	38.6	1.56
Bemidji	36.4	35.4	1.03
Brainerd	Data Needs Clarification		
Canby	24.7	22.7	.12*
Dakota County	41.1	42.9	.97
Detroit Lakes	17.4	17.6	.42
Duluth	30.7	29.2	.31
East Grand Forks	28.8	27.5	.45
Eveleth	25.9	27.0	.32
Faribault	38.0	37.3	1.73*
Granite Falls	28.8	29.0	.24
Hibbing	27.2	24.8	.33*
Hutchinson	38.2	40.6	.89
Jackson	Data Not Yet Submitted		
Mankato	39.7	41.4	N/A
Minneapolis	33.1	31.0	N/A
Moorhead	37.2	36.9	.56
Pine City	34.6	34.5	5.64
Pipestone	30.4	30.0	2.06
District 916	46.2	36.5	N/A
Red Wing	39.0	38.6	1.94
Rochester	28.2	28.3	.56
St. Cloud	35.4	35.6	N/A
St. Paul	36.8	36.8	.44
Staples	9.3	8.6	.25
Suburban Hennepin	Data Not Yet Submitted		
Thief River Falls	26.2	26.0	1.30
Wadena	36.1	36.9	1.18
Willmar	40.7	39.8	.90*
Winona	52.3	68.1	.64
Total	34.5%	33.5%	--
Average	34.3%	34.6%	\$.63

*Contact hours do not include adult farm management, veteran's farm management, or small business management

Table 25

Comparison of Adult and Post-Secondary
Vocational Education Funding FY 1979

	<u>Direct Instructional Expenditures</u>	<u>Student Tuition</u>	<u>% of Instructional Costs Paid by Students</u>	<u>ADM</u>	<u>Instructional Expenditures Per ADM</u>
Post-Secondary ¹	\$70,692,087	\$12,148,338	17.2% ²	31,010	\$2,280 ²
Adult ³	6,686,701	2,240,907	33.5%	3,187 ⁴	1,561 ⁴

¹ Estimated FY 1979 data from 1979-81 Budget Proposal Supplement.

² When resale of supplies and equipment of \$7.6 million is offset against instructional cost, the student's share rises to 19.3% and the cost per ADM drops to \$2,034.

³ Does not include Brainerd, Jackson, Suburban Hennepin.

⁴ Includes only AVTIs reporting contact hours. \$1,050 contact hours converted to one ADM equivalent.

districts do assess their adult programs for facilities and equipment usage, but the practice is not common, especially in the smaller institutes. Others, such as District 916, appear to have estimated the indirect subsidies, but have not actually passed these costs on to adult vocational students. Despite these cost allocation problems, adult vocational students clearly pay a much greater proportion of costs than post-secondary students.

It should be noted that the adult and post-secondary programs initially served different purposes and in most districts the original distinctions still apply. Post-secondary programs provide entry-level skills for students entering an occupation. Adult programs have been in-service training for individuals who are already employed in the field. A 1978 sample survey of adult vocational students indicated that 74% were enrolled for updating purposes; 12% were entering the job market and 14% were enrolled solely for personal enjoyment, a primary motivation presumably rare among post-secondary students. As long as the adult and post-secondary programs serve different objectives and different types of students, funding differences may be appropriate.

6. Tuition & Fee Policies

AVTI post-secondary students pay a quarterly tuition charge of \$128.00 for a full-time program meeting six hours a day for 60 days. Part-time students pay an hourly rate prorated from the quarterly fee.

Charges for adult vocational education are established locally. Generally, prices are established at the breakeven point when average enrollment is achieved. Individual classes may then exceed or

fall short of covering direct and such indirect costs as are allocated by the district, but the overall program will be self-supporting through state reimbursements, fees, and grants. A few adult vocational directors use differential pricing to generate profits on popular courses or company training programs in fields of immediate need. These profits, which must be used for adult vocational education, may subsidize needed instruction for low income individuals or individuals requiring high cost occupational programs.

III. ANALYSIS OF ISSUES AND ALTERNATIVES

A. GENERAL FUNDING AND PRICING POLICIES

The funding arrangements which characterize programs serving part-time and returning students differ along the following two dimensions.

1. The extent to which the state, through the appropriations process, takes responsibility for funding program costs.
2. The extent to which persons administering the program control the prices charged to students.

These dimensions are illustrated in Figure 1. As shown, selected programs for part-time and returning students can be found operating under all four combinations of funding and pricing policies.

1. Funding Policies

Funding policies are the more crucial of the two dimensions. All programs receive funding both through student charges and support from public funds, but the proportion of program costs borne by participants and the state varies greatly. At the present time, similar programs may receive different funding within a single system or similar programs may receive different funding

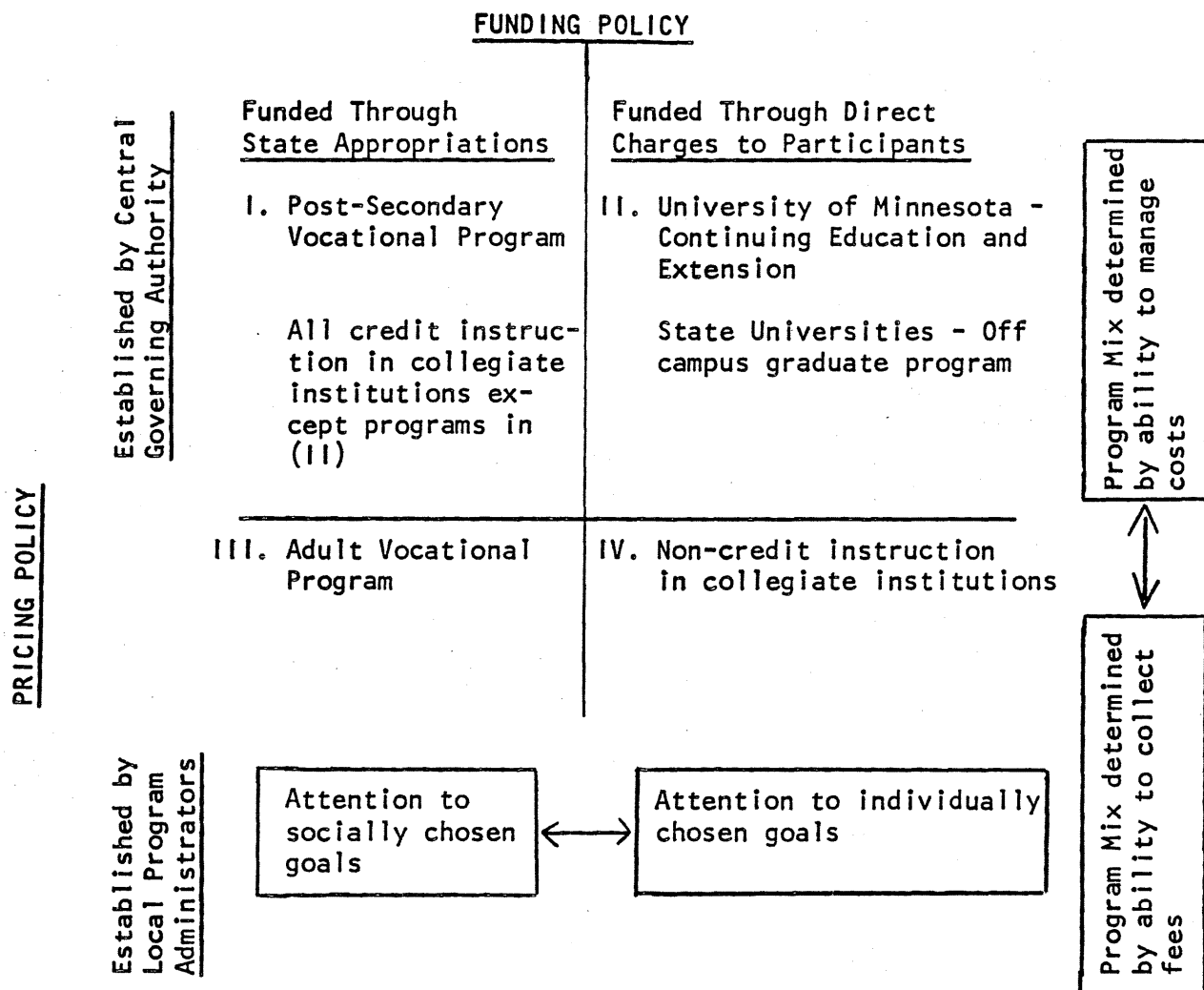


Figure 1
Fiscal Environments and Incentives Faced
by Programs for Part-Time and Returning
Students

because they are in different systems.

It is the policy of the state to provide direct subsidies to the post-secondary and adult vocational programs, all credit instruction at the community colleges, credit instruction at the state universities except for off-campus graduate programs, and credit instruction at the University of Minnesota except for courses offered by Continuing Education and Extension. The proportion of subsidy now varies in the different systems as summarized below:

<u>Program</u>	<u>Participants' Share of Direct Instruct. Costs</u>
Post-Secondary Vocational Education	19%
Adult Vocational Education	34%
State Universities - On-Campus	36%
University of Minnesota - non-CEE	49%
Community Colleges	52%

In addition to these overall legislatively determined funding levels, system and campus internal allocation procedures produce great variation in the levels of subsidy, chiefly in response to differences in program costs.

In 1978, the Coordinating Board recommended a state policy which would equalize the proportion of total instructional costs (including direct and indirect costs) covered by tuition in the public post-secondary systems. So far, the state has not used this proposal to develop appropriation levels.

Certain programs for part-time and returning students are expected by the state to be "self-supporting." At the present time, self-supporting programs include Continuing Education and Extension

at the University of Minnesota, the off-campus graduate programs of the state universities, and non-credit instruction in the three public collegiate systems.

Self-supporting programs rely on student charges to pay the direct costs of instruction. In practice, substantial state support is invested because the costs of the physical plant, student services, general administrative offices and academic support operations are rarely attributed to the costs of these programs. Furthermore, the costs of direct program administration and supplies may be borne by state appropriations to the institutions. Indirect instructional costs represent approximately half of the total operating budget in each system.

Nevertheless, the self-supporting program is required to generate all direct instructional costs - however, these may be variously defined - through student tuition or fees. This level of expectation is at least twice as high as the average percentage borne by students in programs without this requirement.

Because students in self-supporting programs are the sole source of income for incremental costs, planning and execution must be more sensitive to student demand than programs which are heavily subsidized by the state. It is comparatively difficult for these programs to offer services for which demand is low or individuals are unable to pay no matter how valuable from a societal point of view.

If they are to survive and grow, programs which are highly dependent on student fees are forced to respond to market demands from individuals in preference to institutional and social goals.

Funded programs operate under a more complex array of forces designed to ensure that objectives other than income from fees are met. As a result, funded programs usually have less local flexibility than programs which do not rely on tax-generated sources of income.

In general, public funding for education and social programs rests on consensus concerning the relative distribution of personal and social benefits and on the ability of participants to pay the full costs of the service. Reduced funding of special post-secondary programs for part-time and returning students has been justified on both grounds through the following arguments:

- Returning students are not serious about their education and will not learn as much as other students.
- Returning students study for personal enrichment while other students are preparing for socially-useful occupations.
- Investment in youth yields greater returns to the public over a lifetime.
- Returning students can afford to pay a greater share of costs out of current income than other students.
- Returning students will recoup their costs through future income and, therefore, can afford to make an investment in their education.
- Returning students have already received subsidies for their past education and should not expect further help.

These arguments explain some of the within-system variation in public support for similar programs conducted to serve different

audiences. For example, the state universities removed state support from off-campus graduate instruction - but not on-campus graduate programs - because the off-campus clientele was alleged to be employed and to be anticipating salary advances.

Arguments in favor or opposed to direct public support, however, have never been consistently applied to the four public post-secondary systems. As a result, similar programs in different systems receive greatly different subsidies. The evening instructional program at the University of Minnesota, for example, is expected to be self-supporting while the evening degree-credit programs at the state universities and community colleges are not. Differences in subsidies favor certain institutional competitors for the returning student market.

A rational funding policy for programs for part-time and returning students should include decisions on the following issues:

- Should similar programs within a single system be funded on the same basis?
- Should similar programs in different systems be funded on the same basis?
- If certain programs should receive more public funding than others, what program characteristics should be used to discriminate?
- If certain programs should receive more public funding than others, what student characteristics should be used to discriminate?

2. Pricing Policies

In determining the amount of state funds to be appropriated to the public collegiate systems, the legislature assumes a contribution

level from student tuition. Prices charged to students for credit instruction are then set annually by the governing authority based on total revenue needs and legislative intent. The governing body has the authority to determine which tuition classes will be created and the basis for determining the tuition rate for each class. Tuition for post-secondary vocational education is set directly by the legislature. Once tuition rates are established, revenue from that source depends solely on enrollments.

Tuition schedules which charge for each credit hour are usually fairer to part-time students than policies which establish a fixed rate for full-time students regardless of course load. Presently, the University of Minnesota is the only public system using a preferential rate for full-time students.

Policies regarding the payment of student service fees are a second pricing factor affecting part-time and returning students. Some systems waive student services fees for off-campus or other categories of students on the grounds that the activities from the fund rarely benefit them.

In contrast to predetermined tuition or fee rates, adult vocational education and non-credit instruction in collegiate institutions operate under flexible fee schedules established locally. Here, program administrators can manipulate both enrollments and fees to generate income.

In setting fees for these programs, administrators usually aim for the breakeven point on individual classes. Less commonly, the same fees may be charged for a grouping of classes with an intent to breakeven on the entire program or subprogram. At their discretion, administrators may also choose to vary their fees according

to the client's ability or willingness to pay. Classes for high income professionals or employer-paid training, for example, may be deliberately set high in order to generate a surplus which can be used to subsidize low enrollment classes or programs for which only low fees can be charged. Locally determined fees allow programs to be more responsive to market forces than fixed rates allow.

Flexible fees are also easily adaptable to different delivery strategies, while fixed rates make it comparatively difficult to charge for programs which are unusual in terms of the criteria used to classify programs for tuition purposes. A disadvantage of flexible fees, however, is that different charges may be made for similar offerings at different institutions, depending on local pricing strategies.

As illustrated in Figure 1, the type of pricing mechanism faced by programs for part-time and returning students affects the diversity of offerings that can be provided. When fees are fixed, costs must be managed to some budgeted average. High cost programs can be afforded only if low cost programs can be used as an offset. Here the market characteristics and size of the total program have profound effects on the ability to offer low enrollment classes or other high cost instruction.

Continuing Education and Extension at the University of Minnesota is a clear example of this response. Through its capability to generate high enrollments in certain Twin Cities classes CEE can afford to offer lower enrollment programs in the smaller population centers of Duluth and Morris.

When programs are allowed to set their own fees, low enrollment and other programs with high per capita costs can be available as long as participants are willing to accept the necessary fee levels. Like programs with fixed fees, these programs can also manipulate their mix of classes in order to provide affordable high cost instruction. To the extent that residents are highly desirous of certain opportunities, however, locally-determined fees may permit high cost programs to be offered in locations that would be unable to fund them in fixed fee situations. Cost control is enforced by acceptable price levels rather than solely by administrative budget decisions.

B. ALTERNATIVE FUNDING AND PRICING POLICIES

1. Use of Credit as a Funding Standard

Instruction for academic credit represents the bulk of instruction offered by collegiate institutions. Besides its use as a measure of student progress towards completion of an academic program, the student credit hour has emerged as a measure used to determine faculty work load, funding levels, and other inputs. Indeed, the amount of state support for the Community Colleges and the University of Minnesota has been closely tied to full-year equivalent enrollments, measured in credit hours, even though the state does not employ an explicit funding formula (Coordinating Board, 1979).

Each institution's faculty determines quality and quantity standards for awarding academic credits. While the degree-credit was at one time linked to its applicability to degree requirements, institutions now award credits for courses which are not established as part of a degree curriculum and may, in fact, be designed to attract

non-degree students. In some instances, these credits are not fully acceptable to the institution's own degrees. It is no longer possible, therefore, to use credit hour production as an indication of degree enrollment.

Minnesota, like most states, has elected to use state funds for credit instruction and to deny them to non-credit instruction. Thus, the academic credit system is critical to not only the verification of academic accomplishment (along with grades), but is also an important component of funding levels to each public collegiate system and of internal allocations within the systems. The present funding mechanism creates strong institutional incentives to favor credit over non-credit delivery. These incentives are not necessarily bad, but they do have two, possibly harmful, effects:

1. In order to secure funding, credit may be awarded for an inappropriate quality and quantity of achievement. Decisions to offer credit rest with institutional faculty who employ internal standards to evaluate proposals for credit courses. The danger is that, as funding levels begin to respond to declines in credit enrollment, pressures will build to relax professional standards.
2. In order to justify the award of credit, the delivery of instruction may be altered in ways which detract from the appeal to students or the intent of the course. Non-credit courses are generally converted to credit status by lengthening classtime and by adding formal evaluation of student projects or tests. Many residents, however, seek to learn in short courses or in a non-pressured situation.

If the state wishes to retain the distinction between funding of credit and non-credit instruction, the following alternatives should be considered:

1. Retain present practice.

The present policy retains considerable autonomy with local faculties, professionals who are in the best position to make the highly complex and specialized decisions in evaluation of academic preparation. As indicated above, however, funding incentives will tend to encourage decisions in favor of credit instruction.

2. Establish general systemwide policies for credit evaluation.

Limits could be placed on institutional autonomy through systemwide guidelines created and adopted by the governing boards, which specify minimum quality and quantity standards. These policies would help retain the integrity of credit decisions, but would not diminish efforts to squeeze non-credit instruction into the credit mold. A further danger is that non-traditional delivery methods would be discouraged.

3. Establish general statewide guidelines for credit evaluation.

Institutional credit policies have an impact on the success of other institutions competing for part-time and returning students. Credit policies established at the systems level, however, may result in greatly different standards. A recommendation directed toward statewide agreement on minimum conditions for the awarding of credit would establish a process, under the direction of the Coordinating Board, for consultation among representatives from

both public and private collegiate institutions. This recommendation is compatible with the Coordinating Board's efforts to examine degree designations and standards in order to create greater consistency across the state.

4. Differentiate funding by degree-relatedness rather than by status.

As indicated above, credit instruction is increasingly divorced from degree or certificate curricula. In particular, efforts to reach part-time and returning students who do not seek degrees have generated two forms of the credit, non-degree-related course. First, courses which are equivalent to courses accepted for degrees may not be recognized if they are offered off-campus or through an extension division. Second, special formulations of academic subjects may be created specifically to appeal to the non-degree student.

A key issue is the state's intention in using credit as a condition for funding. If the intent is to favor degree-enrolled students, present policies do not suffice. Removal of funding from non-degree-related classes would limit unintended subsidies at the expense of access for non-degree students who make up an increasingly visible clientele. Without credit standards, however, incentives would be created to recognize poor quality or inappropriate courses toward degrees, the institution's ultimate endorsement of student achievements.

5. Fund non-credit instruction.

Non-credit funding would relieve some of the pressures to grant academic credit for all instruction. Specific

alternative funding methods are discussed in Section III - B-3.

2. Funding of Credit Instruction

In 1975, the Higher Education Coordinating Commission recommended that all "degree credit instruction in public institutions be subsidized in proportion to costs regardless of the site, time and mode of delivery." As shown in Section II, this policy has not been achieved. First, the state has not systematically related subsidy levels to the cost of instruction and students pay somewhat different proportions of total costs in the three public systems. Furthermore, direct funding is denied for two credit programs which primarily serve part-time and returning students.

These self-supporting programs are Continuing Education and Extension at the University of Minnesota, the primary provider of evening and off-campus credit instruction, and the off-campus graduate programs of the state universities. CEE was established as a self-supporting division in 1913. The policy at the state universities is relatively recent, initiated by the governing board to reallocate funds to other purposes. The responsibility to draw priorities among many worthwhile activities is a fundamental governing board function, but inequalities have no doubt been created as a result of this decision.

Because the dynamics of a change in funding would be different in each system, funding of CEE and off-campus state university graduate programs are separable issues. In both instances, the choices amount to retaining current discrimination against these programs, adherence to the 1975 Coordinating Commission recommendation, or intermediate steps designed to improve some funding attributes in order to achieve specific goals.

The following alternatives have been identified with regard to funding Continuing Education and Extension at the University of Minnesota.

1. Retain present practice.

As a division, CEE is largely self-supporting although it does receive regular appropriations for some non-instructional services and special appropriations to maintain equitable tuition rates with day classes.

2. Appropriate funds to support CEE on the same basis as other credit instruction.

The incremental cost to the state to fund Continuing Education and Extension on a par with the rest of the University of Minnesota is approximately \$3-6 million, based on present enrollments. The University would probably use improved CEE funding to increase the number and diversity of offerings. The ultimate cost of a fully funded CEE is, therefore, greater as services shift in response to funding changes.

A specific estimate of the costs of conversion requires detailed assumptions of faculty utilization, program cost distributions, and internal allocation mechanisms. The University of Minnesota will be best able to propose a cost estimate following agreement on an implementation plan. Such a plan would entail consideration of governance, functions, and authority under an altered fiscal environment.

3. Reallocate existing University of Minnesota resources so that CEE is funded on the same basis as other credit instruction.

To reallocate existing appropriations, the University would have to cut expenditures on "regular" instruction or

other services.

4. Convert CEE credit enrollments into funded FYE as University of Minnesota "regular" enrollments drop below the presently funded level.

HECB enrollment projections suggest that the University of Minnesota will lose between 14,500 and 16,000 FYE students by 1996-97. This option would allow the University of Minnesota to replace lost enrollments with CEE credit production as a gradual method of extending state support for all credit instruction. It should be noted that the University may implement this strategy on its own to counteract enrollment declines by reassigning some CEE classes back to the regular academic units.

5. Fund CEE operations at Duluth, Rochester and Morris on the same basis as other credit instruction.

Unlike the Twin Cities campus, the coordinate campuses at Duluth and Morris and the Rochester Extension Center do not have a population base which supports large enrollment, low cost classes filled by part-time and returning students. These campuses are now subsidized by redirecting Twin Cities revenues and by special appropriations. By adding funding to Duluth and Morris, the state would favor increased services in these communities where the University of Minnesota is the sole public collegiate institution.

6. Fund lower division (1XXX level) CEE classes on the same basis as other credit instruction.

Freshman and sophomore level courses stress fundamental principles at the college entry level. While college graduates

often take such classes for enrichment and new career skills, lower division courses are more likely to reach the underserved than upper division and graduate courses. In accordance with state objectives to first meet the needs of persons without the advantages of previous state subsidies, this option would create incentives for CEE to expand lower division opportunities. This option would also create greater equality between the University of Minnesota and the other public collegiate systems, but at the risk of unnecessary duplication in the Twin Cities and Rochester where community colleges also offer lower division credit instruction.

7. Fund upper division (3XXX and 5XXX level) CEE classes on the same basis as other credit instruction.

This option recognizes the presence of community colleges which are available to offer subsidized lower division courses in Rochester and in the Twin Cities, Duluth and Morris, however, are at least an hour's drive from a community college campus.

8. Provide grants to CEE for each certificate, associate, bachelor's and master's degree awarded in which CEE classes represent at least 50% of the degree credits.

The typical CEE registrant moves in and out of both day and CEE classes. In the Twin Cities, CEE now offers the capability to earn two and four year degrees in more than 25 majors, 50 general and occupational certificates, and two master's degrees completely through Extension classes. A reward to CEE for completed degrees would offer increased

incentives to plan complete degree programs and to provide necessary support services for degree students.

When the State University Board requested permission to re-allocate \$532,000 in FY 1977 state expenditures for off-campus graduate instruction, the rationale given was "a significant percentage of the students participating in this activity are employed adults, particularly teachers obtaining advanced or in-service training for certification and salary advancement purposes." At that time, 64.5% of enrollments were in teacher education, 7.0% were in business, and 28.5% were in other disciplines generally supporting the first two areas.

As a result of the change in funding, tuition was raised from \$12 to \$23 per credit. Off-campus graduate Fall headcount enrollments remained stable during the transition, but FYE enrollments fell by 51% indicating that students took smaller course loads after tuition was raised.

Evidence regarding the characteristics of on-campus graduate students was not presented to differentiate them from the off-campus clientele. In fact, on-campus graduate students appear to be similar to off-campus students. In Fall 1979, 73% of the on-campus students were part-time. The pattern of off-campus classes also mirrors the general pattern of degree production. In FY 1979, 62.1% of the master's degrees awarded by the state universities were in education, 7.5% were in business.

In evaluating special treatment of off-campus graduate students, the following recommendations regarding the state universities are possible:

1. Retain present practice.

The State University Board has assessed its mission and services and has concluded that off-campus graduate students rank low in priority. The 1977 legislature confirmed their judgment and a difficult transition to self-sustaining programs was accomplished.

Although higher than the on-campus tuition, the off-campus graduate rate of \$24.00 a credit hour is still a bargain compared with the \$37.00 charged by the University of Minnesota. Off-campus students, however, do not usually have access to the full array of services provided to resident students and their credits may not apply to degree requirements. The policy does have the effect of encouraging students to come onto the campus where services can be provided most efficiently and with the best assurance of quality.

2. Appropriate additional funding to support off-campus graduate programs on the same basis as on-campus programs.

Funding off-campus graduate courses sponsored by the state universities would enable tuition to return to on-campus rates. Based on FY 1979 enrollments and appropriation levels; this change would cost the state about \$207,000. A reduction in tuition would probably increase enrollments. In fact, off-campus graduate enrollments dropped by half when the program was placed on a self-sustaining budget model. Were enrollments to return to their former levels, the cost to the state could be about \$600,000 a year.

3. Reallocate existing state university resources to support off-campus graduate programs on the same basis as on-campus programs.

This recommendation would require the state universities to reverse their reallocation of resources out of the off-campus graduate program. The specific effects would depend on the choice of existing services which would lose funding.

3. Funding of Non-Credit Instruction in Collegiate Institutions

Non-credit instruction holds an ambiguous position in institutional missions. On one hand, some programs are seen as extensions of the instructional mission, and quality and consistency with academic purposes are important questions. In other institutions, non-credit instruction is a public service which relates only tangentially to the credit program. When non-credit instruction is divorced from the academic thrust of the institution, virtually any instruction can be a legitimate function as long as credit and funding are not squandered on inappropriate activities.

As a result of these differences, non-credit instruction in collegiate institutions encompasses a nearly endless array of programs in terms of subject matter, length, format and clientele. While some institutions confine their offerings to collegiate level material, others will offer any instruction for which demand is sufficient to cover direct costs.

In spite of meager funding for non-credit instruction, institutions provide it for the following reasons:

1. Individuals want to learn about some topics, but do not want the pressure of tests, assignments and grades.

2. There is a demand for learning which does not take an "academic" approach.
3. The subject matter taught does not have an intellectual base.
4. The target audience includes children and adolescents.
5. The duration and format of instruction do not meet credit standards.
6. The target audience is able to pay higher fees than allowed under the standard tuition schedule.
7. The institution is not constrained by the level and curricula approved for degree programs.
8. Internal faculty approval procedures are not needed, allowing rapid response to community needs.
9. Non-credit instruction provides an introduction to the institution and cements relationships with local residents.

Although non-credit instruction is not an entirely new function, its popularity has increased dramatically in many locations. Aiding its growth have been continuing education requirements imposed by the legislature and professional associations. In most instances, these requirements do not have to be satisfied with credit programs and collegiate institutions, in competition with other eligible providers, have found it easiest to tap the market through non-credit programming.

The state does not fund the direct costs of non-credit instruction in collegiate institutions, although analogous activities in adult vocational and community education do receive state subsidies. Many other states follow this practice. In general, the arguments

against state support cover the intentions of both programs and participants.

Non-credit programs have not always had the quality control that institutions put into their credit offerings. Many offerings are also clearly recreational in character. To the extent that the state chooses to fund purely recreational learning, community education programs operated by the K-12 school districts may satisfy the need statewide.

Further, observations about students in non-credit instruction have been used to argue against state support. Most significantly, national data indicate that non-credit instruction is serving comparatively well-educated, affluent segments of the population.

One Minnesota study confirms this finding. At the University of Minnesota, 22% of the CEE non-credit registrants in fall 1976 had family incomes over \$30,000. In contrast, only 7% of the credit class students through CEE in fall 1975 had incomes that high. Some of this income discrepancy may be attributed to the prevalence in the sample of short courses sponsored by Continuing Education for Women, a program with many daytime offerings appealing to the leisure interests of mature married women.

There are, however, several counterarguments which support some use of state funds for non-credit instruction. These include the following:

1. While some non-credit instruction provides minimal social benefits, the field includes occupational training, citizenship and leadership skills, and mobility programs for

the educationally disadvantaged. These programs have legitimate social uses which should be recognized through public participation in financing.

2. Funding mechanisms can encourage institutions to emphasize socially desirable non-credit instruction.
3. Public service is an assigned function of the public collegiate systems. It is not consistent to ask institutions to serve this function without provision of resources.
4. Without funding, institutions have no incentive to provide non-credit instruction.
5. Required continuing education for the professions protects the public and the public should share directly in its costs.
6. Non-credit programs for low income audiences will not be offered because they cannot be supported through fees.
7. Non-credit funding would relieve pressures to offer credit for questionable programs.

Provision of funding for non-credit instruction is impeded by several practical difficulties. Because funding has not been available for non-credit work, institutional records lack consistency and comparability. So far, there is no single standard used to measure activity. Registration records include programs of varying lengths and structure. Many programs are co-sponsored with internal or external agencies and double counting is a problem. While the Continuing Education Unit (CEU) is intended as a measure combining length of instruction and persons served, similar to the credit hour, institutions vary in its use. Finally, instructional and non-instructional public service participation and cost data are often intermixed.

The funding options open to the state include the following:

1. Retain present policies.

Under present policies, the administration of non-credit instruction may be funded out of state appropriations. The direct costs of instruction are borne by charges to participants. Institutions also seek grant funding for special projects. In addition, the Community College Board allocates some development funds for high priority public service programs, including non-credit instruction. Because funding is available for credit instruction, there is a tendency to award academic credit whenever possible.

2. Remove institutional subsidies for administrative personnel.

If the state desires a truly self-supporting non-credit program, administrative personnel could be charged as a direct cost recovered through participant fees. Savings in state funds are unknown, but are probably in the \$400,000 range for the community colleges and state universities.

3. Provide state funds for general public service activities in the community colleges and state universities.

This option would not differentiate between instructional and non-instructional public service. Funds could be awarded on the basis of population in institutional service areas or in the form of special purpose grants through HECB or systems appropriations. The University of Minnesota already receives a number of special appropriations for public service.

4. Provide state funds for any form of non-credit instruction in the three public collegiate systems.

Under this option, instructional activities would be

fiscally differentiated from other forms of public service.

Funding alternatives include:

- a. An appropriation to each system to be allocated to institutions by the governing board.
- b. An appropriation to HECB to be awarded in the form of grants for particular projects identified as needed in an advisory procedure.
- c. A formula based on certain costs of instruction (similar to adult vocational education).
- d. A formula based on persons served (registrations).
- e. A formula based on numbers of classes offered.
- f. A formula based on clock hours of instruction.
- g. A formula based on student contact hours.
- h. A formula based on CEUs providing the institution adheres to the guidelines of the National Task Force on the Continuing Education Unit.
- i. A formula based on population in an institution's primary service region.

5. Provide differentiated support for non-credit instruction based on its purpose.

Although classification of individual courses is not a simple decision, definitions for the following areas of non-degree related instruction have been published in the Program Classification Structure of the National Center for Higher Education Management Systems (1978):

a) Requisite Preparatory/Remedial Instruction

This category includes those instructional offerings carried out to provide the learner with the skills or knowledge required by the institution to

undertake course work leading to a post-secondary degree or certificate. These offerings, supplemental to the normal academic program, typically are designated as preparatory, remedial, developmental, or special-education services. They may be taken prior to or along with the course work leading to the degree or certificate. Only those offerings that are provided specifically for the purposes of teaching required preparatory or remedial skills or knowledge should be included in this category. If students may satisfy the preparatory requirements by taking offerings provided primarily for other than remedial or preparatory purposes, those offerings should be classified appropriately elsewhere.

Examples: Preparatory/remedial summer program offered for students accepted under a conditional admission agreement
Foreign-language offering provided specifically to satisfy doctoral-level requirement

b) Occupation-related Instruction

This subprogram includes those instructional offerings that are not carried out as part of a formal certificate or degree program but that are offered to provide the learner with knowledge, skills, and background related to a specific occupation or career. The instructional offerings classified in this category focus on the role of the individual as a worker rather than upon his or her role as a member of society, part of the family, or as a user of leisure time.

Examples: Nondegree-related continuing-education offerings for physicians, nurses, teachers
Nondegree-related career/vocational courses

c) Social Roles/Interaction Instruction

This subprogram includes those instructional offerings that are not carried out as part of a certificate or degree program but that are offered to provide the learner with knowledge, skills, and background needed to function as a member of society or to interact with the variety of social institutions. It also includes those offerings that deal with the person as a member of a particular social organization or institution. Such social institutions include, but are not limited to, the church, the community and organizations associated with the various levels of government.

Examples: Civil-defense orientation program
Nondegree offerings in
Citizenship, current events/
community problems, consumerism,
community action, environmental-
issues
Languages program for persons seeking
U.S. citizenship

d) General Studies

This subprogram includes those instructional offerings that are not part of one of the institution's formal post-secondary degree or certificate programs and that are intended to provide the learner with knowledge, skills, and attitudes typically associated with an academic discipline (such as literature, mathematics, philosophy). In classifying offerings in this subprogram, the users should determine whether they lend themselves to classification in one of the traditional academic disciplines typically grouped together as the liberal arts. If they can be classified in such a discipline category and if they are not part of a formal degree or certificate program, they should be included in this subprogram.

Examples: Nondegree offerings in:
Great books, painting and sculpture,
fine arts, foreign languages for
travel, and general education de-
velopment programs
Adult basic-education program

e) Home and Family Life Instruction

This category includes those instructional offerings that are not offered as part of a certificate or degree program but that are carried out to provide the learner with knowledge, skills, and capabilities related to the establishment, maintenance, and improvement of a home; to the carrying out of those functions typically associated with the conduct of a household; or to the person's responsibilities as a member of the family unit. This category includes those offerings that focus on the person's role as a member of a family or household rather than upon his or her role as a worker, member of a social organization, or user of leisure time.

Examples: Child care and development
Gardening
Do-it-yourself building and repair skills
Household budgeting
Homemaking
Sewing and cooking (if not offered as a
recreational pursuit such as gourmet
cooking)

f) Personal Interest and Leisure Instruction

This category includes those instructional activities that are not offered as part of a certificate or degree program but that are carried out to support an individual's recreational or avocational pursuits or to improve his or her day-to-day living skills. The activities included in this category focus on the individual as user of leisure time rather than upon the individual as a member of a social institution or upon occupational and career-related needs. However, if the offering can be classified within a traditional academic discipline, even if it is a leisure time pursuit (for example, art appreciation, great books), it should be classified in General Studies.

Examples: Training of pets
Yoga
Speed reading
Personality development
Recreational folk dancing
Leadership development

Support could be provided for selected categories or could be provided on a sliding scale depending on classification. Alternative funding mechanisms are the same as those listed in (4) above.

4. Funding of Post-Secondary and Adult Vocational Education

The AVTI community is divided on desired future funding of the adult vocational program. Some persons would like to see the funding of adult vocational education placed on the same basis as post-secondary instruction. This change, it is argued, would permit the AVTIs to become more flexible in serving part-time and returning students and artificial decisions to place certain classes in one or the other program would be avoided. Aid for supplies and indirect expenditures of adult vocational education could also be collected by the district, eliminating the subsidies by the post-secondary programs.

Placing the adult vocational program on the same funding formula as post-secondary instruction has run into two practical difficulties which remain unresolved, although a State Department of Education task force is addressing these questions. First, the funding of post-secondary instruction is tied, in part, to student contact-hours of instruction in a class or on-the-job structured setting. Adult farm management, veteran's farm management and small business management, however, contain provision for consulting services as well as classroom instruction. So far, it has not been possible to agree on a way to convert consulting time into average daily memberships which could be incorporated into the post-secondary funding formula.

A second practical difficulty of merging the post-secondary and adult programs has been the level of increased state aids which have been proposed. Under current formulas, adult vocational students pay a greater share of instructional costs than post-secondary students. Most plans for merging the two programs would replace the individually-determined adult vocational fee structure with prorated tuition based on post-secondary rates. State aids would be used to replace student contributions in many cases.

Although merging post-secondary and adult vocational programs as usually proposed would increase state funding, some adult directors oppose a merger. Opposition centers around assumptions regarding the types of services which might change. AVTI directors have concentrated their energies and loyalty around the post-secondary programs and adult directors fear that if separate funding were eliminated some districts would divert funds now going to adult vocational education to improve the full-time post-secondary programs.

The following funding options have been identified:

1. Retain present adult and post-secondary funding formulas

Under the formulas now used, the support for AVTI operations is achieved through post-secondary funding. The adult program is essentially an add-on in which only the incremental costs of salaries and travel are subsidized. Traditionally, the post-secondary programs required full-time attendance over an extended period while adult programs were short-term or part-time. Post-secondary programs also emphasized entry level skills while adult programs stressed upgrading. Both generalizations are, however, changing in some districts. Post-secondary students pay about 19% of their direct instructional costs in fees; adult students pay 34%.

2. Apply the existing post-secondary funding formula to adult programs

A common funding formula would allow recognition of the supplies and indirect costs consumed by adult vocational classes. There would also be greater incentives to AVTI directors to encourage part-time, adult vocational opportunities.

Most proposals would replace the locally-determined adult fee schedule with a rate prorated from the full-time post-secondary program. Because post-secondary students now pay a smaller portion of the costs of their instruction than adult vocational students, additional state resources would be used to equalize these costs.

There are several significant problems that would have to be resolved in choosing this option. Instructional program cost, FTE faculty, and student average daily memberships are key variables in the current post-secondary formula.

It is not clear how these figures could be calculated for short courses in a constantly changing number of occupations, for consultation time in the "full-time" adult programs, for students who are short-time participants, and for faculty who are employed on a part-time, temporary basis.

3. Construct a new funding formula which merges the adult vocational and post-secondary programs

It is possible that a new formula could be constructed to achieve the benefits listed in (2) above without the attendant difficulties of extending the existing formula. This option, however, may be particularly difficult to implement at this time since the AVTI system converted only a year ago to the current formula.

A merged formula might still require additional state resources to lower the financial burden to adult vocational students. Alternately, tuition for post-secondary programs would have to be raised. Conditions could be placed on the recommendation so that the total amount of state resources awarded under the merged program did not exceed current levels spent on the combined programs.

4. Merge the funding of adult vocational and post-secondary programs, under the existing formula or a new one, but require maintenance of effort for part-time programs

One danger of combining the post-secondary and adult programs for funding purposes is that the adult programs

will wither without protected sources of funds. In some districts, support for part-time adult programs is weak compared to the visibility and support for full-time post-secondary opportunities for young people. Maintenance of effort restrictions would limit a tendency to co-opt funds now spent for adult vocational education, but at the expense of local flexibility to respond to real changes in demand.

5. Retain existing formulas, but redefine the post-secondary and adult vocational programs.

A final option is to maintain a distinction between extended, diploma-oriented programs and short-term classes, but to remove other reasons for distinguishing between post-secondary and adult vocational education.

Under this option, two regulations of post-secondary programs would be removed. First, the regulation requiring at least five hours a week in class would be lifted. Second, part-time post-secondary programs would be possible even though the program did not first exist as a full-time course.

Post-secondary programs would continue to be those formal, organized, permanent occupational training programs reviewed by the Higher Education Coordinating Board and approved by the State Department of Education. The student's work is evaluated and a diploma or certificate is normally awarded upon completion. Programs would include at least 120 total hours of classtime. The purpose of all post-secondary programs would be preparation for initial job entry, including training of persons with work experience for entirely new careers.

Adult vocational programs would be limited to short courses and apprenticeships designed for persons who are already in the occupation. Only a certificate of attendance would be awarded. These offerings would continue to be flexible and include broader occupational areas than approved post-secondary curricula.

5. Special Subsidy Conditions

Within-institution subsidies from one group of students to another are common in post-secondary education. For example, program costs variations usually mean that English majors subsidize engineering students and freshmen subsidize seniors. It is not possible or desirable to eliminate all situations in which tuition and state allocations earned by students in one type of program are used to offset costs in other programs.

The administration of some programs for part-time and returning students, however, raises special subsidy issues for which the following state policies can be proposed:

1. Standardize the attribution of direct and indirect costs to the adult vocational instruction in AVTIs and non-credit instruction in collegiate institutions.

As presently structured, AVTI adult vocational instruction and non-credit collegiate instruction are expected to cover their costs through locally determined student fees. School districts and institutions, however, now differ in the extent to which costs are assigned to these budgets. Inconsistencies in these decisions create unmeasured subsidies and inequities between institutional competitors.

Agreement on the treatment of costs would probably require a special task force of business and finance directors.

2. Adopt common pricing philosophies.

Where fees are locally determined, administrators may price each offering purely on the basis of its costs (as defined by that administration) or they may take into account market demand factors to develop intentional surpluses on some courses in order to lower charges on others. Arguments can be drawn to justify both approaches.

Greater consistency in this area, combined with standardization of cost treatments, would establish a state position regarding the use of revenues within these programs. This position would likely remain a philosophic one since enforcement would be impractical.

3. Eliminate state subsidies for instruction which is designed for a specific employer.

Under present policies, AVTIs can collect state reimbursement under the adult vocational program for in-house training conducted to an employer's specifications. In many instances, including some apprenticeship programs, non-employees are not eligible to enroll. Collegiate institutions may also collect state funds if the course is offered for credit.

No issues are raised when instruction which is part of the regular curriculum is offered at a worksite at the suggestion of an employer. In fact, such service to the community is well within the state's interest in extending

access to returning students. When the content of the course is, however, tailored to meet the needs of a particular employer and non-employees are not welcomed, it may be assumed that the employer's interests--rather than the student's--is primary. State subsidies for these classes are essentially made directly to the employer.

Without state funds, institutions could still make their resources available to industry on a full cost basis. The state may also choose to provide special funds, tied to economic development objectives, for industry training programs. The New Jobs Program administered by the State Board for Vocational Education is an example of funding which has been intended at the outset to assist employers, rather than individuals.

4. Restrict the capability of institutions to divert income from self-sustaining programs to other uses.

Adult vocational education regulations stipulate that all revenues must be spent on that program. In collegiate institutions, however, student fees income from non-credit instruction may be used for other institutional programs. Similarly, surpluses in graduate off-campus education at the state universities are potentially available to any educational use on- or off-campus. If these programs retain their separate funding status, the state may wish to restrain local flexibility to generate income for other activities.

6. Special Problems

The provision of access to part-time and returning students has posed several specific fiscal problems to post-secondary institutions and the state. Each institution has resources to deliver services to this population, but, in many cases, the necessary budget decisions would require curtailment of programs for the traditional, on-campus, daytime clientele. Within the total sphere of post-secondary education, the part-time and returning student remains a clientele which is served only if other functions, viewed as critical to institutional missions and quality, are first met.

In the past 20 years, institutions have been asked to cope with a variety of special populations, including the educationally disadvantaged, the handicapped, and cultural minorities. Each group with special needs puts strain on institutional resources as diverse programs are more expensive than homogeneous academic and student services. Accommodations to these changes have been accomplished through two means. First, institutions have been able to revise services delivery and, in some cases, to reallocate fiscal resources internally. Large institutions or institutions experiencing growth, as most of the public post-secondary institutions have, are better able to manage the transition than stable or small institutions. The state and federal governments have also provided relief to diversifying institutions by providing additional resources for specific purposes.

To improve access to certain part-time and returning students, the following needs may merit additional financial support.

1. Low Enrollment Classes

Under general funding policies institutions are reluctant

to offer classes which are under a minimum enrollment. Two situations identified in this study raise important access issues which are difficult to resolve under the general financing framework. The decision to provide special funding rests on state intentions to guarantee certain services to the public.

First, all public post-secondary institutions offer an organized evening program on campus. The collegiate institutions, however, vary in their ability to provide access to all degree requirements through evening study alone. In general, market estimations have governed internal decisions on the evening schedule with a few individuals also questioning the academic integrity of a part-time evening degree.

Should the state wish to provide, as a matter of policy, access to some form of degree-earning capability during the evening, there may be instances in which required courses cannot be justified under existing enrollment guidelines. Special funding to compensate institutions in these instances would remove a significant barrier to working adults who want to complete degrees.

Second, a similar condition applies to rural areas which do not have reasonable access to on-campus instruction in desired fields. Institutions have tried to extend their services off-campus, but minimum enrollment policies limit their ability to reach low density populations. So far, the state does not have a comprehensive policy of subsidizing low enrollment instruction in underserved regions but has pro-

vided small subsidy monies for this purpose to the Coordinating Board's regional centers in Wadena, Virginia, and Rochester.

2. Faculty Travel

A related issue involving off-campus services has been raised by institution and system representatives. As energy costs rise, the public becomes less willing to travel to a central campus. To reach and serve the public, therefore, institutions need to provide off-campus instruction, but energy costs are increasingly a barrier to them, too. Additional subsidies for faculty travel would encourage off-campus extensions.

While faculty travel represents an incremental cost to the institution, there is little evidence to support the contention that total expenditures on off-campus students are higher than expenditures for students doing on-campus work. Indeed, expenditures may be low since student services are often skimped and part-time faculty often employed. In addition, the institution is usually spared the costs of classroom facilities by using donated space in other public buildings.

Nevertheless, as institutions do their budgeting, faculty travel is considered a direct cost of instruction whereas facilities and supporting services are viewed as indirect, fixed costs. Also, if on-campus enrollments decline as projected, regular faculty may increasingly fill off-campus teaching slots as part of their regular teaching assignment.

These practices will increase the visibility of faculty travel expenditures for off-campus instruction. Special subsidies for travel costs would relieve an institutional incentive to restrict off-campus service areas.

3. Regional Occupational Programs

It has been suggested that instead of blanket policies to subsidize general services to part-time and returning students, the state should identify specific regional needs for collegiate-sponsored occupational training at the undergraduate or graduate level. Certain institutions or consortia would be given special funding, through a contracting procedure open to both public and private bidders, to provide occupational degrees for populations in need.

4. External Degree Programs

External or competency-based undergraduate degree programs are becoming increasingly credible as a means of strengthening access for working adults. Baccalaureate programs are currently operating at the University of Minnesota (offices in the Twin Cities and Morris) and four state universities. This study has suggested that similar opportunities could be extended to the entire state through one or more of the following strategies:

- 1) Increase the capacity of the University Without Walls Program at the University of Minnesota, perhaps in combination with incentives to concentrate additional resources in-state.
- 2) Establish or re-establish External Studies programs at Mankato, Southwest, and St. Cloud state universities.

- 3) Expand Metropolitan State University to a statewide services model.
- 4) Create a new statewide degree program offering general liberal arts education.

The fourth alternative has been rejected since existing programs provide a base of experience in this specialized academic area. Recommendations to extend access through other alternatives would require additional funding or suggestions for reallocation of existing resources.