

# **The Quiet Crisis and the Strategy for the Future**

## **Vermont Promise Scholarships and Next Generation Investments**

### **Background**

A quiet crisis is unfolding in Vermont that, ignored, will undermine the state's long-term economic security. The root of the problem is Vermont's changing demographics and attendant societal, economic and fiscal implications. Within twenty-five years the number of retirees will double while the number of working-age Vermonters will continue to shrink. In just the next decade there will be fifteen percent fewer Vermonters under the age of twenty than there were just five years ago.

Vermont is exporting much of its youth, and many do not return. We must aggressively pursue policies that entice them to "stay home", to go on to a higher education in Vermont, and to stay in Vermont to fulfill their dreams and successfully participate in the economy of the 21<sup>st</sup> century. We must make this generation of young Vermonters our *next* generation of working-age Vermonters.

To do so, we simply have to make it more affordable for Vermonters to go to college in Vermont, and to stay in Vermont. A critical strategy for this will be the Vermont Promise Scholarship program and Next Generation investments.

### **Executive Summary**

- Make a Vermont college education more affordable, for more Vermonters, by awarding more than 12,000 Vermont Promise Scholarships to Vermont residents to attend Vermont colleges over the next 15 years.
- Focused investments in research and development of innovative and sustainable technologies that will provide high quality jobs for Vermonters; in workforce training to better prepare Vermonters for those jobs; and to fund innovative programs at the secondary level to prepare more students for higher education.
- Initial general fund investment of \$6 million in fiscal year 2007, and the creation of a Vermont Promise Scholarship fund with \$3 million from this source and then revenues received from the strategic contribution fund provision of the master tobacco settlement agreement (to be received for fiscal years 2008 - 2017). The strategic contribution payments, and accumulated investment returns, could provide up to \$175 million for scholarships.

### **The Challenge**

The facts are stark:

- Vermont has the nation's lowest birthrate.
- The school age population is dropping more sharply than elsewhere in the nation.

- Vermont leads the nation in the percentage of high school graduates who leave their home state to go to college.
- Vermont is losing its youth. Studies reveal that in the last decade the population of 20-34 year olds fell by 15% and the number of high school seniors will decline from 7,000 to 5,000 in the next decade.
- Over the next 10 years, Vermont's working age population (ages 21 to 64) will increase by a mere 20,000, and then fall so that by 2030 it will be less than it is today.
- By 2030 our over 65 population will more than double.
- Nearly all Vermont's population growth over the next 25 years will be in the over 65 age group.

The obvious question: Where will the new workers necessary to sustain a vibrant economy and a growing middle class come from? If nothing happens to reverse this trend, the quality of life will fall sharply as Vermont drifts toward an ever more challenged economy.

We must reverse the negative population trends and build long-term well-being and prosperity for the benefit of the people of Vermont.

### **The Promise to the Next Generation**

We must seize and capitalize on Vermont's strengths--our quality of life, strong sense of community, and clean environment. These features not only sustain Vermont, but also attract some 30,000 college students annually to our institutions of higher education, more than half of them from out of state. We must continue to attract bright young people to Vermont and we must make it even more attractive for our own young people – the very demographic Vermont must retain – to attend Vermont schools and stay here beyond graduation.

### **The Vermont Promise Scholarships**

Over the course of a generation of first graders to high school seniors, more than 12,000 scholarships will be awarded to Vermont residents to attend a Vermont college. Each year:

- The University of Vermont (UVM) will award upward of 300 four-year scholarships at tuitions reduced by 25 or 50% (or some percent in between) based on merit and need criteria established by UVM.
- The Vermont State Colleges (VSC) will award upward of 420 scholarships (a greater number depending on the number of two-year scholarships granted) at tuitions reduced by 25 or 50% (or some percent in between) based on merit and need criteria established by VSC.
- The Vermont Student Assistance Corporation (VSAC) will award upward of 300 scholarships (a greater number depending on the number of two-year and

certificate scholarships granted) of up to \$5,000 per year, to be used at in-state public and private higher education institutions. These scholarships will be granted on the basis of financial need.

- All that is asked of these scholarship recipients is that they stay in Vermont at least three years following graduation. If not, they will be asked to “repay” the state one-half of the scholarship as a non-interest bearing loan.

(The above are examples only of the number of scholarships that could be offered in a year with an annual investment of \$1 million per institution. The estimates assume in-state tuition at UVM of \$10,000 and VSC of \$7,000)

### **Investments in the Next Generation of Jobs**

Investment, through our institutions of higher education, in the maintenance and expansion of a robust economic sector providing well-paid career opportunities in Vermont is essential.

This commitment, and its outcome, will encourage young Vermonters to stay and make their careers here, as well as attract talented individuals and businesses to move to Vermont.

The future economy must be knowledge based, distinctive to and consistent with Vermont’s history, culture, values and resources. And, as has been proven elsewhere, there must be close collaboration with higher education institutions that educate and prepare people, provide the research infrastructure and the ideas a knowledge-based economy requires.

Vermont has the opportunity to lead the world in the development and marketing of sustainable, innovative environmental technologies, businesses and services – in partnership we will build a vibrant and robust economic sector to secure our future.

And while we invest to assure a higher education is affordable to Vermonters, we must assure that all Vermont workers have access to the skills and training essential for these jobs of the 21<sup>st</sup> century. We must assure an even closer collaboration between our schools, colleges, and our businesses.

But we must also do more. We must reach further into our secondary schools to first convince more of our students that a higher education is both rewarding and within their financial reach. Too often our youth make decisions in their early school years that lead them away from higher education, and not toward it. We can and must do better.

The Next Generation investments will add \$3 million in additional resources for these efforts:

- \$1 million for UVM to invest in research and development to support and create technology transfer and job creation in the field of advanced sustainable environmental technologies.
- \$1 million for the VSC to invest in workforce development and skills programs that support businesses in the innovative and sustainable technology and other sectors.
- \$1 million for VSAC to invest in programs to encourage and prepare Vermont high school graduates to attend college.

### **Summary of Investments for Fiscal 2007**

Vermont Promise Scholarships: \$3,000,000

Next Generation Investments: \$3,000,000

Total: \$6,000,000

### **Outcomes for the Next Generation**

The Vermont Promise Scholarships and Next Generation Investments will insure that this generation of Vermont's students becomes the *next* generation of Vermonters with the knowledge and opportunities to work in a robust economic environment designed to reflect Vermont's values and qualities.

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Prepared by the Office of Governor Jim Douglas