



# Board of Trustees

## *Special Meeting*

April 20, 2020



Vermont State Colleges System  
*Transformation for the Future*

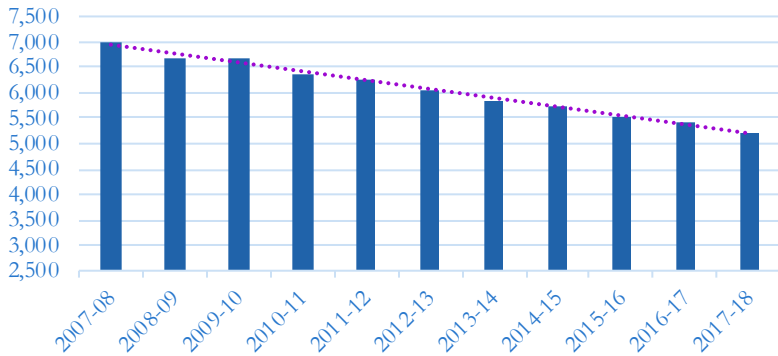
# From the 2019 Whitepaper

## Challenges Facing the VSCS:

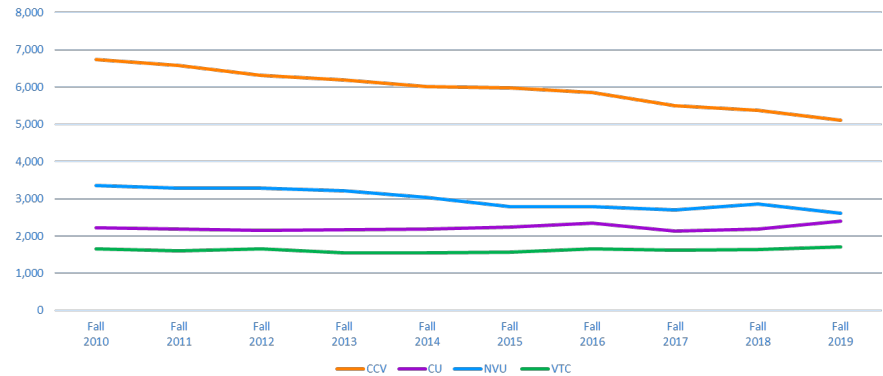
- **Declining demographics** – 25% decline in high school students over the past 10 years
- **Low State Support** – among the lowest support in the US
- **Accelerating Competition** – increased pricing pressure and discounting
- **Disruptive Technology** – More online options

# From the Whitepaper: Challenges

12th Grade Enrollment in Vermont Public Schools



Fall Headcount Enrollment



History of State Support, 1980 through 2018

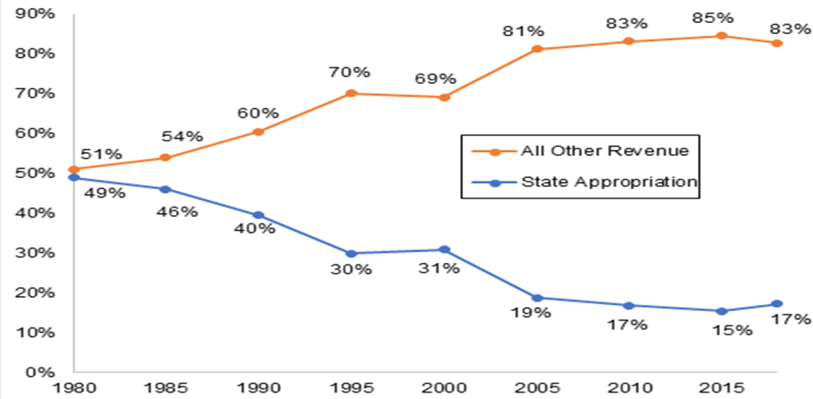
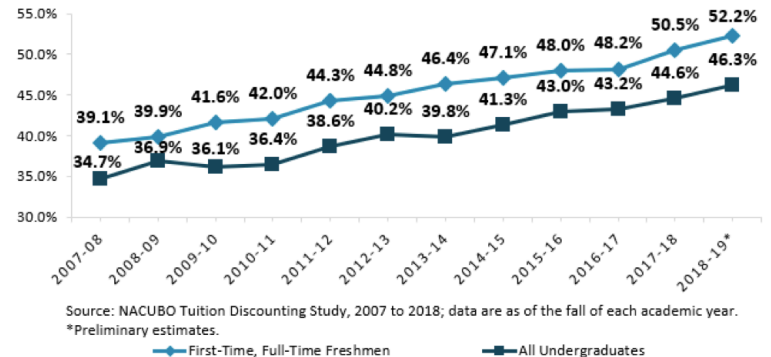


FIGURE 1: AVERAGE INSTITUTIONAL TUITION DISCOUNT RATE BY STUDENT CATEGORY



Source: NACUBO Tuition Discounting Study, 2007 to 2018; data are as of the fall of each academic year.  
\*Preliminary estimates.

# Multi Year Financial Results (Pre COVID-19)

(amounts in \$1,000's)

	% FY2020	2nd Qtr FY2020	FY2019	FY2018	FY2017	FY2016
<b>REVENUES</b>						
Tuition and Fees	64%	113,879	113,093	110,701	112,047	110,055
State Appropriations	18%	31,938	28,940	28,939	25,938	25,453
Room & Board	14%	24,438	24,126	23,739	24,533	24,564
Sales and Services	2%	4,259	4,534	4,656	5,262	5,454
Other Revenue	2%	2,816	3,218	3,381	3,471	4,811
<b>TOTAL REVENUES</b>	100%	177,330	173,911	171,416	171,251	170,337
<b>EXPENSES</b>						
Employee Wages & Benefits	62%	111,961	109,613	111,893	113,193	114,197
Services, Supplies & Travel	20%	36,019	35,492	35,089	35,976	37,082
Scholarships	11%	19,276	17,332	12,648	10,881	8,662
Utilities	4%	6,816	6,773	5,800	5,475	6,176
Other Expenses	4%	7,462	5,408	4,207	9,023	6,155
<b>TOTAL EXPENSES</b>	100%	181,534	174,618	169,637	174,548	172,273
<b>NET REVENUES</b>		(4,204)	(707)	1,779	(3,297)	(1,936)
		-2.3%	-0.4%	1.0%	-1.9%	-1.1%

Note: internal financial reports, unaudited.

# Projected COVID-19 Expenses to Date

Category	Range
<b>Room &amp; Board:</b>	<b>\$5.6m</b>
Additional Costs:	
May/June 2020 Camps & Conferences:	\$250 – \$300k
Summer Tuition:	\$500 - \$900k
Investment Income:	\$500 - \$750k
Federally mandated COVID-19 leave costs:	\$1.5 - \$1.75m
<b>Total Additional Costs</b>	<b>\$2.75 – \$3.95m</b>

# Q2 FY2020 Results, Post-COVID-19 ESTIMATE

	% FY2020 <u>Total</u>	2nd Qtr <u>FY2020</u>
<b>REVENUES</b>		
Tuition and Fees	64%	113,879
State Appropriations	18%	31,938
Room & Board	14%	24,438
Sales and Services	2%	4,259
Other Revenue	2%	2,816
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Employee Wages & Benefits	62%	111,961
Services, Supplies & Travel	20%	36,019
Scholarships	11%	19,276
Utilities	4%	6,816
Other Expenses	4%	7,462
<b>TOTAL EXPENSES</b>	100%	181,534
<b>NET REVENUES</b>		<b>(4,204)</b>
<b>COVID-19 EXPENSES</b>		
Room & Board Refunds		<b>(5,600)</b>
Other Revenue Loss		?
Anticipated CARES Act Aid		3,071
Spring and Summer Tuition Loss		?
Federally mandated COVID-19 Leave Cost:		?
<b>PROJECTED REVENUES</b>		<b>(6,733)</b>
		<b>-3.7%</b>

Amounts in \$1,000's

Note: estimates only, unaudited.

# Long-term outlook from COVID-19: Fall 2020 Residential Enrollment

## Potential Financial Impact

“Moody’s Investors Service issued a bleak forecast this week for higher education in America, downgrading it from “stable” to “negative” in light of the coronavirus pandemic.”

Chronicle of Higher Ed, 3/19/20

≈**30%** of all universities were running operating deficits in 2019 (Moody’s, 3/19/20)

≈**16%** of Public universities have **less than 90 days of cash on hand** (Moody’s, 3/19/20)

≈**7%** of Private universities have **less than 90 days of cash on hand** (Moody’s, 3/19/20)



# Long-term outlook from COVID-19: Fall 2020 Residential Enrollment

## Potential Enrollment Impact

**Twenty-nine percent said they strongly or somewhat agreed that “I have considered deferring attending college until Covid-19 passes.”**

Chronicle of Higher Ed (3/30/20)

**Vanderbilt admitted 39% more students in the Regular Decision round in preparation for a significant decline in yield.** Vanderbilt Review, 3/31/20

**[If COVID-19 is not addressed by the fall], there is a real potential for China to ban their students from attending American Universities.** Alex Usher, Higher Ed

# Why We Need to Transform

# The System Faces Unprecedented Financial Challenges And Must Make Hard Decisions

With COVID-19 accelerating pre-existing financial challenges, the System leadership must make hard decisions.

We have looked at alternatives but now there are really only **two realistic choices**:

1. **Continue** as we are towards insolvency
2. **Transform** the System to meet the future

# Two Scenarios

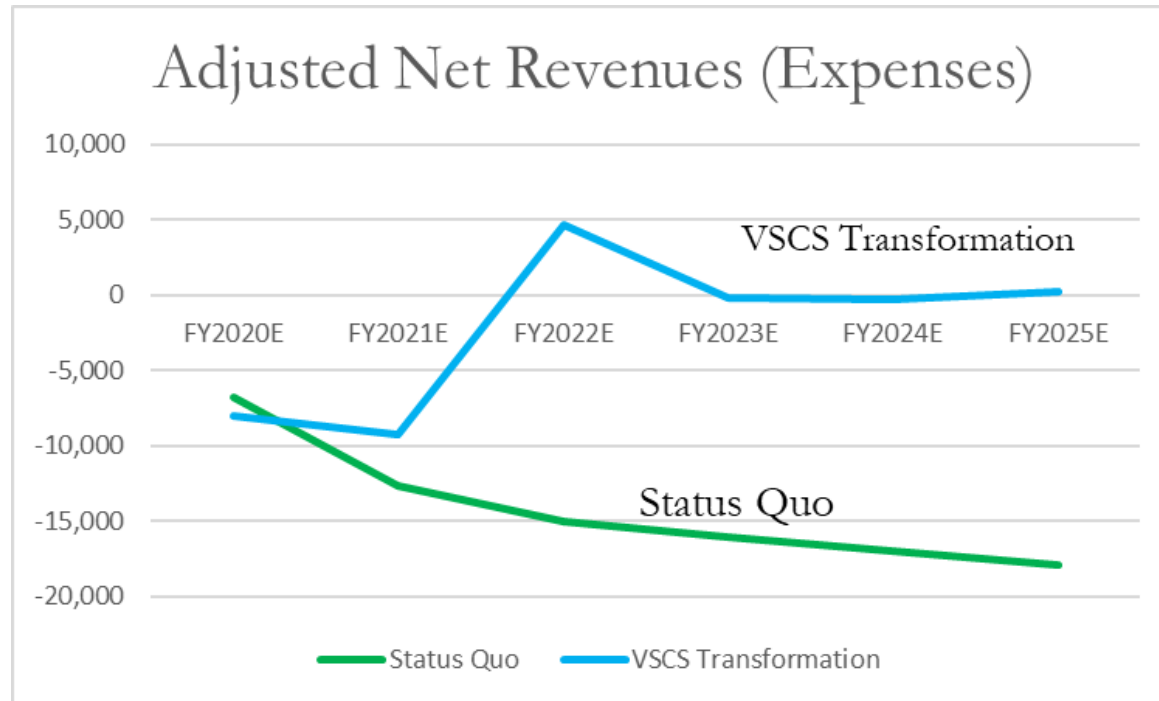
1. Status Quo: Retain the Vermont State Colleges System at all its various locations, taking these budget-adjustment actions:
  - Reductions in personnel consistent with maintaining accreditation quality standards
  - Reductions in supplies
  - Reductions in services

# Two Scenarios

## 2. Transform the System:

- Consolidate NVU onto Castleton Campus and transfer select programs
- Focus Vermont Tech on high-demand and high-growth programs, closing Randolph campus
- Expand CCV, Vermont Tech, and Castleton instruction in northern Vermont, including the Northeast Kingdom
- Reorient and rescale the Chancellor's Office

# Scenario Comparison Overview



Scenarios	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E	FY2025E
Status Quo	(6,734)	(12,609)	(15,018)	(16,034)	(17,020)	(17,928)
Transformation of VSCS	(7,996)	(9,221)	4,700	(153)	(290)	245

# Challenges of the Status Quo

## Status Quo

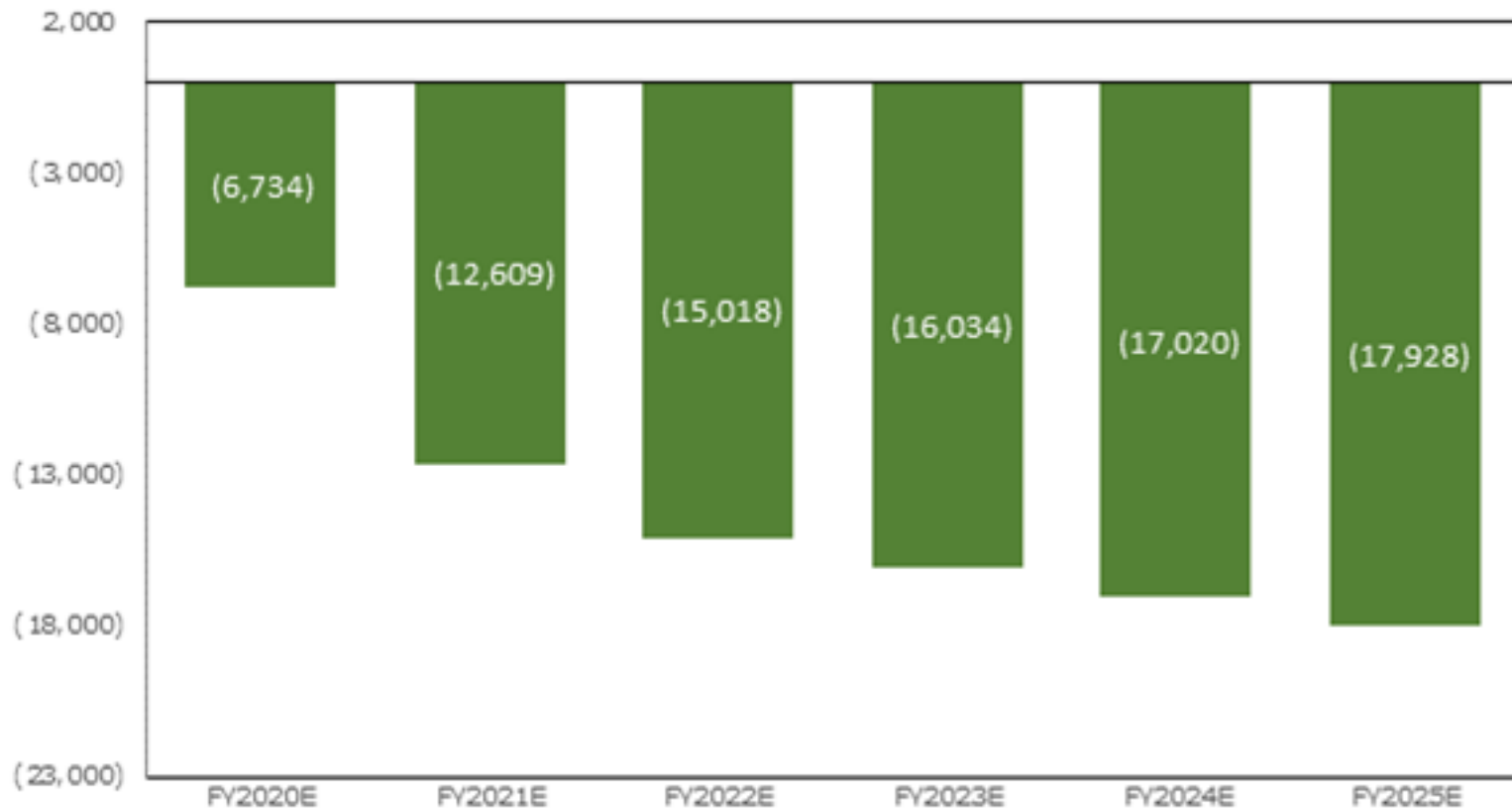
# Financial Impact

- VSCS projects **approaching financial insolvency** in the very near future with a rapidly increasing operating deficit if no actions are taken.
- In every scenario, the operating deficit is driven by:
  - Continuation of historical **enrollment and retention challenges**;
  - Immediate and near term **impact of COVID-19** (refunds; enrollment drop);
  - Steady rise in expenses for retiree medical benefits
- All institutions are linked financially via the single financial/organizational structure.



# Status Quo

## Adjusted Net Revenues



## Status Quo

# Financial Impact Core Assumptions

### Revenues and Expenses:

- Assume a **NO reduction in total state appropriations** for FY21-25.
- Personnel reduction of 80-90 employees in FY21
  - *We must maintain accreditation standards and academic quality*

### Enrollment:

- For FY21, we anticipate a **significant drop** (-15%) in new student enrollment due to the impacts of COVID-19
- For FY22, we assumed a **rebound of 10%**
- For FY23-25, we assume a **return to historical 5-yr. average** for enrollment rates.

### Retention:

- For FY21-25, assume **continuation of historical retention rates** by class level and by institution (averaging between 65-80%).

# Status Quo

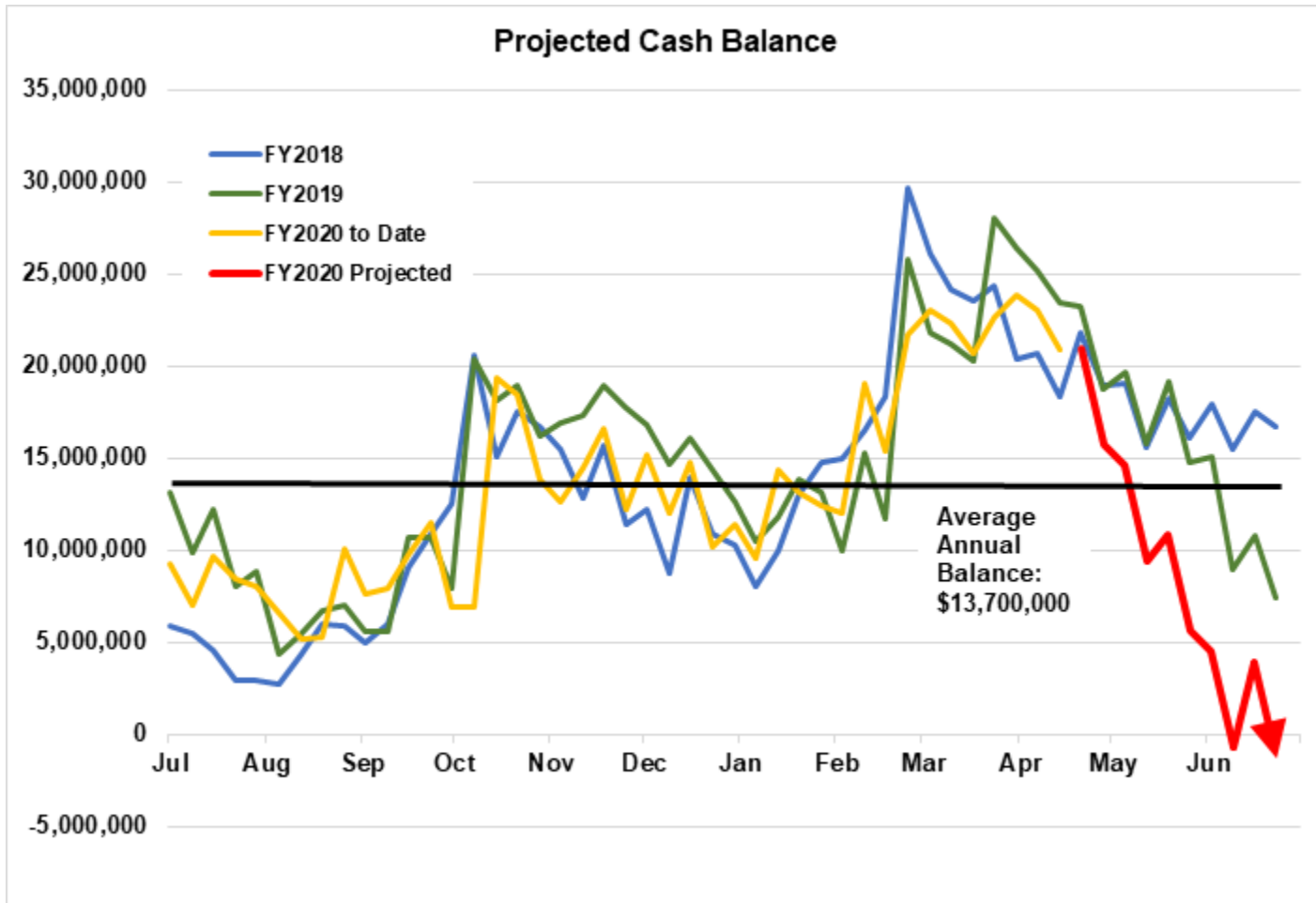
## Five-Year Budget Projection

Amounts in USD and rounded to \$1,000's

<b>REVENUES</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
Tuition and Fees	113,880	103,750	103,980	105,386	107,039	109,550
State Appropriations	31,938	31,938	31,938	31,938	31,938	31,938
Room & Board	24,438	21,375	21,172	21,355	21,590	22,046
All Other Revenue	7,075	7,217	7,361	7,508	7,658	7,811
<b>TOTAL REVENUES</b>	<b>177,331</b>	<b>164,280</b>	<b>164,451</b>	<b>166,187</b>	<b>168,226</b>	<b>171,345</b>
<b>EXPENSES</b>						
Employee Wages & Benefits (Ex. Retirement)	105,403	104,510	104,322	105,747	107,220	108,342
Retirement Benefits	6,558	7,456	8,141	8,784	9,481	10,232
Services, Supplies and Travel	36,020	34,901	34,425	34,690	34,961	35,238
Scholarships and Fellowships	19,276	16,949	16,937	17,149	17,380	17,792
Utilities	6,816	6,781	7,103	7,321	7,549	7,784
Debt Service	9,162	5,607	8,000	8,003	8,144	9,356
All Other Expense	(1,700)	684	541	527	512	529
<b>TOTAL EXPENSES</b>	<b>181,535</b>	<b>176,888</b>	<b>179,469</b>	<b>182,221</b>	<b>185,246</b>	<b>189,274</b>
<b>NET REVENUES</b>	<b>(4,204)</b>	<b>(12,609)</b>	<b>(15,018)</b>	<b>(16,034)</b>	<b>(17,020)</b>	<b>(17,928)</b>
<b>ADDITIONAL IMPACTS TO REVENUES / (EXPENSES)</b>						
Additional Program Costs	0	0	0	0	0	0
Closing Costs	0	0	0	0	0	0
Refunds from COVID (Room & Board)	(5,600)	0	0	0	0	0
CARES Act support	3,070	0	0	0	0	0
Perkins Loan refunds	0	0	0	0	0	0
Carrying costs	0	0	0	0	0	0
<b>NET ADDITIONAL IMPACTS TO REVENUES / (EXPENSES)</b>	<b>(2,530)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ADJUSTED NET REVENUES</b>	<b>(6,734)</b>	<b>(12,609)</b>	<b>(15,018)</b>	<b>(16,034)</b>	<b>(17,020)</b>	<b>(17,928)</b>
<b>CUMULATIVE</b>	<b>(6,734)</b>	<b>(19,343)</b>	<b>(34,360)</b>	<b>(50,394)</b>	<b>(67,414)</b>	<b>(85,342)</b>

# Why We Need to Transform **Right Now**

# Concentration Account Cash Balance



# Status Quo

## Total System Reserves

### Status Quo Net Asset Availability Analysis

Net Asset Availability	Q2 FY2020	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E	FY2025E
Readily Available	8,743	2,009	0	0	0		
Available for Plant/Other	11,917	11,917	1,317	0	0		
Requires Board of Trustees Action	7,124	7,124	7,124	(6,577)	(22,611)	(39,631)	(57,559)
<b>Total Available (Expendable) Assets</b>	<b>27,784</b>	<b>21,050</b>	<b>8,441</b>	<b>(6,577)</b>	<b>(22,611)</b>	<b>(39,631)</b>	<b>(57,559)</b>

Projected Current Year Surplus/(Deficit)		(6,734)	(12,609)	(15,018)	(16,034)	(17,020)	(17,928)
<b>Ending Balance</b>	<b>27,784</b>	<b>21,050</b>	<b>8,441</b>	<b>(6,577)</b>	<b>(22,611)</b>	<b>(56,651)</b>	<b>(75,487)</b>

Property & Equipment Net of Debt Outstanding	Q2 FY2020	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E	FY2025E
Expendable for Defined Purposes Only	32,074	32,074	32,074	32,074	32,074	32,074	32,074
Total Assets Not Readily Available to Spend	77,177	77,177	77,177	77,177	77,177	77,177	77,177

OPEB - Accounting	(177,025)	(177,025)	(177,025)	(177,025)	(177,025)	(177,025)	(177,025)
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<b>Total Net Assets</b>	<b>(72,064)</b>	<b>(78,798)</b>	<b>(91,407)</b>	<b>(106,425)</b>	<b>(122,459)</b>	<b>(156,499)</b>	<b>(175,335)</b>
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Amounts in \$1000s

# Overview of Recommendation

## Transformation

# Immediate Residential Consolidation

**Consolidate** the two residential, career-focused liberal arts campuses of Northern Vermont University, and move select NVU programs to Castleton University by the end of summer 2020.

This includes the closure of NVU.



## Transformation

# Expand Castleton to NEK

Provide **face-to-face opportunities** to access baccalaureate degrees through Do North Coworking in Lyndonville and other locations in northern Vermont and the Northeast Kingdom.

Continue to provide expanded certificate and degree programs through NVU Online to the NEK, across Vermont, and beyond.

Transformation

# Refocus Vermont Tech Programs

Continue offering Vermont Technical College **programs critical to Vermonters** and Vermont employers by closing the Randolph Center campus, consolidating to expanded locations in the Williston area and eventually beyond.

## Transformation

# Maintain CCV's Strength and Role

Maintain CCV's key role providing a **statewide network**, and further develop plans and partnerships to enhance existing online and in-person instruction across northern Vermont, in the Northeast Kingdom and around the state.

Transformation

# Governance Restructuring

**Restructure and downsize** the Chancellor's office beginning in the next fiscal year to achieve a shared-services model and eliminate the system governance role.

# Transformation

## Financial Impact

- **Higher** deficit in FY20 (current year)
  - Status Quo: -\$6.734m
  - Recommendation: -\$7.996m
    - Due to closing costs
- **Improved** financial footing over time
  - Cumulative deficit through FY25
    - Status Quo: -\$85.342m
    - Recommendation: -\$12.714m

# Transformation

## Five-Year Budget Projection

<u>REVENUES</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
Tuition and Fees	113,880	74,452	77,206	77,222	78,583	81,636
State Appropriations	31,938	31,938	31,938	31,938	31,938	31,938
Room & Board	24,438	11,573	12,087	11,788	11,914	12,530
All Other Revenue	7,075	3,443	2,903	2,955	3,314	3,681
<b>TOTAL REVENUES</b>	<b>177,331</b>	<b>121,405</b>	<b>124,134</b>	<b>123,904</b>	<b>125,750</b>	<b>129,785</b>
<b><u>EXPENSES</u></b>						
Employee Wages & Benefits (Ex. Retirement)	105,403	71,562	62,343	66,562	67,658	68,027
Retirement Benefits	6,558	7,880	8,993	9,636	10,329	11,073
Services, Supplies and Travel	36,020	22,252	21,894	20,864	21,310	21,765
Scholarships and Fellowships	19,276	12,602	12,706	12,110	12,116	12,734
Utilities	6,816	2,762	2,817	2,718	2,772	2,828
Debt Service	9,162	5,907	8,150	8,003	8,144	9,356
All Other Expenses	(1,700)	1,134	916	922	929	935
<b>TOTAL EXPENSES</b>	<b>181,535</b>	<b>124,099</b>	<b>117,820</b>	<b>120,814</b>	<b>123,258</b>	<b>126,718</b>
<b>NET REVENUES</b>	<b>(4,204)</b>	<b>(2,693)</b>	<b>6,315</b>	<b>3,089</b>	<b>2,492</b>	<b>3,067</b>
<b><u>ADDITIONAL IMPACTS TO REVENUES / (EXPENSES)</u></b>						
Additional Program Costs	0	(1,219)	(1,255)	(3,243)	(2,782)	(2,822)
Closing Costs	(1,562)	(1,233)	(367)	0	0	0
Refunds from COVID (Room & Board)	(5,300)	0	0	0	0	0
CARES Act support	3,070	0	0	0	0	0
Perkins Loan refunds	0	(652)	7	0	0	0
Carrying costs	0	(3,424)	0	0	0	0
<b>NET ADDITIONAL IMPACTS TO REVENUES / (EXPENSES)</b>	<b>(3,792)</b>	<b>(6,528)</b>	<b>(1,615)</b>	<b>(3,243)</b>	<b>(2,782)</b>	<b>(2,822)</b>
<b>ADJUSTED NET REVENUES</b>	<b>(7,996)</b>	<b>(9,221)</b>	<b>4,700</b>	<b>(153)</b>	<b>(290)</b>	<b>245</b>
<b>CUMULATIVE</b>	<b>(7,996)</b>	<b>(17,217)</b>	<b>(12,517)</b>	<b>(12,670)</b>	<b>(12,960)</b>	<b>(12,714)</b>

# Transformation Financial Impact

Status Quo	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net Revenues	(6,734)	(12,609)	(15,018)	(16,034)	(17,020)	(17,928)
Cumulative Net Revenues	(6,734)	(19,343)	(34,360)	(50,394)	(67,414)	(85,342)
VSCS Recommendation	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net Revenues	(7,996)	(9,221)	4,700	(153)	(290)	245
Cumulative Net Revenues	(7,996)	(17,217)	(12,517)	(12,670)	(12,960)	(12,714)
Variance	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net Revenues	(1,262)	3,388	19,718	15,880	16,730	18,174
Cumulative Net Revenues	(1,262)	2,126	21,843	37,724	54,454	72,628

Over 5 years, the Recommended model is \$72mm better than Status Quo

# Transformation

## Core Assumptions

### Transfer of Students:

- While we will work to support NVU students in transferring to Castleton, the Recommendation does not rely on significant transfers.

### Revenues and Expenses:

- Assume level **State appropriation**; portion used to cover stranded costs associated with closure
  - Retirement obligations
  - Debt service
  - Campus maintenance for one year following closure



# Transformation

# Total System Reserves

### Transformation Net Asset Availability Analysis

Net Asset Availability	Q2 FY2020	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E	FY2025E
Readily Available	8,743	747	0	4,700	4,546	4,257	4,502
Available for Plant/Other	11,917	11,917	3,443	0	0		
Requires Board of Trustees Action	7,124	7,124	7,124	7,124	7,124	7,124	7,124
<b>Total Available (Expendable) Assets</b>	<b>27,784</b>	<b>19,788</b>	<b>10,567</b>	<b>11,824</b>	<b>11,670</b>	<b>11,381</b>	<b>11,626</b>

Projected Current Year Surplus/(Deficit)		(7,996)	(9,221)	4,700	(153)	(290)	245
<b>Ending Balance</b>	<b>27,784</b>	<b>19,788</b>	<b>10,567</b>	<b>11,824</b>	<b>11,670</b>	<b>11,091</b>	<b>11,872</b>

Property & Equipment Net of Debt Outstanding	Q2 FY2020	FY2020E	FY2021E	FY2022E	FY2023E	FY2024E	FY2025E
Expendable for Defined Purposes Only	32,074	32,074	32,074	32,074	32,074	32,074	32,074
Total Assets Not Readily Available to Spend	77,177	77,177	77,177	77,177	77,177	77,177	77,177
	<b>109,251</b>	<b>109,251</b>	<b>109,251</b>	<b>109,251</b>	<b>109,251</b>	<b>109,251</b>	<b>109,251</b>

OPEB - Accounting	(177,025)	(177,025)	(177,025)	(177,025)	(177,025)	(177,025)	(177,025)
<b>Total Net Assets</b>	<b>(72,064)</b>	<b>(47,986)</b>	<b>(57,207)</b>	<b>(55,950)</b>	<b>(56,104)</b>	<b>(56,683)</b>	<b>(55,902)</b>

# Our Mission is *For the Benefit of Vermont*

*Our students are:*

*83% Vermonters*

*48% First Generation*

*40% Low-income (Pell recipient)*

**Our students deserve:**

1. Access across VT
2. Affordable in-demand degrees & credentials of value
3. A residential institution offering liberal arts & career programs



# Transformation

## Critical Assumptions

- COVID-19 restrictions lifted for Fall '20 and residential campuses can open.
- Student interest will remain strong for Fall '20.
- State will maintain appropriation level.
- Involvement of faculty in shared governance in the new model and transition.
- System will secure external line of credit or other external financing.

# What We Can Achieve via Transformation **if We Do Not Delay**

- Preserve rural, first-generation, and modest-income Vermonters' access to postsecondary education.
- Maintain high-touch, relationship-based programs.
- Combine virtual and distributed delivery locations across the state.
- Prioritize programs with strong ROI that support Vermont's future economy.

# Public Comment