



# ***VSCS Structural Transformation: Preliminary Analysis of Recommendation***

January 8, 2021

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## OBJECTIVE

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Using the recommendations of the Select Committee on the Future of Public Higher Education in Vermont as a guide, the VSCS will finalize a recommendation for a transformed organization, governance, and operational model that is fiscally sustainable and fulfills its mission of delivering an affordable, accessible, high quality, student-centered, workforce-relevant education for Vermonters in measured stages to be completed within five years. This document is the first step in developing the recommendation.

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## KEY QUESTION

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What are the opportunities, risks, costs, benefits, necessary constraints, and trade-offs of the Select Committee on the Future of Public Higher Education in Vermont's main structural recommendation of a common accreditation for CU, NVU, and VTC?

- a. Will the proposed model enable the VSCS to achieve the objective?
- b. If not, how can the proposed model be modified to achieve the objective?

The **proposed model** consists of two distinctive, complementary institutions: CCV with an expanded mission focused on entry-level postsecondary certificates, associate's degrees and workforce education, and a combined entity incorporating the distinct attributes and strengths of CU, NVU, and VTC. The transformed system will have an expanded core of system-wide approaches to administrative functions, system leadership through the Chancellor's Office focused on external and inter-institutional functions, and a single governing board with strengthened oversight policies and culture. It will provide greater access to an affordable post-secondary education for Vermonters, including adult learners, through innovative and flexible delivery of programs and courses across the state.

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## OPPORTUNITY

***What is the vision for this new model and what are the benefits of this approach?***

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The **vision** will focus on bringing together the distinct strengths of CCV, CU, NVU, and VTC including:

- ***Delivering a full spectrum of degrees from associate's and bachelor's through to master's degree programs, plus certificates and stackable credentials, available both in person and virtually across Vermont;***
- ***Providing a comprehensive array of professional and liberal arts programs, as well as applied hands-on education, with high career placement and return on investment, for traditional and non-traditional students;***
- ***Building working and learning communities; and***
- ***Offering residential programming featuring a vibrant array of arts, athletics, and extra-curricular activities.***

### Key benefits for students:

- A transformed VSCS will improve quality and access to the full breadth of VSCS programs. Students will have greater access to entry-level postsecondary and workforce learning at CCV, with a simplified transfer of credits between CCV and the combined entity. Students will continue to have access to a traditional four-year educational program and a residential experience at the combined entity.
- Program quality and access will improve by bringing together full-time faculty expertise across the combined entity, with courses available to students statewide.
- Access to education will be maintained across the state, which is particularly critical for first generation and place-bound students.
- The reduced costs resulting from structural reform will better enable the VSCS to focus on and address affordability.
- An expanded core of system-wide functions delivered in new ways statewide (think video tellers at banks) will provide increased student access to services and a consistent student experience.
- A strongly integrated system, with a statewide mission, will provide expanded access to meaningful work-based learning opportunities, including paid internships for academic credit.
- Similarly, the transformed system and statewide mission will support greater opportunities for developing and expanding mutually-beneficial partnerships with outside entities, such as NVU's relationship with Catamount Arts.

### Key opportunities for faculty and staff:

- The transformed VSCS will create opportunities for faculty and staff in similar functions to contribute to and draw upon the greater collective expertise, both at the combined entity and in the expanded core of system-wide functions, resulting in more sustainable academic programs and improved services for end-users.
- The combined CU-NVU-VTC entity will simplify faculty governance structures and improve associated workloads such as program review activities.

### Key benefits for the state:

- A transformed VSCS with a strengthened governing board and focused system-level leadership will shift the VSCS culture in the direction of actions that benefit students and the state rather than individual campuses or institutions.
- A transformed VSCS will create better economies of scale, improving the value of the state's investment.
- With the state's support, transformed VSCS operations will have improved potential to maintain commitment to its host communities and place-bound students statewide.
- A transformed VSCS will have greater nimbleness in developing new programs and credentials aligned with the needs of employers, adult learners and displaced workers.

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## RISKS

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### Financial:

- The proposed transformation requires substantial increased state investment both for the one-time costs of transformation and an increase in the VSCS's base appropriation over the long-term, plus a significant reduction in its expenses due to increased operational efficiencies and a small increase in tuition revenue.
  - Given the current financial situation of the VSCS, a substantial increase in state funding will be necessary even if the proposed transformation does not occur. Inaction is not a viable option as the VSCS faces the very real prospect of insolvency in the near future, the substantial costs of which would fall to the state. Increased state funding would then be needed to cover the costs associated with closure (such as campus carrying costs, retiree health obligations, severance and unemployment, and debt service). If this were to occur, the state's capacity to educate its low income, first generation, rural, place-bound, and non-traditional students would be significantly diminished and the economies of the VSCS's host communities would be adversely impacted.
- Transformation takes time and a dip in enrollment should be expected to occur as the system transforms and rebrands itself. It is generally recognized that it takes 3-5 years for institutions of higher education to actualize the benefits of unification.

### Human:

- The fear of change this substantial and the necessary pace of change may overwhelm the ability of our employees to contribute to those changes effectively. Combining disparate organizational cultures both within a new CU-NVU-VTC entity and inclusive of CCV in single system-wide administrative functions will take considerable leadership skill and substantial investment in human resource capacity to attract and retain individuals critical to the success of the transformation.
- We face a considerable risk of "change fatigue" for faculty, staff and administrators who have already experienced several years of rapid change, plus the potential loss of experienced and knowledgeable employees due to uncertainty regarding the future.
  - However, we recognize that even if the proposed transformation does not move forward, change will continue to occur.

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## COSTS

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### Cost of Transformation:

- Transformation on this scale is expensive and will require investment over several years. Critical investments in such items as project management, academic program development/redesign, financial aid optimization and normalization, technology to support the change, facilities and signage, legal fees, rebranding and marketing, *etc.* will be necessary to support the transition.
- In addition, bridge funding will be necessary to support the VSCS's operations during the proposed five-year transition period. The creation of Northern Vermont University has shown that such transformations take substantial time – in NVU's case work began in earnest in October 2016 and the institution launched for the first time on July 1, 2018. NVU had the time and financial wherewithal to make the change because both Johnson State and Lyndon State had adequate

reserves to carry them forward. Currently, however, Vermont Tech, Castleton University and Northern Vermont University do not have enough reserves collectively to carry themselves through a transition, nor do they have sufficient reserves to sustain themselves individually on their current paths.

- **A firm commitment from the state to provide the significant investment identified in the Select Committee’s Initial Report will be vital to the survival of the VSCS, and the proposed transformation will enhance the VSCS’s ability to make the investment work and place the VSCS on a path to financial sustainability.**

#### Source of Savings:

- The Select Committee recommends that the VSCS’s structural deficit be addressed through a combination of reduction of operational, administrative and other spending costs, plus increased revenue from new and returning students, by approximately \$5 million per year over five years.<sup>1</sup> The Vermont State Colleges must be committed to difficult and lasting change. The creation of Northern Vermont University has shown that this type of cost reduction and related change is possible with hard work. For example, since FY16 the expense budget for NVU was reduced by slightly more than \$9 million, most of which occurred between FY18 and FY20. Transformation cannot simply shift the burden of costs from the individual campuses to a centralized location but must reduce the overall cost of running the entire system.
- The cost of maintaining existing campus infrastructure can be diminished through the rental, sale, or demolition of unused buildings.
- Personnel costs (salaries and benefits) represent approximately 63% of the VSCS’s annual expenses. System transformation will result in savings through administrative consolidations and an employee complement that matches current and likely future enrollment across the system.<sup>2</sup>

#### Other:

- While not costs of the proposal, the “sunk costs” of many investments currently and appropriately made from the perspective of individual institutions, including branding, technology, and physical infrastructure, will exert continued effects on operations and change efforts.

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<sup>1</sup> The projected increase in tuition revenue assumes a gradual rebound in enrollment post-pandemic (an estimated additional 650-700 FTE students over Fall 2020 enrollments, *i.e.* approximately a 350-400 FTE student decrease over Fall 2019 enrollments), plus an increase in the number of adult learners being served.

<sup>2</sup> Since FY16 (the year before the unification of Lyndon and Johnson was launched), the number of full-time benefits-eligible employees has dropped by 17% or 216 people system-wide. Given this already-significant reduction in employees, any further reduction will not be achieved through the elimination of duplicated effort alone, but rather will require a redesign of business processes to provide greater efficiency and effective service throughout the state.

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## NECESSARY CRITERIA FOR SUCCESS

*The transformation will not work unless we achieve all of these conditions*

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### State Support:

- The proposal relies on substantially increased state investment both for the costs of the transformation over five years (\$25 million decreasing to \$5 million by FY26) and an ongoing increase to the annual base appropriation (from \$30 million to \$47.5 million). Without this level of support, the transformation will not succeed.
  - As noted above, however, without significant additional state investment, the VSCS cannot succeed as it is currently configured and the cost of maintaining the current configuration would be significantly greater, given the persistent and worsening structural deficit.

### A single faculty governance structure:

- The current challenges of program duplication and gaps can be addressed through a single accreditation structure proposed for the combined CU-NVU-VTC entity but only effectively via a single faculty governance structure, including a single faculty assembly, a single general education committee, a single curriculum committee, *etc.*

### Expanded Modalities for Delivering Programs:

- A willingness to offer programs using a variety of delivery modalities and flexible schedules to best serve the needs and demands of all students will be needed.

### Information Technology:

- The transformed VSCS needs to be supported by a strong, well-functioning IT team. A shared, consistent, and secure technology platform would be best designed and integrated as part of the transformation process, rather than as a separate, post-hoc process.

### Institutional Research

- To improve accountability and demonstrate the VSCS's contributions to the state and its students, increased institutional research capacity is required to track key performance metrics.

### Strengthened Board oversight:

- Achieving the full benefits of the VSCS transformation will require increased Board attention to the allocation of resources to support the distinctive missions of the two institutions, identification and review of suitable performance metrics, and effective executive management at the OC and institutions. This increased attention will represent a new sustained level of Board oversight both via its policy governance and its culture.

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## LESSONS LEARNED

### *How we know some of the risks, fears, and tradeoffs can be mitigated based on previous experience with NVU unification and other system-wide administrative consolidations*

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- Communities can have significant fear about the loss of specific individual brands, symbols of institutional pride, and other institutional history and achievements. These, however, can be addressed via actions that preserve and value institutional history and distinctiveness.
- There are no human or institutional benefits from postponing difficult conversations and decisions associated with transformation. Where changes to departments, positions, or operations needs to occur, these are best done as soon as possible to position the transformation work for greatest success.
- Consolidation of administrative services must follow a highly professionalized project management approach to be successful and be focused on cost reductions, improved service, and risk management.
- The precise work of the VSCS transformation will necessarily evolve. Work already underway, for example that of NVU unification or the VTC Ag Transformation, should be capitalized upon as part of this larger project.

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## RECOMMENDATION

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The model proposed by the Select Committee of two institutions within the VSCS—Community College of Vermont as a separate institution and a combined entity comprised of Castleton University, Northern Vermont University and Vermont Technical College—could achieve the stated objective. However, this is a significant undertaking and to be successful it will require that all of the necessary criteria for success listed above be met. Furthermore, the administrative consolidations and academic program review are initiatives that must take place independently of the other structural questions. It is recommended that the Chancellor, in consultation with the Presidents, explore and address the following project planning questions, in the form of draft charters, for consideration by the Board of Trustees at its February 22, 2021 meeting:

1. What is the **project roadmap and timeline** necessary to achieve the structural objective of a two-institution system?
  - a. What are the key decision points?
  - b. What is the decision structure?
  - c. What is the communication plan/community engagement?
2. What are the potential **administrative consolidations** that need to occur under a unified scenario?
  - a. What is the organizational structure responsible for these changes?
  - b. How should administrative consolidations be sequenced?
  - c. Where is the particular expertise in these areas on the campuses that can be incorporated into a consolidated function?

3. What are the **academic programs** that are necessary to fulfill Vermont's stated goal of 70% of Vermonters having a credential of value by 2025?
  - a. What are the key decision points?
  - b. What is the decision structure?
  - c. Where should such programs be located?
  - d. How can such programs be delivered effectively?
  
4. What **financial and human resources** are needed to achieve these objectives?
  - a. Who will be on the implementation team(s)?
  - b. What internal and external resources are needed?