

TO: VSCS Finance & Facilities Committee

FROM: Sharron R. Scott, Chief Financial and Operating Officer

DATE: January 28, 2021

SUBJECT: Finance & Facilities Committee Meeting on February 1, 2021

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The materials are now available for the upcoming Finance & Facilities meeting scheduled for **2:00 p.m.** on Monday, **February 1, 2021**. The meeting will take place via Zoom and will be livestreamed on YouTube.

We have a full agenda planned for February 1.

- **Review** and **approval** of the Carroll and Joanne Lawes Engineering Scholarship Fund for Vermont Tech
- **Review** of the VSCS's overview to the Legislature regarding the reasons behind the VSCS's structural deficit
- **Review** of the FY2021 Second Quarter Forecast
- **Review** of the FY2022 First Pass Budget
- Possible **executive session** to discuss land transactions

I look forward to seeing you all on Monday.

Cc: VSCS Board of Trustees  
Council of Presidents  
Business Affairs Council



## **Vermont State Colleges Board of Trustees Finance and Facilities Committee Meeting**

**February 1, 2021  
2:00 p.m. – 4:00 p.m. via Zoom**

### **AGENDA**

1. Call to order
2. Approve minutes of December 7, 2020 meeting
3. Approve Creation of Carroll and Joanne Lawes Engineering Scholarship Fund
4. Structural Deficit Overview
5. FY2021 Second Quarter Forecast Review & Discussion
6. FY2022 First Pass Budget Review & Discussion
7. Other Business
8. Public Comment
9. Executive Discussion to Discuss possible Land Transactions
10. Adjourn

## MEETING MATERIALS

- Item 1: December 7, 2020 Meeting Minutes
- Item 2: Carrol and Joanne Lawes Engineering Scholarship
- Item 3: Structural Deficit Overview
- Item 4: Second Quarter Forecast Review & Discussion
- Item 5: Q2 Forecast: System-Wide Summary Entity Detail Institutional Narratives
- Item 6: FY22 First Pass Budget Review & Discussion

**ITEM 1:**  
**December 7, 2020 Meeting Minutes**

**Minutes of the VSCS Board of Trustees Finance and Facilities Committee held Monday, December 7, 2020 at 10:00 a.m. via Zoom - UNAPPROVED**

*Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.*

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on Monday, December 7, 2020 via Zoom.

Committee members present: David Silverman (Chair), Adam Grinold (Vice Chair), Lynn Dickinson (10:23 a.m.), Linda Milne (10:35 a.m.), Mike Pieciak (10:22 a.m.)

Absent: James Masland

Other Trustees present: Ryan Cooney, Megan Cluver, Karen Luneau, Mary Moran, Shawn Tester

Presidents: Elaine Collins, Joyce Judy, Pat Moulton, Jonathan Spiro (Interim)

Chancellor's Office Staff: Donny Bazluke, Network/Security Analyst  
Kevin Conroy, Chief Information Officer  
Dick Ethier, Director of Facilities  
Jocelyn Haley, Senior Staff Accountant  
Renee Hunt, Controller  
Katherine Levasseur, Director of Governmental & External Affairs  
Jen Porrier, Administrative Director  
Kathryn Santiago, Assistant General Counsel  
Sharron Scott, Chief Financial and Operating Officer  
Patty Turley, General Counsel  
Meg Walz, Director, Project Management  
Betsy Ward, Grants Compliance Officer  
Sophie Zdatny, Chancellor  
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Sarah Chambers, Coordinator of Instructional Technology, Castleton University  
Gisele Hodgdon, Director of Business Operations, Community College of Vermont

Laura Jakubowski, Chief Budget & Finance Officer, Castleton University

Tom Mauhs-Pugh, Provost, Castleton University

Andy Pallito, Dean of Administration, Community College of Vermont

Toby Stewart, Dean of Administration, Northern Vermont University

Littleton Tyler, Dean of Administration, Vermont Technical College

Beth Walsh, President, VSCUP, Northern Vermont University

1. The meeting commenced at 10:05 a.m.

2. Other Business

CFOO Scott introduced Senior Staff Accountant Jocelyn Haley who explained that while there are Grant managers system-wide, the tracking of Grants from an accounting standpoint is accomplished from the Chancellor's office. Betsy Ward, the Grants Compliance Officer works with Ms. Haley and System Controller Renee Hunt, to manage and track the Grants across the System. Ms. Ward provided an update on the Federal, State and Private Sector funded grants currently active for the system. Ms. Ward shared that the VSCS is constantly building new processes to support people in the writing of new grants and to ensure compliance.

CFOO Scott then introduced Director of Facilities Dick Ethier. Mr. Ethier explained that normally capital projects are started in early May, however this year, many projects were put on hold due to COVID-19. Those that were completed included the High Roof on the Fine Arts Center at CU, and replacing exterior concrete stairs. Mr. Ethier went on to describe a number of other projects that were funded, details of which can be found in the materials [packet](#) on page 69 and 70.

3. Approve minutes of October 29, 2020

**Trustee Grinold moved and Trustee Pieciak seconded the motion to approve the October 29, 2020 meeting minutes. The motion was approved unanimously.**

#### 4. FY2022 Capital Bill and State Appropriation Proposals

Chancellor Zdatny and Chief Financial/Operating Officer Sharron Scott presented an abbreviated version of the appropriation proposal presented to the administration on behalf of the VSCS. See materials [packet](#) on page 11. There were three key points made in the presentation: 1) to drive home that the VSCS is key to Vermonters' success, 2) to solidify the message that the system is in the middle of transformation, and 3) that transformation will take both time and money. The FY2022 Budget Request seeks a level-funded base appropriation, plus a financial aid proposal for lower-income students if the VSCS were to receive an increase of 1%, 2% or 3% to the base, plus a second year of bridge funding in the amount of \$45 million to address the anticipated FY2022 budget gap.

#### 5. AY2021-2022 Tuition and Fees Recommendation

CFOO Scott shared information (which is contained in the board materials) providing budgetary, statistical, regional, and national context relevant to tuition setting for the 2021-2022 academic year. Ms. Scott shared the Chancellor's recommendation that tuition be frozen, while allowing a modest increase of 3% to room and board and fees.

Trustee Cooney agreed with the proposed tuition freeze but opposed any increase to room and board and to fees. Ms. Scott reminded the Committee that the VSCS room and board rates remain substantially below that of regional and national peers.

Chair Silverman invited comments from the presidents regarding the administration's proposal. All four presidents recognized that affordability is a priority but opposed the tuition freeze because of the anticipated budget deficits for FY22. Balancing a budget is difficult, if not impossible, when the revenue line (tuition) is frozen but costs (including salaries and benefits) continue to increase. Northern Vermont University President Elaine Collins added that the Education Advisory Board (EAB) has advised that most public systems will be moving to an incremental increase in tuition for FY22.

**Trustee Dickinson moved and Trustee Grinold seconded the motion to recommend to the Board the approval of Resolution 2020-021 FY2021 Tuition Freeze. The motion was approved unanimously.**

#### 6. System-Wide Budget Preparation

CFOO Scott shared that the FY2022 fiscal budgeting process is currently underway with the first pass budget being presented to the Committee on February 1, 2021. Ms. Scott went on to discuss budget planning factors including revenue, (like room and board and possible state

appropriation), and expenses, (like wages, benefits, and debt service). Additionally, the institutions have been asked to consider several planning scenarios including a “best likely” and worst likely” scenario, as well as considering various levels of bridge funding between no bridge funding and the full request of \$45 million.

7. Public Comment

There was no public comment.

8. Adjourn

Chair Silverman adjourned the meeting at 11:29 a.m.

UNAPPROVED



**ITEM 2:**  
**Carrol and Joanne Lawes Engineering Scholarship**

December 17, 2020

Sophie Zdatny, Chancellor  
Vermont State Colleges System  
PO Box 7  
Montpelier, VT 05601-0007

Dear Chancellor Zdatny,

I am pleased to send to you the New Funding Source Document required for establishing an endowment in the amount of \$34,000, to be named the Carroll and Joanne Lawes Engineering Scholarship Fund.

The endowment is funded with \$34,000 donated by Carroll and Joanne Lawes. They are donating an additional \$51,000 to be used as a spend-down scholarship with the same criteria, distributing all the funds in the next two years as the endowment matures, and to help boost enrollment. They intend to donate identical amounts in the early months of 2021, and may continue donating to the scholarship in the years to come.

I request that the Vermont State College's Board of Trustees accept these gifts and approve the establishment of the Carroll and Joanne Lawes Engineering Scholarship Fund.

Sincerely,

  
Patricia Moulton  
President

## Vermont State Colleges Grant Proposal Budget Analysis Form A & B

College: **Vermont Tech**

Grant Title: **Carroll and Joanne Lawes Engineering Scholarship - Endowed**

Grant Agency: **Carroll and Joanne Lawes**

Project Director: **Curtis Ostler**

Purpose of Grant:

**To create an endowed scholarship for students in an majors in the VTC School of Engineering and Computing**

Grant Period: **November 2020** to **in perpetuity**

Review Period: **Annual** Multi-Yr\*\* / Cumulative Grant Amt: **\$68,000**  
 \*\*(please enter number of years covered) **Donations in 2020 and early 2021, with further donations possible in coming years. Scholarships to be awarded in perpetuity once the endowment has matured.**

Proposed Funding	Grant	1st Yr College	Grant	2nd Yr College	Grant	3rd Yr College
<u>Direct Costs</u>	-----	-----	-----	-----	-----	-----
Salaries & Wages						
Employee Benefits						
Operations						
Travel						
Equipment	\$					
Library Acquisitions						
<b>Other – scholarships</b>	<b>\$ 34,000</b>		<b>\$ 34,000</b>			
Other -	\$					
Total Direct	\$	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Indirect Costs*</u>						
<u>Total Budget</u>	<b>\$ 34,000</b>	\$ -	<b>\$ 34,000</b>	\$ -	\$ -	\$ -

\*(In-Kind & Other costs for space, utilities, maintenance, administrative support, etc.)

What is(are) the sources of College Funding? **None**

What continuing cost obligations does Granting Agency require/expect? **None**

What Continuing cost obligations does the College intend/see likely? **None**

Business Officer Review by: \_\_\_\_\_ Date: \_\_\_\_\_

Programmatic Review by: \_\_\_\_\_ Date: \_\_\_\_\_

Presidential Review by: \_\_\_\_\_ Date: \_\_\_\_\_

Full required documentation is being submitted, including all appropriate assurances regarding Civil Rights, People with Disabilities, Sex Discrimination, Human Subjects, Laboratory Animals, etc.

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

**VERMONT TECHNICAL COLLEGE**

(College Name)

Submit to Chancellor's Office for all activities based upon a new funding source.  
Place copy in front of any applicable master file.

1) Name of endowment: (type in all CAPS)

**CARROLL AND JOANNE LAWES ENGINEERING SCHOLARSHIP**

2) Granting agency/donor/other funding source: (Attach supporting Documentation)

**CARROLL AND JOANNE LAWES**

3) Purpose of endowment: (Attach supporting Documentation)

**SCHOLARSHIP FOR STUDENTS IN THE VERMONT TECH SCHOOL OF ENGINEERING AND COMPUTING**

4) Proper accounting fund:

Regular Endowment

Term Endowment

5) General Ledger Activity Code(s): (as proposed or assigned)

6a) Date Endowment Reach Endowment Status:

**ASAP**

7) Reporting requirements: (format/to whom/frequency/other)

**ANNUAL LETTER TO DONORS LISTING SCHOLARSHIP RECIPIENTS**

8a) Funding amount:

**\$34,000**

8b)  One-time - OR

Ongoing funding (indicate timeframe:)

**\$34,000 IN 2020, ANOTHER \$34,000 IN 2021, FUTURE DONATIONS AS DETERMINED BY DONOR**

9a) Is principal use allowed:  
(w/Board OK?)

**Not intended**

9b) If yes, is replenishment of principal allowed or required:

10) If investment proceeds generated, indicate intended disposition:

Per Board Approved Spending Procedure

Fully expend for program as prescribed

Increase principal for inflation and expend remainder

All Investment earnings added for \_\_\_ years before expending for endowment purposes begins

Other (describe:)

11) President:

12) Date to Ch's Ofc:

13) Date Board Approved:

**ITEM 3:**  
**Structural Deficit Overview**

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## STRUCTURAL DEFICIT OVERVIEW

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The Vermont State Colleges System's structural deficit is decades in the making. Put simply, the deficit consists of the ongoing costs that are in excess of the System's revenue. The simplicity of that statement masks the underlying issues that have been building over the last several decades.

Overall, the structural deficit is composed of four primary factors:

1. Enrollment
2. Market Conditions
3. Expense Structure
4. State Support

CFOO Sharron Scott will present materials the VSCS has been sharing with legislative leaders to describe the complexity and seriousness of the issues facing the System. These materials, partially derived from *Securing the Future for the Vermont State Colleges System*, also known as the White Paper, and other sources previously provided to the Board, offer current and historical context for this complex problem.

**ITEM 4:**  
**Second Quarter Forecast Review & Discussion**

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**SECOND QUARTER FORECAST**

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<b>Q2 Forecast: Unrestricted Fund Net Revenues</b>				
(Amounts Rounded to \$1,000)				
	<b>FY2021 Budget</b>	<b>FY2021 Forecast</b>	<b>Var. \$</b>	<b>Var. %</b>
Total Revenues	178,045	178,813	768	0%
Total Expenses	176,019	171,296	(4,723)	-3%
Net Revenues (Deficit)	<u>2,026</u>	<u>7,517</u>	<u>5,491</u>	<u>271%</u>

The Vermont State Colleges System forecasts performance approximately \$5.5M better than budget or approximately 2.7 times better than predicted in October. This is an encouraging forecast, offering one small bright spot in a challenging year. While promising, it is important to note the extreme unpredictability of the pandemic environment. Unknown and untested enrollment patterns, COVID testing, and quarantine requirements, can all have a negative impact on this forecast; thus, one should use caution when viewing favorable performance for FY21. However, the potential for a favorable result compared to budget for the fiscal year is motivating.

<b>Q2 Forecast: Unrestricted Fund Net Revenues</b>				
<b>without Bridge or CRF</b>				
(Amounts Rounded to \$1,000)				
	<b>FY2021 Budget</b>	<b>FY2021 Forecast</b>	<b>Var. \$</b>	<b>Var. %</b>
Unrestricted use of CRF	(1,634)	(3,915)	(2,281)	426%
Bridge Funding	(28,800)	(28,800)	-	0%
Net Revenue w/o Bridge or CRF	<u>(28,408)</u>	<u>(25,198)</u>	<u>3,210</u>	<u>697%</u>

Of critical importance to the FY21 budget are two key factors. The first is Bridge Funding, in the amount of \$28.8M and the second is receipt of Coronavirus Relief Funds from the Vermont State Legislature. Combined, CRF and Bridge funding have contributed \$32.7M to the Vermont State Colleges System unrestricted budget (general fund). Without these funds, the second quarter forecast for the Vermont State Colleges would have been a deficit of \$25.2M as shown in the *Net Revenue without Bridge or CRF* FY21 Forecast.



The forecasted use of CRF, as part of the Unrestricted Funds of the Vermont State Colleges, is \$3.9M, or approximately \$2.3M more than budget. These additional funds were used to support student scholarships, additional cleaning and sanitation, conduct surveillance testing, pay for public health and public safety employees, and reimburse the Colleges for employees who were substantially diverted from their normal work to respond to the pandemic. In addition, the VSCS used CRF for technology upgrades to support remote learning, personal protective equipment, masks, HVAC system upgrades, and other items necessary to respond to the public health crisis.

For FY21, the Vermont State Colleges System was awarded \$22.758M in CRF as part of Act 120. The purpose of the act was to give the VSCS the ability to respond to the business disruptions associated with the pandemic. Unfortunately, federal guidance included many restrictions, and had very tight spending deadlines. This constrained our ability to expend all of these funds thus requiring the VSCS to return \$13.4M in late October, and an additional \$640K in early December. The remaining \$8.7M is fully committed to pay for activities that concluded as of December 30, 2020.

<b>Q2 Forecast: Selected Expenses</b>				
<b>(Amounts Rounded to \$1,000)</b>				
<b>Expenses</b>	<b>FY2021 Budget</b>	<b>FY2021 Forecast</b>	<b>Var. \$</b>	<b>Var. %</b>
Salaries and Benefits	110,496	107,808	(2,688)	-2%
Services, Supplies, Travel	37,116	36,891	(225)	-1%
Utilities	5,955	5,643	(312)	-5%

While approximately \$2.3M of the improvement in forecasted performance is attributable to the use of Coronavirus Relief Funds, three key expense lines account for the majority of the remaining areas of savings. These include Salaries and Benefits, Supplies, Services & Travel, and Utilities. The largest of these categories, Salaries and Benefits is approximately \$2.7M less than budget, or about 2% less than the budgeted amount.

Three key factors account for this difference:

- 1) Natural attrition
- 2) Slowed hiring
- 3) Cancelled position searches

Three of the four institutions, plus the Chancellor's Office, reduced salary and benefit expenditures in comparison to the FY21 budget. These entities have made significant strides to slow the rate of spending in this category with a favorable budget variance of between 2% and 8%, exclusive of the use of CRF. CCV's increase in salaries and benefits relative to budget is wholly attributable to their nearly 5% increase in enrollment as compared to budget.

As of the Q2 Forecast, revenues are relatively consistent with budget. The categories with the greatest dollar variance are Tuition and Fees, Net Room and Board, and Other Revenues.

<b>Q2 Forecast: Selected Revenues</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<b>FY2021</b>	<b>FY2021</b>	<b>Var.</b>	<b>Var.</b>
<u>Expenses</u>	<u>Budget</u>	<u>Forecast</u>	<u>\$</u>	<u>%</u>
Tuition and Fees	102,520	102,000	(520)	-1%
Net Room and Board	11,905	12,195	290	2%
Other Revenue	692	1,965	1,273	184%

The FY21 Budget was developed in the early fall, giving the institutions an unusually accurate assessment of revenues and expenditures. On the plus side, fall enrollments were positively impacted by two factors. The first was a gift from the McClure Foundation that offered a free course at the Community College of Vermont for every graduating high school senior in 2020. The second was Act 154, an act providing educational assistance to those negatively impacted by COVID-19. Both programs had a positive impact on fall enrollments, especially at CCV.

However, spring enrollments for the campuses with residential programs are about 1-2% softer than originally budgeted. Contributing factors regarding this softness are the continued pandemic and students' uneasiness to return to college campuses, a general weariness regarding remote learning, and a strong desire to return full-time to face-to-face learning. The softness at the residential colleges (-\$1.6M) is largely offset by a stronger than budgeted enrollment at CCV (+1.1M).

Net Room and Board is another category that is modestly better than budget. The aggregated forecast is slightly favorable; however, forecasted performance is uneven compared to budget. The variance in this category ranges from -5% to a +12% across institutions. The institution seeing the greatest favorable variance, Castleton, is experiencing a positive uptick due to the institution's return to limited face-to-face instruction from a completely remote format. NVU, the lone institution to run a fully residential option in Fall 2020, is seeing softer than anticipated room participation in the spring. Vermont Tech's Net Room and Board performance is also forecasted to be slightly down. This is another example of how difficult it is to predict revenues and expenses during the pandemic.

The final revenue category of note, Other Revenue, estimates a favorable variance of nearly \$1.3M. This favorable variance is due largely to the sale of the CCV St. Albans building and is offset by Other Transfers to the Capital Fund.

A System-Wide summary of the forecasted performance, entity specific performance, and brief institutional narratives are provided in the following pages.

**ITEM 5:**

**Q2 Forecast: System-Wide Summary Entity Detail Institutional  
Narratives**

# Vermont State Colleges System Total Entity

## Unrestricted Revenues and Expenses

### Q2 Forecast

(Amounts rounded to \$1,000)

<b>Vermont State College System</b>				
	FY2021 Budget	FY2021 Forecast	Var. \$	Var. %
<b>REVENUES</b>				
Tuition and Fees	102,520	102,000	(520)	-1%
State Appropriation	60,237	60,236	(1)	0%
Room and Board	11,905	12,084	179	2%
<i>CRF: Room/Board Refunds</i>	-	111	111	100%
Net Room and Board	11,905	12,195	290	2%
Sales and Services	1,841	1,742	(99)	-5%
Gifts	850	675	(175)	-21%
Other Revenue	692	1,965	1,273	184%
<b>TOTAL REVENUES</b>	<b>178,045</b>	<b>178,813</b>	<b>768</b>	<b>0%</b>
<b>EXPENSES</b>				
Salaries and Benefits	110,496	107,808	(2,688)	-2%
<i>CRF: Salaries</i>	(1,091)	(2,213)	(1,122)	103%
Services, Supplies, Travel	37,116	36,891	(225)	-1%
<i>CRF: Services/Supplies/Travel</i>	(543)	(667)	(124)	23%
Scholarships	19,240	19,100	(140)	-1%
<i>CRF: Scholarships</i>	-	(1,146)	(1,146)	100%
Utilities	5,955	5,643	(312)	-5%
Other Expenses	4,827	4,837	10	0%
Debt Service	6,000	6,000	-	0%
Chancellor's Office	(23)	(23)	-	0%
Other Transfers	(5,958)	(4,934)	1,024	-17%
<b>TOTAL EXPENSES</b>	<b>176,019</b>	<b>171,296</b>	<b>(4,723)</b>	<b>-3%</b>
<b>NET REVENUES/(DEFICIT)</b>	<b>2,026</b>	<b>7,517</b>	<b>5,491</b>	<b>271%</b>
Unrestricted use of CRF	(1,634)	(3,915)	(2,281)	426%
Bridge Funding	(28,800)	(28,800)	-	0%
<b>Net Revenue w/o Bridge or CRF</b>	<b>(28,408)</b>	<b>(25,198)</b>	<b>3,210</b>	<b>697%</b>

<sup>1</sup> The materials represented here reflect only the unrestricted fund of the Vermont State Colleges. Additional CRF spending is paid directly from the restricted funds for purchases that do not flow through the institutions

**Vermont State Colleges System By Entity**  
**Unrestricted Revenues and Expenses**  
**Q2 Forecast**  
(Amounts rounded to \$1,000)

	Community College of Vermont				Castleton University				Northern Vermont University				Vermont Technical College <sup>2</sup>				Chancellor's Office				
	FY2021 Budget	FY2021 Forecast	Var. \$	Var. %	FY2021 Budget	FY2021 Forecast	Var. \$	Var. %	FY2021 Budget	FY2021 Forecast	Var. \$	Var. %	FY2021 Budget	FY2021 Forecast	Var. \$	Var. %	FY2021 Budget	FY2021 Forecast	Var. \$	Var. %	
<b>REVENUES</b>																					
Tuition and Fees	20,517	21,591	1,074	5%	34,400	33,600	(800)	-2%	25,053	24,533	(520)	-2%	22,550	22,276	(274)	-1%	-	-	-	-	-
State Appropriation	6,020	6,020	-	0%	6,821	6,820	(1)	0%	11,006	11,006	-	0%	7,590	7,590	-	0%	28,800	28,800	-	0%	0%
Room and Board	-	-	-		5,000	5,600	600	12%	5,983	5,583	(400)	-7%	922	901	(21)	-2%	-	-	-	-	-
<i>CRF: Room/Board Refunds</i>	-	-	-		-	8	8		-	103	103		-	-	-		-	-	-	-	
Net Room and Board	-	-	-		5,000	5,608	608	12%	5,983	5,686	(297)	-5%	922	901	(21)	-2%	-	-	-	-	-
Sales and Services	6	6	-	0%	560	560	-	0%	250	75	(175)	-70%	1,025	1,101	76	7%	-	-	-	-	-
Gifts	50	50	-	0%	420	300	(120)	-29%	250	275	25	10%	130	50	(80)	-62%	-	-	-	-	-
Other Revenue	86	1,046	960	1116%	400	200	(200)	-50%	150	481	331	221%	56	238	182	325%	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>26,679</b>	<b>28,713</b>	<b>26,679</b>	<b>25,387</b>	<b>47,601</b>	<b>47,088</b>	<b>49,111</b>	<b>40,721</b>	<b>42,692</b>	<b>42,056</b>	<b>39,132</b>	<b>36,772</b>	<b>32,273</b>	<b>32,156</b>	<b>33,314</b>	<b>30,483</b>	<b>28,800</b>	<b>28,800</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>																					
Salaries and Benefits	20,497	21,049	552	3%	29,495	28,700	(795)	-3%	32,400	30,694	(1,706)	-5%	23,555	23,181	(374)	-2%	4,549	4,184	(365)	-8%	-8%
<i>CRF: Salaries</i>	-	(101)	(101)		(330)	(682)	(352)	107%	(587)	(983)	(396)	67%	(174)	(397)	(223)	128%	-	(50)	(50)		
Services, Supplies, Travel	4,870	4,943	73	1%	10,158	9,100	(1,058)	-10%	9,135	8,838	(297)	-3%	7,782	8,146	364	5%	5,171	5,864	693	13%	13%
<i>CRF: Services/Supplies/Travel</i>	-	(1)	(1)		(200)	(354)	(154)	77%	(343)		343	-100%	-	(312)	(312)		-	-	-	-	-
Scholarships	170	170	-	0%	11,600	11,600	-	0%	5,290	5,133	(157)	-3%	2,180	2,197	17	1%	-	-	-	-	-
<i>CRF: Scholarships</i>	-	-	-		-	(1,089)	(1,089)		-	(40)	(40)		-	(17)	(17)		-	-	-	-	-
Utilities	325	325	-	0%	2,000	2,000	-	0%	2,158	2,072	(86)	-4%	1,433	1,214	(219)	-15%	39	32	(7)	-18%	-18%
Other Expenses	-	-	-		-	10	10		-	-	-		-	-	-		4,827	4,827	-	0%	0%
Debt Service	1,034	1,034	-	0%	2,096	2,096	-	0%	1,756	1,756	-	0%	1,114	1,114	-	0%	-	-	-	-	-
Chancellor's Office	1,622	1,622	-	0%	1,837	1,837	-	0%	2,965	2,965	-	0%	1,653	1,653	-	0%	(8,100)	(8,100)	-	0%	0%
Other Transfers	(1,839)	(540)	1,299	-71%	1,255	1,253	(2)	0%	549	446	(103)	-19%	1	(169)	(170)	-12508%	(5,924)	(5,924)	-	0%	0%
<i>CRF: Other Transfers</i>	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>26,679</b>	<b>28,501</b>	<b>1,822</b>	<b>7%</b>	<b>57,911</b>	<b>54,471</b>	<b>(3,440)</b>	<b>-6%</b>	<b>53,323</b>	<b>50,067</b>	<b>(3,256)</b>	<b>-6%</b>	<b>37,544</b>	<b>36,610</b>	<b>(934)</b>	<b>-2%</b>	<b>562</b>	<b>833</b>	<b>271</b>	<b>48%</b>	<b>48%</b>
<b>NET REVENUES/(DEFICIT)</b>	<b>-</b>	<b>212</b>	<b>212</b>		<b>(10,310)</b>	<b>(7,383)</b>	<b>2,927</b>	<b>-28%</b>	<b>(10,631)</b>	<b>(8,011)</b>	<b>2,620</b>	<b>-25%</b>	<b>(5,271)</b>	<b>(4,454)</b>	<b>817</b>	<b>-15%</b>	<b>28,238</b>	<b>27,967</b>	<b>(271)</b>	<b>-1%</b>	<b>-1%</b>
Unrestricted use of CRF <sup>1</sup>	-	(102)	(102)		(530)	(2,117)	(1,587)	299%	(930)	(920)	10	-1%	(174)	(726)	(552)	316%	-	(50)	(50)		
Net Revenue without use of CRF	-	110	110		(10,840)	(9,500)	1,340	-12%	(11,561)	(8,931)	2,630	-23%	(5,445)	(5,180)	265	-5%	28,238	27,917	(321)	-1%	-1%

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## COMMUNITY COLLEGE OF VERMONT

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CCV's Q2 forecasted year-end results are projecting a slight surplus (\$212,000) due to stronger than expected enrollments in the Fall. This strong enrollment also leads to more faculty contracts increasing CCV's salary line.

Revenues are showing a significant increase due to the sale of the St Albans building in Q2 (\$960,000). Those funds have been transferred to the property fund for payment of the bond associated with the building.

As of this submission, spring 2021 enrollments have not yet settled and CCV is unsure what summer enrollment will look like. This projection is conservative given all the uncertainties associated with the current COVID environment. CCV is not planning to resume on ground classes for this academic year.

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## CASTLETON UNIVERSITY

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### Revenues:

**Tuition and Fees:** This budget was created using a projected fall enrollment FTE count of 1,753 and a spring melt projected FTE of 1,639. Fall FTE ended up at 1,721 and we are now projecting a spring FTE of 1,560. In addition to these traditional students, the Center for Schools revenue is also included here. The Center is experiencing a solid, consistent student enrollment count. The overall projected revenue for tuition and fees forecasted at \$800k under budget.

**Room & Board:** This budget was created using a total of 434 residential students living on the main campus, Rutland apartments and Killington site. As of Q2, we are in a slightly better position and the overall revenue for this category is projected to be \$600k better than budget.

**Other Revenues:** (Sales & Services, Gifts, Other): As of Q2 it is projected that the overall revenue for this category will be \$300k under budget due to ongoing COVID-19 challenges. Conference and Events and Gifts are primarily impacted by the current market conditions.

### Expenses:

**Salary & Benefits:** Savings in this category is project to be \$1.4M. Over \$600k of this savings is attributed to Coronavirus Relief Funds {CRF} being available to offset Public Safety and Health Services expenditures. The remaining savings is attributed to unfilled positions, and budget to actual variances in health insurance and tuition remission.

**Service, Supplies & Travel:** Saving assumptions in this budget line include travel expenditures in the area of athletics and admissions, reduced meal/room expenses for athletic travel, reduced Sodexo costs due to reduced residential students, and no foreign travel. Additional savings will be realized primarily in the area of athletics and Sodexo expenses. Coronavirus Relief funds will help offset our additional EAB costs as well.

**Scholarships:** A savings of \$1.09M will be realized in the Scholarship category due to the use of Coronavirus Relief Funds.

**Transfers/Debt:** On budget.

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### **NORTHERN VERMONT UNIVERSITY**

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Based on current enrollment and historical trends Northern Vermont University is forecasting total year revenue of \$42.1 million for FY21 compared to a total year budget of \$42.7 million. The shortfall is driven mainly from lower than planned spring enrollment and residential participation. With the spring semester starting two weeks later than previous years, there is optimism this gap could close. NVU is happy to report the very encouraging indicator that enrollment from new spring starts is higher than last year and discussions continue with other potential new students. Summer camps and conferences represent another opportunity for revenue growth. NVU is not projecting this source of revenue, however discussions continue with outside groups with the hopes that State guidelines will permit camps and conferences this summer. A couple of one time revenue items reflected in this projection are the sale of the McGoff House on the Lyndon campus and CRF funded workforce development offerings.

NVU is forecasting a \$3.2 million improvement from budgeted expenses. Wage and benefit savings represent the most significant savings. \$1.7 million will be realized through the management of open positions and employee departures. Additionally, the funding available from CRF for health and safety, substantially diverted, and CRF administration was \$396 thousand greater than budget (\$983 thousand vs. \$587 thousand). The other significant category of savings is supplies and services. \$768 thousand from reduced spending (\$297 thousand) and additional use of CRF funds of \$471 thousand.

The result is a projected \$2.6 million favorable variance to the FY21 Budget submission.

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### **VERMONT TECHNICAL COLLEGE**

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Vermont Tech is projecting a \$4.5M deficit position in FY21, as it weathers the operational and economic challenges of the COVID-19 pandemic.

Three of four major revenue centers for the college have been profoundly affected by the pandemic (delta listed in percent change, prior year actual to current year projection): (1) tuition revenue is down 14%; (2) room and board is down 76%; and (3) sale, service, & conference is down 47%. Taken in aggregate, the result is an enormous \$7M+ revenue decline from FY20.

Operational adjustments, expense reduction, and CARES relief funding have allowed VTC to mitigate a small part of this loss: (1) salary, wage, and benefit expense is down 3%, due to restricted hiring practice and the selected application of CARES funding; (2) utilities expense is down 26%, due to favorably negotiated oil rates and diminished consumption on campuses. Unfortunately, the magnitude of these changes is insufficient to match the magnitude of revenue loss.

As the year progresses, VTC finds itself reliant on external support—namely, state bridge funding—to endure this unusual circumstance.”

**ITEM 6:**  
**FY22 First Pass Budget Review & Discussion**



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## FIRST PASS BUDGET

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FY22 is the first full year with a System-Wide budgeting process. As part of this effort, the institutions and Chancellor’s Office have coordinated and collaborated to develop key budgeting parameters. The result is a more consistent and cohesive first pass budget than in prior years. The budget presented here was developed with greater coordination across the VSCS and has received scrutiny and review by the Business Affairs Council.

The first pass budget is the first of three versions of the budget that will be shared with the Finance and Facilities Committee in preparation for approval at the June 2021 Board of Trustees Meeting. The second pass budget will be provided to the Committee at its March 27, 2021 meeting, and the third pass budget will be offered at the May 24, 2021 committee meeting.

<b>First Pass Budget: Net Revenue/Deficit</b>		
<b>(Amounts Rounded to \$1,000)</b>		
	<b>FY2022</b>	<b>FY2022</b>
	<b><u>Best Likely</u></b>	<b><u>Worst Likely</u></b>
NET REVENUE/(DEFICIT)	(32,107)	(44,774)

The first pass budget, typically, has the greatest amount of variability and this year is no exception. As shown above, the Vermont State Colleges System currently estimates an FY22 deficit of between \$32M and \$45M.

The Vermont State Colleges System, like the State and our country, is operating in highly unpredictable times. We are experiencing enrollment patterns unlike any ever seen before, a pandemic that continues to surge nationally and regionally, a slow COVID-19 vaccine rollout nationally, and an imperiled economy. The combination of these factors make predicting future the future more challenging than normal.

It is important to note that while the best likely scenario presented above is nearly 25% better than the VSCS’s early budget estimate of a deficit of between \$42M and \$45M, it is far too early to declare victory. In fact, to attain the best likely scenario all critical factors regarding the pandemic, vaccine rollout, and student enrollment would need to be achieved. Therefore, while the best likely scenario is possible, the VSCS should assume performance closer to the worst likely estimate until key indicators show strong evidence the environment has improved.

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## FIRST PASS BUDGET: ASSUMPTIONS

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With the first pass budget, the Vermont State Colleges System presents a “best likely” and “worst likely” version of the system-wide budget. Each budget is based on specific assumptions regarding the future state of higher education in Vermont, and is grounded in the VSCS’s current understanding of admissions and enrollment patterns, the current state of the pandemic, and national research.

**Scenario 1 - Best Likely:** Post-pandemic partial return to normalcy

The best likely scenario assumes the pandemic has lessened, the vaccine rollout has been successful, and the world is slowly returning to normal by the end of the August 2021. By no means does this scenario assume that we are out of the woods. Rather, this scenario still assumes the virus is circulating, that additional cleaning and sanitizing is still necessary, and that surveillance testing and quarantining are still required through the fall. However, the scenario assumes classes are returning to face-to-face instruction, and confidence is returning to students and their families.

**Scenario 2 - Worst Likely:** Continued pandemic with few signs of recovery

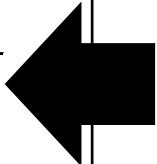
The worst likely scenario assumes a continuation of current conditions, where the pandemic has not slackened, the national vaccine rollout continues to be bogged down (or the vaccine is not applicable to newly circulating variants), the virus continues to surge, consumer confidence lags, and students decide to delay college to a future year. While the VSCS sincerely hopes this scenario does not happen, it would be imprudent to plan otherwise at this time.

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**FIRST PASS BUDGET: ANALYSIS**

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<b>First Pass Budget: Net Revenue Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<b>FY2021</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2022</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Best Likely</b>	<b>Worst Likely</b>
TOTAL REVENUES	178,045	178,813	148,236	133,363
<i>Total Revenue without Bridge</i>	<i>149,245</i>	<i>150,013</i>	<i>148,236</i>	<i>133,363</i>
TOTAL EXPENSES	176,019	171,296	180,343	178,137
<i>Total Expenses without CRF</i>	<i>177,653</i>	<i>175,322</i>	<i>180,343</i>	<i>178,137</i>
NET REVENUE w/o BRIDGE OR CRF	(28,408)	(25,309)	(32,107)	(44,774)



Total revenue for FY22 is estimated at between \$133M and \$148M. Enrollment, in the form of tuition, fees, room, and board, is the reason for the wide variability in forecast between the best and worst likely performance.

<u>Total Revenue to Q2 Forecast<sup>1</sup></u>	<u>Best Likely</u>	<u>Worst Likely</u>
Overall Variance:	-1%	-11
Institutional Variability:	4% to -7%	-5% to -14%

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<sup>1</sup> Variance to forecast is in all categories is to the forecast without use of Bridge Funding or CRF. All percentages rounded to the nearest whole number.

<b>First Pass Budget: Tuition and Fees Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<u><b>FY21 Budget</b></u>	<u><b>FY21 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Tuition and Fees	102,520	102,000	95,948	88,008

<u><b>Tuition &amp; Fees to Q2 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Overall Variance:	-6%	-14%
Institutional Variability:	Flat to -11%	-5% to -19%

The best likely forecast of \$96M for Tuition & Fees assumes a partial return to normalcy post-pandemic. This estimate, a more than 6.3% drop in enrollment, used pre-pandemic historical yield, relative to the current applicant pool, to calculate new enrollment starts. Further, it assumed a large portion of the prospective students who deferred enrollment to fall 2022 would decide to enroll. Estimates for returning students were calculated using historical persistence and retention relative to current enrollment for FY21, including class standing.

The worst likely Tuition & Fees forecast, \$88M, assumes the continuation of current environmental and market conditions into the fall of FY22. This estimate, a more than 13.6% drop in enrollment, used fall 2020 yield rates relative to the current applicant pool. It assumed that very few of the prospective students who deferred enrollment for a year would enroll, and that students with approved leaves of absence would remain on leave another year. Estimates for returning students assumed worse than normal persistence and retention, predicting a greater number of stop-outs.

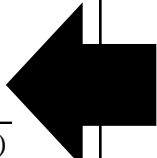
<b>First Pass Budget: Room &amp; Board Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<u><b>FY21 Budget</b></u>	<u><b>FY21 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Net Room and Board	11,905	12,195	17,351	10,618

<u><b>Room &amp; Board to Q2 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Overall Variance:	42%	-13%
Institutional Variability:	6% to 148%	-15% to -77%

The best likely Room & Board forecast, \$17M, assumes a partial return to normalcy post-pandemic and the full return of residential programming at Castleton and Vermont Tech, both of whom were remote in fall of 2020.

The worst likely Room & Board Forecast, \$10M, assumes the continuation of current environment and market conditions into the fall of FY22. Residential students are, typically, first and second year students. With the substantially softer incoming class for fall 2020, as well as anticipated smaller incoming classes for fall 2021, overall occupancy is predicted to decline substantially in this worst likely scenario.

<b>First Pass Budget: Net Revenue Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<b>FY2021 Budget</b>	<b>FY2021 Forecast</b>	<b>FY2022 Best Likely</b>	<b>FY2022 Worst Likely</b>
TOTAL REVENUES	178,045	178,813	148,236	133,363
<i>Total Revenue without Bridge</i>	<i>149,245</i>	<i>150,013</i>	<i>148,236</i>	<i>133,363</i>
TOTAL EXPENSES	176,019	171,296	180,343	178,137
<i>Total Expenses without CRF</i>	<i>177,653</i>	<i>175,322</i>	<i>180,343</i>	<i>178,137</i>
NET REVENUE w/o BRIDGE OR CRF	(28,408)	(25,309)	(32,107)	(44,774)



Total expenses for FY22 are estimated at between \$178M and \$180M. Three primary drivers control the increase in cost: 1) salaries and benefits, 2) scholarships, and 3) debt service. Combined, these factors account for the increase in expenses.

<b>Total Expenses to Q2 Forecast</b>	<b>Best Likely</b>	<b>Worst Likely</b>
Overall Variance:	3%	2%
Institutional Variability:	4% to 7%	2% to 4%

<b>First Pass Budget: Salary and Benefit Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<b>FY21 Budget</b>	<b>FY21 Forecast</b>	<b>Best Likely</b>	<b>Worst Likely</b>
Salaries and Benefits	110,496	107,808	112,826	112,448

<b>Salaries &amp; Benefits to Q2 Forecast</b>	<b>Best Likely</b>	<b>Worst Likely</b>
Overall Variance:	5%	4%
Institutional Variability:	2% to 6%	Flat to 6%

Both the best and worst likely scenarios for salaries and benefits assumes replacement, relative to budget, of positions that were held vacant through FY21. Additionally, contracted for increases to benefits and salaries are included in this category. The wide variability by institution is due to organizational structure, and the number of positions held vacant during FY21.

<b>First Pass Budget: Scholarships Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<u><b>FY21 Budget</b></u>	<u><b>FY21 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Scholarships	19,240	19,100	18,299	16,793

<u><b>Scholarships to Q2 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Overall Variance:	-5%	-13%
Institutional Variability:	-7% to Flat	-20% to Flat

Scholarship estimates as part of the first pass budget, estimate a decrease in the overall awarding of scholarships to students. While the actual value will be calculated based upon the take rate of both new student scholarships and returning student volumes, it is estimated that decreased enrollment will result in reduced scholarship expense.

<b>First Pass Budget: Debt Service Comparison</b>				
<b>(Amounts Rounded to \$1,000)</b>				
	<u><b>FY21 Budget</b></u>	<u><b>FY21 Forecast</b></u>	<u><b>Best Likely</b></u>	<u><b>Worst Likely</b></u>
Debt Service	6,000	6,000	7,998	7,998

<u><b>Debt Service to Q2 Forecast</b></u>	<u><b>Best &amp; Worst Likely</b></u>
Overall Variance:	33%
Institutional Variability:	-30% to 76%

The debt schedule for the bonds issued in 2017 and 2020 shifted payments to future years. The amount by institution is highly variable due to the size and number of historical projects funded in prior years. Therefore, while debt service overall will increase from FY21 to FY22, the amount will vary widely between institutions. With one institution seeing a 30% reduction in their debt service and another seeing a 76% increase.

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**FIRST PASS BUDGET: CONCLUSION AND NEXT STEPS**

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This first pass budget is an early look at the budget factors facing the Vermont State Colleges as it prepares its budget for Board of Trustees approval in June 2021. The VSCS will be looking to key performance indicators regarding enrollment, the pandemic, and the transformational work of the Vermont State Colleges System Board of Trustees as it develops its second pass budget. In the meantime, the system will be working collaboratively to identify ways to bring down costs without negatively impacting the student experience.

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**SYSTEM-WIDE BUDGET SCHEDULE**

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As noted previously, the system-wide budget will be presented to the Finance and Facilities committee in three separate passes as shown below.

<b>Activity</b>	<b>Review Date</b>	<b>Estimate Best Likely</b>	<b>Estimate Worst Likely</b>
Early	October 29, 2020	-42M	-47M
First Pass	February 1, 2021	-32M	-45M
Second Pass	March 27, 2021		
Third Pass & Policy 403	May 24, 2021		
Final Budget & Policy 403	June 16, 2021		

On the next page, you will find the first pass system-wide budget.

# Vermont State Colleges System Total Entity

## Unrestricted Revenues and Expenses

### FY22 Pass 1 Budget

(Amounts rounded to \$1,000)

	Vermont State College System			
	FY2021 Budget	FY2021 Forecast	FY2022 Best Likely	FY2022 Worst Likely
<b>REVENUES</b>				
Tuition and Fees	102,520	102,000	95,948	88,008
State Appropriation	60,237	60,236	31,437	31,437
Room and Board	11,905	12,084	17,351	10,618
<i>CRF: Room/Board Refunds</i>	-	111	-	-
Net Room and Board	11,905	12,195	17,351	10,618
Sales and Services	1,841	1,742	1,981	1,881
Gifts	850	675	855	755
Other Revenue	692	1,965	664	664
<b>TOTAL REVENUES</b>	<b>178,045</b>	<b>178,813</b>	<b>148,236</b>	<b>133,363</b>
<b>EXPENSES</b>				
Salaries and Benefits	110,496	107,808	112,826	112,448
<i>CRF: Salaries</i>	(1,091)	(2,213)	-	-
Services, Supplies, Travel	37,116	36,891	37,632	37,207
<i>CRF: Services/Supplies/Travel</i>	(543)	(667)	-	-
Scholarships	19,240	19,100	18,299	16,793
<i>CRF: Scholarships</i>	-	(1,146)	-	-
Utilities	5,955	5,643	6,348	6,451
Other Expenses	4,827	4,837	4,585	4,585
Debt Service	6,000	6,000	7,998	7,998
Chancellor's Office	(23)	(23)	(285)	(285)
Other Transfers	(5,958)	(4,934)	(7,060)	(7,060)
<b>TOTAL EXPENSES</b>	<b>176,019</b>	<b>171,296</b>	<b>180,343</b>	<b>178,137</b>
<b>NET REVENUE/(DEFICIT)</b>	<b>2,026</b>	<b>7,517</b>	<b>(32,107)</b>	<b>(44,774)</b>
Unrestricted use of CRF <sup>1</sup>	(1,634)	(3,915)	-	-
Bridge Funding	(28,800)	(28,800)	-	-
Net Revenue w/o Bridge or CRF	<b>(28,408)</b>	<b>(25,198)</b>	<b>(32,107)</b>	<b>(44,774)</b>

<sup>1</sup> The materials represented here reflect only the unrestricted fund of the Vermont State Colleges. Additional CRF spending is paid directly from the restricted funds for purchases that do not flow through the institutions