FY2021 Unaudited Results

August 23, 2021

For the benefit of Vermont

> *"We are in the midst of an* ***epic economic experiment****, with* ***unprecedented fiscal and monetary intervention*** *in the nation's economy.*
>
> *The* ***absence of historical precedent*** *with respect to the scope, magnitude and timing of such an intervention creates considerable future uncertainty, relegating these forecasts to more "****order-of-magnitude" guidance*** *than point forecasts.*
>
> *The long-term impacts of these measures may ultimately be transformationally beneficial or disastrous,* ***but the near-term impacts on the State economy and revenues are incontrovertibly positive****."*

July 2021 Economic Review and Revenue Forecast Update
https://ljfo.vermont.gov/assets/Subjects/Consensus-Revenue-Forecasts-Legislative-Economic-Outlook/577acac1ec/July-2021-Economic-Review-and-Revenue-Forecast-Update.pdf

FY2021 Unaudited Financial Results

	FY2021 Budget	FY2021 Unaudited
Revenues	178,045	190,625
Expenses	176,019	152,405
Net Revenue	2,026	38,220

- Revenues 7% ($12.6M) better than budget
- $6.6M due to Coronavirus Relief (CRF) and Higher Education Emergency Relief (HEERF) funds
- $2M due to sale of property
- Remainder improvement in tuition and fees

FY2021 Unaudited Financial Results

	FY2021 Budget	FY2021 Unaudited
Revenues	178,045	190,625
Expenses	176,019	152,405
Net Revenue	2,026	38,220

- Expenses 13% (23.6M) better than budget
- $7.1M due to Coronavirus Relief (CRF) and Higher Education Emergency Relief (HEERF) funds
- $10M in Salaries & Benefits
- $6M in Supplies & Services

One-Time Sources of Funds	FY2021 Budget	FY2021 Unaudited
Unrestricted use of CRF/HEERF	(1,634)	(15,260)
Bridge Funding		(28,800)
Net Revenue without use of CRF or Bridge	392	(5,840)

- These conditions will likely never be repeated
- $44M in state and federal interventions
- Austerity measures possible due to pandemic-related restrictions
- Structural deficit remains

"Balancing an approved budget is an important [and] noteworthy achievement.

Yet a balanced budget is not necessarily a sign that all is financially well*. A budget may underfund depreciation, for example. This strategy can be useful to bridge a short-term budget gap, but chronic underfunding leads to an inevitable and sometimes unrecoverable increase in deferred maintenance, an issue now requiring VSCS attention.*

Also, a budget that just breaks even may not have included investment funds to update programs, improve classroom technologies, etc. ***Any institution that foregoes investing puts itself at a significant competitive disadvantage****."*

Report to the Vermont Legislative Joint Fiscal Office
Concerning Vermont State Colleges System Funding for FY2020 and FY2021
James H. Page, June 8, 2020 p. 11

Strategic Financial Plan – Simplified Format

				Costs			Revenues	
	Quality	Qty	Utilization	Unit Cost	Total Cost		Total Revenue	Revenue Sources
Assets Personnel (FT) Facilities Equipment Library Collections Financial Reserves Program Updates								Student Tuition Student Fees State Budget Appropriations Govt. Grants Private Gifts Endowment Sales & Services Other Revenues Reserves
Consumables Personnel (PT) Services Supplies Utilities								
Annual Contingency								
New Initiatives								
Total						=		

Source: NCHEMS

Revenue Components

	Quality	Qty	Utilization	Costs	
				Unit Cost	Total Cost
Assets Personnel (FT) Facilities Equipment Library Collections Financial Reserves Program Updates					
Consumables Personnel (PT) Services Supplies Utilities					
Annual Contingency					
New Initiatives					
Total					

=

Revenues	
Total Revenue	Revenue Sources
	Student Tuition Student Fees State Budget Appropriations Govt. Grants Private Gifts Endowment Sales & Services Other Revenues Reserves

Source: NCHEMS

Cost Components

				Costs	
	Quality	Qty	Utilization	Unit Cost	Total Cost
Assets Personnel (FT) Facilities Equipment Library Collections Financial Reserves Program Updates					
Consumables Personnel (PT) Services Supplies Utilities					
Annual Contingency					
New Initiatives					
Total					

=

Revenues	
Total Revenue	Revenue Sources
	Student Tuition Student Fees State Budget Appropriations Govt. Grants Private Gifts Endowment Sales & Services Other Revenues Reserves

Source: NCHEMS

Long-Term Spending on Assets

- Personnel – Full-Time and Ongoing Part-Time Salaries + Benefits
- Facilities – recommended 2% of Replacement Value annually
- Equipment – Useful Life (generally 1/5th to 1/7th of replacement value)
- Library Collections – typically 5% of replacement value
- Finances
  - Required Reserve – generally 25% to 50%
  - Strategic Reserve – generally 5% to 25%
- Program Refresh – recommended every program in a 10 year cycle

Short-Term Spending

- Short-Term Spending on Consumables
  - Personnel – Part-time Salaries and Benefits
  - Services – Necessary Services
  - Supplies – Necessary Supplies
  - Utilities – Utilities Needed to Operate Facilities
- Annual Operating Contingency
  - Current year contingency funds for unexpected activities – generally 2-4%
- Planned Spending on New Initiatives
  - Set aside for new programs and activities to grow institution – recommended at 1-3%

Key Set of Budget Decisions & Trade-Offs

				Costs			Revenues	
	Quality	Qty	Utilization	Unit Cost	Total Cost		Total Revenue	Revenue Sources
Assets Personnel (FT) Facilities Equipment Library Collections Financial Reserves Program Updates								Student Tuition Student Fees State Budget Appropriations Govt. Grants Private Gifts Endowment Sales & Services Other Revenues Reserves
Consumables Personnel (PT) Services Supplies Utilities								
Annual Contingency								
New Initiatives								
Total						=		

Source: NCHEMS

Board Decision Points

- What level of quality is needed for our existing facilities?
- How frequently should we replace our technology and equipment?
- What should our Board Required Reserves look like?
- How much should we invest annually in refreshing programs?
- What level of annual operating contingency for an institution is acceptable?
- How much should be set aside annually for new initiatives?