



VERMONT
— STATE COLLEGES SYSTEM —



Finance & Facilities

October 17, 2022

FY2022 Performance

Unrestricted Financial Performance

Enrollment & Discounting

Financial Ratios

FY2022 Financial Performance

For the first time since the pandemic, net revenue after all one-time sources is positive at \$3.8 million. One-time funds = \$24.8 million.

FY22 Unrestricted Fund	VSCS	CCV	CU	NVU	VTC	OC
Total Revenues	201,188	30,446	56,154	44,282	38,256	32,050
Total Expenses	172,587	28,639	57,560	50,113	36,602	(327)
Net Revenue/(Deficit)	28,601	1,807	(1,406)	(5,831)	1,654	32,377
HEERF/CRF Funding	3,802		711	2,929	162	
Net Revenue w/o CRF/HEERF	24,799	1,807	(2,117)	(8,760)	1,492	32,377
Bridge Funding	21,000					21,000
Net Revenue after all One-Time	3,799	1,807	(2,117)	(8,760)	1,492	11,377

FY2022 Financial Performance

Use of one-time funds had a positive impact on Castleton, Northern Vermont University & Vermont Tech

FY22 Unrestricted Fund	VSCS	CCV	CU	NVU	VTC	OC
Total Revenues	201,188	30,446	56,154	44,282	38,256	32,050
Total Expenses	172,587	28,639	57,560	50,113	36,602	(327)
Net Revenue/(Deficit)	28,601	1,807	(1,406)	(5,831)	1,654	32,377
HEERF/CRF Funding	3,802		711	2,929	162	
Net Revenue w/o CRF/HEERF	24,799	1,807	(2,117)	(8,760)	1,492	32,377
Bridge Funding	21,000					21,000
Net Revenue after all One-Time	3,799	1,807	(2,117)	(8,760)	1,492	11,377

FY2022 Enrollment & Discounting

Discount percentage crept up slightly for the system. Holding steady at CCV and VTC.

	VSCS	CCV	CU	NVU	VTC
Gross Tuition & Fees ¹	107,370	23,987	35,897	23,748	23,738
Room & Board ²	19,410		10,361	6,093	2,956
Gross Student Rev (\$k)	126,780	23,987	46,258	29,841	26,694
Scholarship allowance (Waivers)	(3,361)	(591)	(482)	(1,307)	(981)
Scholarship & Fellowship Expense ³	(19,286)	(98)	(12,190)	(5,416)	(1,582)
Waivers, Discounts, Scholarships	(22,647)	(689)	(12,672)	(6,723)	(2,563)
Net Student Rev Total (\$k)	104,133	23,298	33,586	23,118	24,131
Discount %	-18%	-3%	-27%	-23%	-10%

¹ Includes \$187K of Workforce development tuition for VTC
² Excludes \$2.7M in HEERF for lost revenue
³ Excludes \$914K of Welcome Home Scholarships funded by State of Vermont

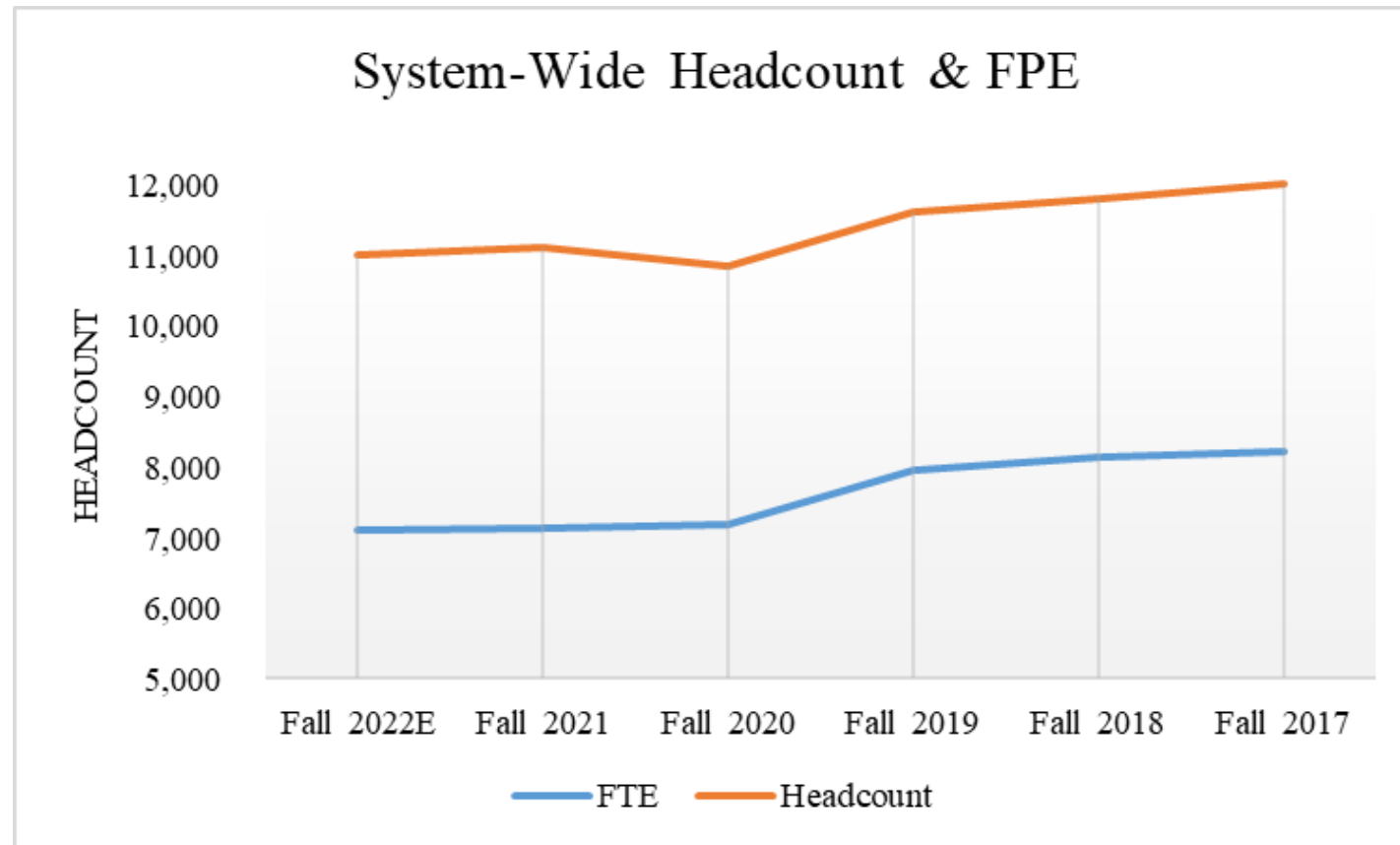
FY2023 Budgeted Discounting

FY23 Budgeted discounted is estimated to be consistent, system-wide with the prior year.

	VSCS	CCV	CU	NVU	VTC
Gross Tuition & Fees	101,105	22,631	35,432	20,823	22,219
Room & Board	18,754		10,500	5,253	3,001
Gross Student Rev (\$k)	119,859	22,631	45,932	26,076	25,220
Scholarship allowance (Waivers)	(2,650)	(539)	(356)	(718)	(1,037)
Scholarship & Fellowship Expense	(19,366)	(170)	(13,000)	(4,728)	(1,468)
Waivers, Discounts, Scholarships	(22,016)	(709)	(13,356)	(5,446)	(2,505)
Net Student Rev Total (\$k)	97,843	21,922	32,576	20,630	22,715
Discount %	-18%	-3%	-29%	-21%	-10%

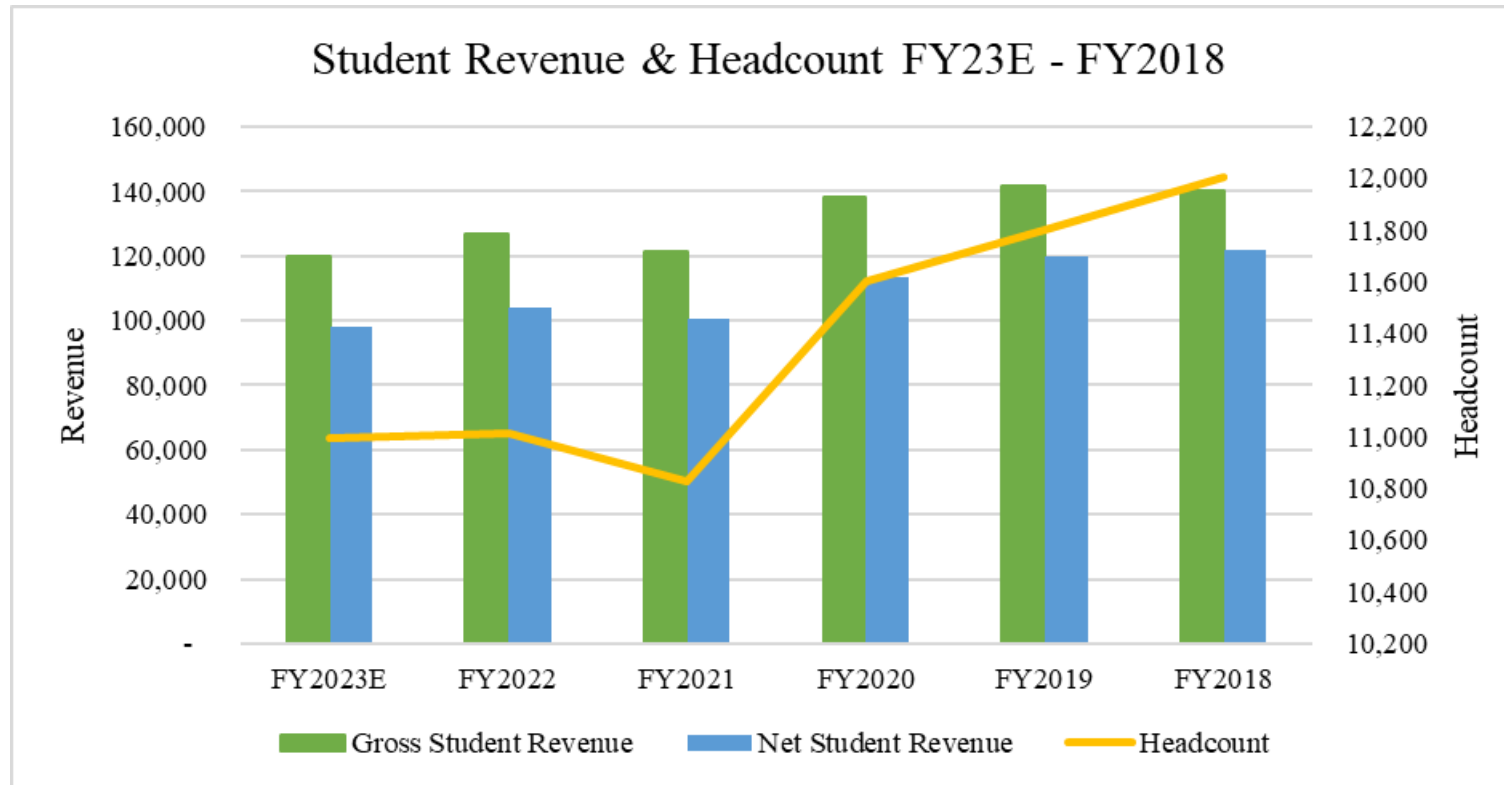
System-Wide Headcount and Full-time Equivalent

Headcount and FTE have declined since Fall 2017. Enrollment appears relatively stable since Fall 2020. Has not recovered to pre-pandemic levels.



Revenue, Headcount, Discount, FPE trends

Gross and net student revenue has declined since FY2018. Discount rate increased from 13% to 18% during this period



Financial Ratios

All measures have improved across all ratios since FY2019. With the exception of the viability ratio, VSC meets or exceeds the target.

Financial Ratio	Target	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13
Primary Reserve	≥ 0.40	0.60	0.51	0.25	0.21	0.20	0.17	0.18	0.18	0.19	0.18
Net Operating Revenue	2% to 4%	15.5%	23.0%	3.4%	-0.8%	-1.4%	-1.2%	-3.1%	-1.2%	-2.7%	-5.2%
Viability Ratio	1.25 to 2.0	1.10	0.80	0.38	0.32	0.30	0.25	0.27	0.27	0.28	0.26
Return on Net Position	3% to 4%	19.6%	41.9%	6.6%	-1.1%	-1.3%	0.5%	-3.0%	-4.0%	-2.8%	8.4%

Primary Reserve	Net Operating Revenue	Viability Ratio	Return on Net Position
Organization's overall financial strength	Organization's ability to live within its means	Organization's ability to cover its debts	Organization's return on its expenditures

Composite Financial Index

CFI performance FY13 to FY19 indicated need to “assess viability to survive” as an organization

Measure	Target	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13
Primary Reserve	>=.40	1.59	1.35	0.65	0.54	0.53	0.46	0.46	0.48	0.49	0.48
Net Operating Revenue	2% - 4%	1.00	1.00	0.49	(0.12)	(0.20)	(0.17)	(0.44)	(0.17)	(0.38)	(0.74)
Viability Ratio	1.25 to 2.0	0.93	0.67	0.32	0.26	0.25	0.21	0.23	0.23	0.23	0.22
Return on Net Position	3% to 4%	1.96	2.00	0.66	(0.11)	(0.13)	0.05	(0.30)	(0.40)	(0.28)	0.84
Composite Financial Index		5.48	5.02	2.11	0.59	0.45	0.55	(0.05)	0.14	0.06	0.79

Composite Financial Index Scale	
-1 to 1	Assess viability to survive
0 to 3	Reengineer
3 to 5	Direct resources to allow transformation
5 to 7	Focus resources to compete in future
7 to 9	Opportunities to experiment with new initiatives
8 to 10	Deploy resources to achieve robust mission

Composite Financial Index

Today's CFI allows the VSC to direct resources to transformation and focus on competition in the future

Measure	Target	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13
Primary Reserve	>=.40	1.59	1.35	0.65	0.54	0.53	0.46	0.46	0.48	0.49	0.48
Net Operating Revenue	2% - 4%	1.00	1.00	0.49	(0.12)	(0.20)	(0.17)	(0.44)	(0.17)	(0.38)	(0.74)
Viability Ratio	1.25 to 2.0	0.93	0.67	0.32	0.26	0.25	0.21	0.23	0.23	0.23	0.22
Return on Net Position	3% to 4%	1.96	2.00	0.66	(0.11)	(0.13)	0.05	(0.30)	(0.40)	(0.28)	0.84
Composite Financial Index		5.48	5.02	2.11	0.59	0.45	0.55	(0.05)	0.14	0.06	0.79

Composite Financial Index Scale	
-1 to 1	Assess viability to survive
0 to 3	Reengineer
3 to 5	Direct resources to allow transformation
5 to 7	Focus resources to compete in future
7 to 9	Opportunities to experiment with new initiatives
8 to 10	Deploy resources to achieve robust mission

FY2023 First Quarter Forecast

First Quarter Forecast

Total forecast improvement \$5.2 million over budget with forecasted revenue over expenses of \$4.1 million.

	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	193,491	183,200	10,292
TOTAL EXPENSES	189,380	184,278	(5,102)
	-	-	-
NET REVENUES/(DEFICIT)	4,111	(1,079)	5,190

First Quarter Forecast

Gross student revenue improvement \$4.17 million or 3.6%

	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
REVENUES			
Tuition and Fees	100,902	98,456	2,446
State Appropriation	65,557	61,837	3,720
Room and Board	20,475	18,754	1,721
Sales and Services	4,633	2,356	2,277
Gifts	1,150	1,150	-
Other Revenue	774	647	127
TOTAL REVENUES	193,491	183,200	10,292

First Quarter Revenues

Gross student revenue improvement of \$4.17 million or 3.6% over budget

	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
REVENUES			
Tuition and Fees	100,902	98,456	2,446
State Appropriation	65,557	61,837	3,720
Room and Board	20,475	18,754	1,721
Sales and Services	4,633	2,356	2,277
Gifts	1,150	1,150	-
Other Revenue	774	647	127
TOTAL REVENUES	193,491	183,200	10,292

First Quarter Expenses

Scholarship increase modestly offsets gross student revenue. Improvement of \$3.1 million. Services, supplies, travel increase due largely to transformation

	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
Salaries and Benefits	110,077	110,335	258
Services, Supplies, Travel	41,645	37,476	(4,169)
Scholarships	20,431	19,366	(1,065)
Utilities	7,916	7,884	(32)
Other Expenses	4,585	4,585	-
Debt Service	8,003	8,003	-
Chancellor's Office	(1)	(1)	-
Other Transfers	(3,276)	(3,370)	(94)
TOTAL EXPENSES	189,380	184,278	(5,102)

Base Appropriation Allocation

Design Principles

Current allocation methodology

1.

Legacy Formula – 25%	Share	% of Appropriation
Castleton	20%	5%
CCV	20%	5%
NVU L&J	40%	10%
VTC	20%	5%

2.

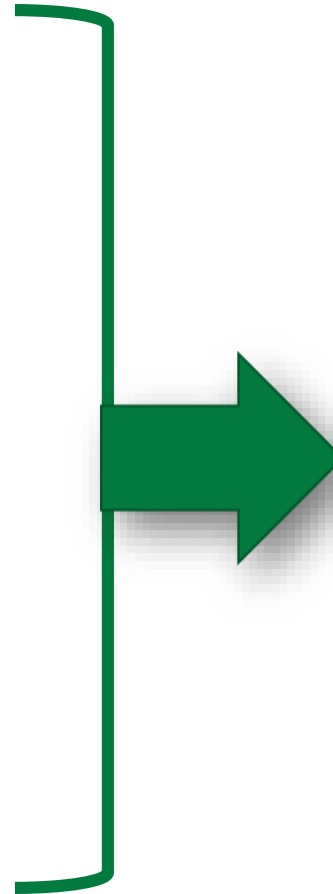
Net Student Revenue – 50%	Share	% of Appropriation
Castleton	29.2%	14.6%
CCV	18.7%	9.4%
NVU L&J	31.3%	15.7%
VTC	20.8%	10.4%

3.

Credentials Issued – 25%	Share	% of Appropriation
Castleton	23.0%	5.8%
CCV	22.8%	5.7%
NVU L&J	30.2%	7.6%
VTC	24.0%	6.0%

4.

Institution	% of Appropriation
Castleton	25.4%
CCV	20.0%
NVU L&J	33.2%
VTC	21.4%



Design principles

Replacement of the base appropriation model is a critical and strategic issue. The model must be grounded in the principles and values of the Vermont State Colleges. **Are there additional principles that should be considered?**

Proposed Principles

Support system financial stability

Predictable – with smooth changes over time

Easily calculated & largely automated

Vermonters must be at the heart

Incentivize student outcomes

Periodically reviewed

Size of built infrastructure

Some expenses may need to be deducted before allocation



What should the appropriation fund?

The allocation is vitally important to the financial health of the Vermont State Colleges System. There are many interpretations regarding what the appropriation should fund. **What is your perspective?**

Starting ideas

Education for Vermonters or all students?

Reduction in cost for Vermonters or everyone?

Support access throughout Vermont?

Support academics/administration only? Or all areas of higher education including student/residence life, and athletics?

Serve as economic engines for Vermont Communities?

Closure of the gap between what the colleges generate and what is necessary to run the organization?



Possible measures

What should be measured as part of the allocation?

Measurement	Potential reason to measure
Pell eligibility	Service to lower income students
Residency status	Education of Vermonters and future Vermonters
Student credit hours or full-time equivalency	Teaching workload volumes & cost of instruction
Headcount	Number of students served administratively
Credentials issued	Student outcomes
Square Footage of Owned Facilities	Size of built infrastructure
Retiree Medical Cost	Some costs not controlled by institution

Weights and measures change outcomes

Status Quo	Allocation	CCV	VTSU
Facilities	62%	2,185,802	21,906,191
I/S Heads	38%	5,611,212	9,154,848
Total	100%	7,797,013	31,061,039

Status Quo: Today's allocation results in an 80/20 split between CCV and VTSU.

- A. Reducing the emphasis on facilities & placing emphasis on in-state headcount, and Pell eligibility shifts the appropriation toward CCV, with a 76/24 ratio.
- B. Placing emphasis on all student credit hours & all headcount with addition of a retiree medical category shifts appropriation to VTSU with a 83/17 split

Scenario A	Allocation	CCV	VTSU
Facilities	55%	1,939,018	19,432,911
I/S Heads	15%	3,419,078	2,409,630
Pell	15%	2,486,372	3,342,336
Cred. (all)	15%	1,387,001	4,441,707
Total	100%	9,231,469	29,626,583

Scenario B	Allocation	CCV	VTSU
Facilities	60%	2,115,292	21,199,539
All Heads	5%	1,010,643	932,259
All SCH	15%	1,862,886	3,965,822
Cred. (all)	15%	1,387,001	4,441,707
Retiree Med	5%	202,143	1,740,760
Total	100%	6,577,966	32,280,086

Note: scenarios illustrate how the selection and weighting of measures changes the distribution of the appropriation. **NOT PROPOSALS**

Pre-Allocation Adjustments

Pre-allocation adjustments allow the Board of Trustees to direct spending without regard to the specific needs of a single institution. Today the Board pre-allocates funding for strategic initiatives. What other items should be funded?



Pre-Allocation Adjustment

Purpose

Corporate functions

Functions are needed for the system to function regardless of the number or size of institutions

Workforce development

Established by the Board of Trustees, a pre-allocation fund would institutionalize the importance of workforce development functions

Retiree medical insurance

Retiree medical group is closed to new members. Current administrations have limited control over this expense

Relative importance of measures?

Keeping in mind the needs of Vermont, the vision and mission of the Vermont State Colleges System, and system financial sustainability – how important is each proposed measure?

Measurement	Importance
Pell eligibility	
Residency status	
Student credit hours or full-time equivalency	
Headcount	
Credentials issued	
Square footage of owned facilities	
Retiree medical cost	
Other	

