TO: Mitzi Johnson, Speaker of the House
Tim Ashe, Senate President Pro Tempore
Steve Klein, Chief Fiscal Officer, Joint Fiscal Office

FROM: Beth Pearce, State Treasurer

DATE: June 8, 2020

RE: Vermont State College System Financial Review

The onset of COVID-19 has presented colleges and universities across the country with significant financial uncertainty, and it has exacerbated the financial challenges already faced by the Vermont State College System (VSC) for years.

The Office of the State Treasurer was asked by leadership in the House of Representatives and the Joint Fiscal Office (JFO) to review VSC's financial position in response to both the outbreak of COVID-19 and the various announcements regarding the future of member institutions. Our review was limited to determining the level of funds needed to maintain the VSC system in its current footprint through FY21 under various scenarios. The Treasurer's Office makes no recommendations as to the future configuration of the VSC system.

To perform this review, Treasury staff met with VSC's Chief Financial Officer (Stephen Wisloski) and requested the following scenarios for each of the four educational institutions that make up VSC – Castleton University (Castleton), Northern Vermont University (NVU), Vermont Technical College (VTC), and the Community College of Vermont (CCV):

- Projected results for the FY20;
- A "Pre-COVID-19" projected result for FY21;
- A "Best Case" result for FY21; and
- A "Worst Case" result for FY21.[1]

These scenarios are intended to demonstrate the range of VSC's immediate and near-term financial needs related to both the impact of COVID-19 and the various announcements regarding the future of member institutions.

Upon receiving the requested scenarios, Treasury staff met with representatives from each of the four educational institutions. Mr. Wisloski and Jim Page, an educational consultant contracted by JFO to perform a wider educational review, also attended these meetings. The purpose of these meetings was to allow Treasury staff to ask questions about the scenarios and to clarify the projections. As a result of these meetings, supplemental requests were made related to enrollment, residency expectations, receivables, and reserves.

[1] VSC operates on a fiscal year that runs from July 1 through June 30.

In some cases, the educational institutions were asked to provide additional scenarios or demonstrate the impact of different assumptions in order to represent additional challenges resulting from COVID-19 restrictions. This resulted in the development of a different number of scenarios for the educational institutions, which we include here to best reflect the range of potential outcomes. Treasury staff wanted to obtain the projected impact from each institution without given assumptions, as both a way to evaluate the methodology used, as well account for differences in demographics and educational delivery. Accordingly, while there are a different number of scenarios reflecting unique assumptions for each the four educational institutions, they follow a consistent framework. The best case scenario represents only a modest impact due to COVID-19, and the additional scenarios – ranging from middle case, worse case, to worst case – reflect increasingly dire assumptions.

The following information is presented in summary form to inform the General Assembly about the educational institutions' current financial position as well as the range of potential immediate and near-term financial needs, assuming no major changes to their operating footprints. While Treasury staff performed various analytical procedures to assess the reasonableness of the information provided by VSC, the difficulty in predicting the impact and duration of COVID-19 creates a range of possibilities. Accordingly, we have included areas where there may be upside potential or additional downside risk.

This information was reviewed predominantly on a cash or budgetary basis and not on a full accrual basis. Further review of long-term liabilities and plant assets should be completed.

Enrollment Trends Impacted by COVID-19

As will be seen in the narratives about each of the four educational institutions, enrollment figures are a key variable in projecting the educational institutions' financial position. A recent study completed in April of this year by the American Council on Education found that:

- 83% of all students intend to enroll in the fall term as originally planned before COVID-19.
- 3% were planning to enroll in the fall to make up classes not completed due to COVID-19.
- 10% were uncertain about fall enrollment because of COVID-19.
- 5% were not planning to enroll either because of COVID-19 or were previously not planning on enrolling prior to COVID-19. [2]

A series of studies noted the following:

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[2] American Council on Education (ACE) & American Association of Collegiate Registrars and Admissions Officers (AACRAO), *AACRAO, ACE Survey Finds Uncertainty About Current College Student Fall Enrollment Plans, Optimism about Completing Spring Coursework* (April 23, 2020), *available at* https://www.acenet.edu/News-Room/Pages/AACRAO-ACE-Survey-Finds-Uncertainty-About-Current-College-Student-Fall-Enrollment-Plans-Optimism.aspx.

- 10% of college-bound seniors who had planned to enroll at a four-year college before the COVID-19 outbreak have already made alternative plans.
- 14% of college students said they were unlikely to return to their current college or university in the fall, or it was "too soon to tell." In mid-April, that figure had gone up to 26%.
- Gap years may be gaining in popularity. While hard to track, there are estimates that 3% of freshmen take a gap year. Since the pandemic, internet searches for gap years have skyrocketed.[3]

Generally speaking, college students prefer in-classroom to online courses. To finish their degrees, 85% want to go back to campus and 15% want to finish online.[4] While each of the four educational institutions in the VSC face unique enrollment challenges and opportunities, it is important to recognize that they are all subject to these nationwide trends.

The Treasurer's Office also reviewed undergraduate FAFSA application data year-to-date through May 2020 for Vermont public institutions. These demonstrated similar enrollment trends. Application levels compared to the previous year were down 7% to 20% for the VSC educational institutions. In some cases, they are down 30% for first year students.

Summary of Results

The table below summarizes the projected FY20 balance for each of the educational institutions and the consolidated VSC. These outcomes are based on actual results from the third quarter of FY20 and the expected results from the fourth quarter of FY20. While there may be variations in the actual outcomes due to still-undetermined COVID-19 impacts, these results give the best estimate from the educational institutions and VSC on their immediate needs. Certain potential incoming funds, most notably the proposed room & board refunds under consideration by the General Assembly, may result in revisions to the projections.

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[3] Scott Jaschik, *Colleges Could Lose up to 20 Percent of Students, Analysis Says*, (April 29, 2020), *available at* www.insidehighered.com/admissions/article/2020/04/29/colleges-could-lose-20-percent-students-analysis-says.
[4] *Id.*

Unrestricted Revenues and Expenses
FY2020 Budget Outlook as of March 31, 2020
Vermont State Colleges System
(Amounts rounded to $1,000)

EXECUTIVE SUMMARY

	FY2020 Budget	Outlook as of 31-Mar	Mar 31 vs. Budget	Var > +3%	**COVID-19 Changes**	**Mar 31 vs. w/COVID**	Mar 31 vs. w/COVID Budget
REVENUES							
Castleton University	56,958	55,894	(1,064)				
Community College of Vermont	27,504	28,018	514				
Northern Vermont University	56,730	52,469	(4,261)	*			
Vermont Technical College	38,715	40,257	1,542	*			
Chancellor's Office	500	620	120				
TOTAL REVENUES	180,407	177,258	(3,149)				
EXPENSES							
Castleton University	56,952	56,367	(585)				
Community College of Vermont	27,754	27,801	47				
Northern Vermont University	58,496	55,331	(3,165)	*			
Vermont Technical College	38,843	39,428	585				
Chancellor's Office	500	596	96				
TOTAL EXPENSES	182,545	179,523	(3,022)				
NET REVENUES/(DEFICIT)							
Castleton University	6	(473)	(479)	*	(1,938)	**(2,411)**	(2,417)
Community College of Vermont	0	217	217			**217**	217
Northern Vermont University	(1,766)	(2,862)	(1,096)	*	(1,183)	**(4,045)**	(2,279)
Vermont Technical College	(128)	830	958	*	(300)	**530**	658
Chancellor's Office	0	24	24			**24**	24
NET REVENUES/(DEFICIT)*	(1,888)	(2,265)	(377)	*	(3,421)	**(5,686)**	(3,798)
		-1.2%	**-0.2%**		**-1.9%**	**-3.1%**	**-2.1%**

CCV ncludes $250K of carry forward in the revenue line item.
VTC includes workforce development which is not included in Exhibit VTC-1.
Exhibit VTC-1 reclassifies capital investment and systems debt and further reduces expenses by $30K.

The next table provides a snapshot of the FY21 scenarios developed for each of the four educational institutions and for VSC in aggregate. Please note that while we have provided a different number of scenarios for certain educational institutions in the narratives below, we have included three scenarios in the table here for ease of comparison across the four educational institutions. For comparison purposes, the chart below reflects the most likely best/middle case, the most likely worse case, and a most likely worst case.

Each educational institution has its own unique set of circumstances, and their current and projected enrollment levels will vary from one to the next. The purpose of this review is to provide policymakers with a sense of the range of financial impacts to VSC across a variety of potential circumstances.

Summary of Scenarios and Net Revenue
FY 2021
Vermont State Colleges
(Amounts rounded to $1,000)

Best/Middle Likely Scenario Assuming On Campus Access Fall 2020

	FY2021	NVU	VTC	CCV*	Castleton**
REVENUES					
Tuition and Fees	107,314	26,059	23,603	22,615	35,038
State Appropriation	30,985	10,920	7,142	6,119	6,804
Room and Board	20,188	6,119	3,269	0	10,800
Sales and Services	2,258	681	671	6	900
Gifts	830	250	130	50	400
Other Revenue	1,173	497	170	86	420
TOTAL REVENUES	162,747	44,526	34,984	28,876	54,362
EXPENSES					
Employee Salaries & Benefits	(111,017)	(32,765)	(24,336)	(23,917)	(30,000)
Services, Supplies and Travel	(30,348)	(8,011)	(7,469)	(4,373)	(10,495)
Scholarships and Fellowships	(17,919)	(5,469)	(2,280)	(170)	(10,000)
Utilities	(6,414)	(2,158)	(1,687)	(325)	(2,244)
Other Expenses	(191)			(191)	0
Debt Service	(5,607)	(1,756)	(722)	(1,034)	(2,095)
Chancellor's Office	(7,991)	(2,951)	(1,630)	(1,600)	(1,810)
COVID Efficiencies			394		
Other Transfers	(2,120)	(549)	(288)	626	(1,909)
TOTAL EXPENSES	(181,213)	(53,659)	(38,018)	(30,984)	(58,553)
CAPITAL INVESTMENT & SYSTEM DEBT					
Payment to C/O for System Debt	(392)		(392)		
Investment in Capital	(400)		(400)		
NET REVENUE	(19,258)	(9,133)	(3,826)	(2,108)	(4,191)

* Data for CCV University utilizes "middle" scenario listed as best. It is essentially an Q3 rollforward to FY21.
** Data for Castleton University utilizes a middle scenario as current enrollment deposits and pre-registration is closer to this projection.

Summary of Scenarios and Net Revenue
FY 2021
Vermont State Colleges
(Amounts rounded to $1,000)

	Worse Likely Scenario* FY2021	NVU	VTC	CCV	Castleton**
REVENUES					
Tuition and Fees	86,580	21,316	19,669	16,963	28,632
State Appropriation	30,985	10,920	7,142	6,119	6,804
Room and Board	16,105	5,005	2,180	0	8,920
Sales and Services	1,567	314	447	6	800
Gifts	830	250	130	50	400
Other Revenue	1,173	497	170	86	420
TOTAL REVENUES	137,239	38,302	29,737	23,224	45,976
EXPENSES					
Employee Salaries & Benefits	(106,402)	(32,765)	(24,336)	(19,301)	(30,000)
Services, Supplies and Travel	(30,348)	(8,011)	(7,469)	(4,373)	(10,495)
Scholarships and Fellowships	(14,623)	(4,473)	(2,280)	(170)	(7,700)
Utilities	(6,414)	(2,158)	(1,687)	(325)	(2,244)
Other Expenses	(191)		0	(191)	0
Debt Service	(5,607)	(1,756)	(722)	(1,034)	(2,095)
Chancellor's Office	(7,991)	(2,951)	(1,630)	(1,600)	(1,810)
COVID Efficiencies	918		918		
Other Transfers	(2,120)	(549)	(288)	626	(1,909)
TOTAL EXPENSES	(172,777)	(52,663)	(37,494)	(26,368)	(56,253)
CAPITAL INVESTMENT & SYSTEM DEBT					
Payment to C/O for System Debt	(392)		(392)		
Investment in Capital	(400)		(400)		
NET REVENUE	(36,331)	(14,361)	(8,549)	(3,144)	(10,277)

*Decline in enrollment calculated at 25% except NVU which is projected to be 29.9%.
** Castleton University also presented an additional scenario with 13% enrollment decline with a resulting deficit of $6.0 million; scenario above is at 25% decline.

Summary of Scenarios and Net Revenue
FY 2021
Vermont State Colleges
(Amounts rounded to $1,000)

	Worst Likely Scenario* FY2021	NVU	VTC	CCV**	Castleton***
REVENUES					
Tuition and Fees	80,308	21,316	19,669	16,963	22,360
State Appropriation	30,985	10,920	7,142	6,119	6,804
Room and Board	8,908	3,128	2,180	0	3,600
Sales and Services	1,567	314	447	6	800
Gifts	830	250	130	50	400
Other Revenue	1,173	497	170	86	420
TOTAL REVENUES	123,770	36,425	29,737	23,224	34,384
EXPENSES					
Employee Salaries & Benefits	(108,217)	(32,765)	(24,336)	(21,116)	(30,000)
Services, Supplies and Travel	(29,153)	(8,011)	(7,469)	(4,373)	(9,300)
Scholarships and Fellowships	(10,773)	(4,473)	(2,280)	(170)	(3,850)
Utilities	(6,170)	(2,158)	(1,687)	(325)	(2,000)
Other Expenses	(191)	0	0	(191)	0
Debt Service	(5,607)	(1,756)	(722)	(1,034)	(2,095)
Chancellor's Office	(7,991)	(2,951)	(1,630)	(1,600)	(1,810)
COVID Efficiencies	918		918		
Other Transfers	(2,120)	(549)	(288)	626	(1,909)
TOTAL EXPENSES	(169,303)	(52,663)	(37,494)	(28,183)	(50,964)
CAPITAL INVESTMENT & SYSTEM DEBT					
Payment to C/O for System Debt	(392)		(392)		
Investment in Capital	(400)		(400)		
NET REVENUE	(46,325)	(16,238)	(8,549)	(4,959)	(16,580)

* The above scenarios assumes 25% decline and closure of campuses for Fall semester for Castleton and Vermont Technical College. NVU decline is projected to be 29.9% with closure of campus for Fall semester.

**CCV assumes -25% enrollment and a reduction in class size.

***Castleton University also presented an additional scenario with 13% enrollment decline with closure of campus for Fall semester, with a resulting deficit of $14.7 million; scenario above is at 25% decline

VSC has submitted a request to the General Assembly for reimbursement of additional COVID-related expenditures from the Coronavirus Relief Fund (CRF). The request, which was set forth in a letter dated May 22, 2020, modifying an earlier request of May 11, 2020, is as follows.

Vermont State Colleges System
State of Vermont Coronavirus Relief Fund (CRF) Request

Fiscal Year 2020/Over the Summer **COVID-Related Cost**	**Castleton University**	**Community College of of Vermont**	**Northern Vermont University**	**Vermont Technical College**	**System Level**	**Total**
Room and Board Refunds (previously reported on May 5)	**$2,235,834**		**$1,922,230**	**$959,728**		**$5,117,792**
Cancelled Student Travel			65,000	60,000		125,000
Masks	37,500	25,000	37,500	25,000		125,000
Equipment & Supplies/PPE	15,000	100,000	15,000			130,000
Facilities Modifications	150,000		150,000	150,000		450,000
Remote/Hybrid Instruction	1,730,000	177,623	1,125,000	1,115,000	70,000	4,217,623
Increased Sanitation & PPE	150,000	100,000	400,000	350,000		1,000,000
Health Screening/Medical Support	25,000	25,000	25,000	25,000		100,000
FFCRA/Sick Leave Costs					950,000	950,000
TOTALS	**$4,343,334**	**$427,623**	**$3,739,730**	**$2,684,728**	**$1,020,000**	**$12,215,415**

Fiscal Year 2021 **COVID-Related Cost**	**Castleton University**	**Community College of of Vermont**	**Northern Vermont University**	**Vermont Technical College**	**System Level**	**Total**
Health Screening/Medical Support	200,000	25,000	325,000	375,000		925,000
Instruction Changes for Distancing	250,000	2,225,057	200,000	250,000		2,925,057
Mental Health for Students	100,000		80,000	75,000		255,000
Admissions & Recruiting	495,000		721,000	620,000		1,836,000
Financial Aid	1,500,000		2,000,000	2,450,000		5,950,000
Marketing	600,000	20,000	667,000	330,000		1,617,000
FFCRA/Sick Leave Costs					1,750,000	1,750,000
TOTALS	**$3,145,000**	**$2,270,057**	**$3,993,000**	**$4,100,000**	**$1,750,000**	**$15,258,057**
			TOTAL FY2020 & FY2021:			**$27,473,472**

Per VSC staff, only $5.3 million of the $12.2 million requested for FY20 would go toward reducing the $5.686 million FY20 deficit calculated as of the third quarter.[5] Assuming no other changes in the fourth quarter, VSC would close FY20 with about a $400,000 deficit. The remaining $6.9 million ($12.2 million - $5.3 million) reflects additional costs over and above the budget and projections to deliver both remote and socially distanced, in-person education in the post-COVID environment. **Per VSC staff, the entire $15.3 million requested for FY21 reflects additional COVID-related costs over and above the deficit projections provided by the educational institutions.**

[5] This includes $5.1 million of room & board refunds, plus $125,000 of travel refunds, plus $50,000 of facilities modifications for NVU.

In sum, only $5.3 million of the overall combined FY20-21 request of $27.5 million reduces the educational institutions' deficits, and $22.2 million reflects additional COVID-related costs.

Use of Reserves

While VSC could use its reserves to reduce the overall FY21 budget request, extreme caution should be exercised before doing so. Just as the State's budget relies on the maintenance of reserves to cover future unanticipated changes to revenues and expenditures, VSC maintains reserves for a similar purpose. Tapping into reserves now could put the system in a precarious situation, especially in light of the range of uncertainty VSC is facing as a result of COVID-19.

VSC's total unrestricted balances per the FY19 audited financial statements (ended June 30, 2019) are as follows on an accrual basis per GASB.

Net Position[6]

Net investment in capital assets	$**46,529,627**
Restricted nonexpendable	**18,564,953**
Restricted expendable	**13,185,660**
Unrestricted	(**152,036,105)**
Total Net Position	**(73,755,865)**

The breakdown of these reserves among the educational institutions (including workforce development and the Office of the Chancellor) is as follows.

Fund Type	CCV		CU		NVU		VTC		WFD		OC	TOTAL
Contingency (Board Required) Reserve	690,850	2.5%	385,394	0.7%	1,429,225	2.5%	905,300	2.5%	19,800	2.5%	-	3,430,569
Strategic Reserve	1,435,000	5.2%		0.0%	2,296,881	4.0%	820,246	2.3%	-	0.0%	-	4,552,127
Carry Forward Reserve	1,200,989	4.3%		0.0%	985,000	1.7%	-	0.0%	-	0.0%	-	2,185,989
Quasi-Endowments	-		315,498		718,344		2,189,636		-		165,317	3,388,795
All Other - Discretionary	1,074,396		1,090,244		(323,637)		(168,270)				(2,676,446)	(1,003,713)
All Other - Non-Discretionary			1,289,403		711,122		134,533		255,028		7,524,153	9,914,239
OPEB Accrual	-				-						(177,024,554)	(177,024,554)
CRM Reserve (aka "Plant Fund")	3,600,497		(1,687,877)		1,645,900		388,124		0		(1,426,201)	2,520,443
Total Unrestricted Net Position	8,001,732		1,392,662		7,462,835		4,269,569		274,828		(173,437,731)	**(152,036,105)**

The unrestricted net position includes an unfunded OPEB liability. Since the purpose of this report is to state VSC's potential needs on a budgetary/cash basis, the OPEB liability is excluded. This results

[6] Net investment in capital assets includes the value of property and equipment, encumbered project funds and debt principal outstanding. Restricted nonexpendable is endowment principal. Restricted expendable includes grants and contracts, scholarships, gifts, reinvested endowment earnings and endowed scholarships.

in reserves of $24,988,449, which are further reduced by non-discretionary balances for total "available" reserves of $15,074,210 as of June 30, 2019. Use of such funds, at least in full, is not recommended as the VSC position is in deficit on a full accrual basis.

FY19 reserve balances are used because day-to-day transactions do not flow to the net position but are "closed" to net position at year end. Accordingly, if the FY20 projected $5.7 million deficit is not met by either CRF funds or other appropriations by the General Assembly, the available reserve balance would be reduced by that amount. The remaining balance would be "closed" to FY21.

In addition, there is a $1,837,093 plant reserve, with varying surpluses and deficits by educational institution as of December 31, 2019. These funds are treated as investments in capital assets. They need to be reconciled at year end as some of the colleges have already used a portion of these funds and reflect them in the FY20 and FY21 scenarios.

Education Institution-by-Education Institution Reports

We have included a section for each of the four educational institutions below. Each section begins with a narrative, which sets forth the FY20 projections, and then proceeds to explain each of the FY21 scenarios. Following the narrative section, we have included supporting charts and tables that provide further detail on the subjects addressed in the narrative.

We hope that this information is helpful and look forward to assisting the General Assembly with any further inquiries or clarifications.

Castleton University: Narrative and Exhibits

Projected FY20 Results - Estimates

Prior to the COVID-19 outbreak, Castleton University projected a $473,000 operating deficit. This was based on budget to actual reports as of March 31, 2020, and it reflects an improvement in the operating position as of the December 31, 2019 data.

Subsequent to COVID-19, the FY20 deficit is projected to be $2,411,000. The drivers for the change include losses in summer tuition ($111,000), conference and events ($255,000), room and board refunds ($2,200,000), and reduced gifts ($250,000). These losses are partially offset by certain funds included in the CARES Act. The projected FY20 deficit does not include amounts from the $1.25 billion Coronavirus Relief Fund established in the CARES Act, which are currently under consideration by the General Assembly.

FY21 Projections

For FY21, Treasury staff worked with staff from Castleton University to develop scenarios reflecting the range of financial uncertainty facing the educational institution, particularly in light of COVID-19. At the outset, Castleton staff were asked to complete best and worst case scenarios for FY21.

As the exercise progressed, it was determined that four scenarios would best capture the range of potential FY21 outcomes: best, middle, worse, and worst. The four scenarios assume that Castleton's campus is open in the fall, and they differ based on enrollment projections.

- The best case scenario assumes that student enrollment is down 3 percent from FY20.
- The middle case scenario assumes that student enrollment is down 8.3 percent from FY20.
- The worse case scenario assumes that student enrollment is down 13 percent from FY20.
- The worst case scenario assumes that student enrollment is down 25 percent from FY20.

The four scenarios were also adjusted to reflect the projected financial impacts if the educational institution's campus is unable to re-open in the fall.

Background

Castleton's enrollment history, like that of VTC, has been volatile in recent years, while CCV and NVU have generally faced a steadier decline. Detail on Castleton's enrollment is included in Exhibit Castleton-2.

Castleton's enrollment had a big swing from 2017 through 2019. In 2017, enrollment fell off as New York made a big push to offer incentives for students to stay in-state. This had a significant impact on Castleton's out-of-state population. Castleton staff believe that this was a short-term event, as the educational institution was able to market to middle income out-of-state students and therefore stem the tide. The downward trend was also exacerbated by aggressive discounting of tuition by both public and private educational institutions and increased wait list enrollments from educational institutions in the region.

In 2019, enrollment increased. However, this was somewhat of an anomaly and largely attributable to the Teachout Program,[7] with 146 students transferring from closed educational institutions. As of this spring, 40 students from this group are set to graduate and 43 have registered to return.

Enrollment, however, remains an issue as more and more educational institutions compete for a decreasing pool of students and Castleton has had to respond to aggressive discounting of tuition by other public and private colleges. At present, out-of-state students from Castleton's neighboring regions are offered the equivalent of in-state tuition. Castleton officials report that over $3,250,000 in institutional aid was provided to Vermont students. This represents 51% of the State's FY20 $6,418,000 appropriation to Castleton.

Net tuition and fees (including tuition and fees plus room and board fees less scholarships) is the most significant contributor to Castleton's revenue base, comprising 65% of Castleton's revenues. The combination of enrollment demographics and discounting places considerable budgetary strain on many higher education institutions, including Castleton.

College officials report that enrollments were fairly steady, after accounting for the Teachout Program anomaly in 2019, until two things occurred: 1) reports about the potential restructuring of VSC; and 2) the COVID-19 outbreak. Castleton provided a year-over-year snapshot of fall enrollment at a point in time (5/20/20 vs 5/14/19) and an overall downward trend was noted. The details are provided in Exhibit Castleton-3, and are summarized as follows:

Current Student Registration Statistics – overall 6% enrollment decline (equivalent to 67 full-time equivalent (FTE))

- Down 14% freshmen/rising sophomores (15% out-of-state, 14% in-state)
- Down 4% sophomores/rising juniors
- Down 7% juniors/rising seniors
- Up 1% seniors
- Up 30% graduate students

New Student Statistics – projected to be down 13% as of right now

- Down 11% freshmen deposits (3% out-of-state, 12% in-state)
- Up 8% transfers from 2018 (20% out-of-state, 3% in-state)

The increase in current seniors is attributed, in part, to the Teachout Program. Castleton officials report that first-year student new enrollments had been "running ahead all spring and came to a

[7] The Teachout Program allows for the transfer of students from closed Vermont colleges in 2019, specifically College of St. Joseph, Southern Vermont College, and Green Mountain College.

screeching halt on April 30th.” They have since picked up again, but the totals remain behind last year.

FY21 Scenarios (Campus Open)[8]

Best Case

Castleton officials provided a best case scenario reflecting an operating deficit of $1,602,695, which is $290,000 higher than its FY21 pre-COVID projected deficit of $1,312,695. Combined with the FY20 deficit after COVID, this brings the two-year total cumulative deficit to $4,013,695.

It should be noted that these numbers are very fluid. For this scenario, Castleton assumed a fall enrollment of 1,923, an approximately 3% decline from 2019. The mix of students included in that scenario/projection, as provided Castleton, are as follows:

VT Freshmen	363.7
VT Sophomores	223.3
VT Juniors	267.3
VT Seniors	299.3
VT Grad	90
OS Freshmen	240
OS Sophomores	160
OS Juniors	128
OS Seniors	116.5
OS Grad	35
Total Freshmen	603.7
Total Sophomores	383.3
Total Juniors	395.3
Total Seniors	415.8
Total Grad	125
Grand Total	**1923.1**

This scenario also assumed that students would be on campus, with 1,022 residential students in rooms and 974 students on meal plans for the fall semester. The scenario further assumes an enrollment “melt” (students who do not return to school after the winter break) for the spring semester, which follows historical trends.

Middle Case

At the time of the May 15th interview with Treasury staff, Castleton staff noted that recent enrollment trends place the current rough estimate for fall enrollment at approximating 1,818 students, a decline of 8.3%. Building a FY21 scenario off these numbers would result in a projected deficit for the FY21 operating year of $4,191,030 and a two-year cumulative deficit of $6,602,030.

[8] Scenario detail and comparison are set forth in Exhibit Castleton-1. Worst case corresponds to the “Ultra Worse” category used by Castleton.

It should be noted that this middle case is a best estimate at the time but is subject to change. Given the trends, however, Treasury staff has included this scenario as the most likely best/middle case in the VSC summary table above, recognizing that there is a range of possible results. While the situation can certainly approach the initial best case, we believe there is more downside risk to the current trend rate than upside.

Worse Case

Castleton staff projected a worse case scenario with a 13% decline in enrollment from FY20. This scenario includes 922 residential students in rooms and 854 students on meal plans for the fall semester. As in the best case scenario, the worse case assumes an historical melt for spring semester. Based on this level of enrollment, the educational institution would face a $5,978,555 deficit for FY21, resulting in a cumulative two-year deficit of $8,389,555. Enrollment data for the worse case scenario, as provided by Castleton, is as follows:

VT Freshmen	326.7
VT Sophomores	203.3
VT Juniors	249
VT Seniors	292
VT Grad	67
OS Freshmen	205
OS Sophomores	120
OS Juniors	118
OS Seniors	112
OS Grad	27
Total Freshmen	531.7
Total Sophomores	323.3
Total Juniors	367
Total Seniors	404
Total Grad	94
Grand Total	**1720**

Worst Case

While Castleton staff do not believe the enrollments would approach even the worse case levels, Treasury staff also requested an additional scenario based on an extreme or worst case enrollment level reflecting a 25% reduction. While this is on the outside bound of studies noted above, it may become a level that could accompany closing of the campus for the fall semester. It is therefore included as a reference point.

Summary of FY21 Scenarios (Campus Open)

In all of the scenarios (best, middle, worse, and worst), salaries and benefits remain the same, based on already negotiated contracts. Based on union contracts, any reduction in force requires notification such that any notice provided by fall 2020 would not be effective until the end of the fiscal year. Services/supplies/travel and other expenditure categories are held constant through the scenarios. Given lower enrollment, there may be some savings in these categories, though fixed costs will remain unchanged. Castleton will look to reduce the food service contract.

On the revenue side, sales and services are reduced to $900,000 in the best and middle case scenarios from the pre-COVID FY21 projection of $1,175,000 to reflect cancelled events. These revenues are further reduced to $800,000 in the worse and worst case scenarios. There is a $100,000 reduction to the gift category across all four scenarios as compared to the pre-COVID FY21 projection. Tuition and room and board revenues vary by enrollment levels while state appropriations and the "other revenue" categories remain constant.

The above scenarios indicate a reduction in net tuition (tuition and fees plus room and board minus scholarships) as the scenarios reflect worsening conditions and resulting operating deficits.

	Pre-Covid	Best Scenario	Middle Scenario	Worse Scenario	Worst Scenario
Net Tuition	$38,341,000	$38,326,000	$35,837,665	$34,150,140	$29,852,000
Operating Deficit	($1,312,695)	($1,602,695)	($4,191,030)	($5,978,555)	($10,276,695)

Summary of FY21 Scenarios (Campus Closed)

If campuses are unable to open to residential students in the fall, there will likely be significant reductions in enrollment, losses in revenue, and further deficits. Planning for such a disruption could lower enrollments past the 13% level, even approaching 20% or more. As noted earlier in the report, a survey stated that to finish their degrees, 85% of students want to go back to campus and only 15% percent want to finish online. Students may therefore opt for a gap year in increasing numbers.

It is thought that tuition may need to be discounted in the event that the campus is closed in order to both attract students and to acknowledge the significant change in student experience. To adjust the FY21 scenarios to reflect a closed campus, it is assumed that tuition for the first semester would need to be reduced from $5,900 per student to an average of $4,200 per student. The impact on net student tuition would be substantial. Using the four scenarios (best, middle, worse, and worst) and applying a reduced tuition, the scenarios would result in significant deficits reflected in the table below, with additional detail set forth in Exhibit Castleton-1.

	Best Scenario	Middle Scenario	Worse Scenario	Worst Scenario
Net Tuition	$26,620,000	$25,270,000	$24,033,000	$22,110,000
Operating Deficit	($12,069,695)	($13,419,695)	($14,656,695)	($16,579,695)

These scenarios will require further review and investigation as there exists even more uncertainty in the event that campuses are closed in the fall. There may be significant savings in the food service contract and supplies/travel. The lack of the use of athletic facilities will likely lower costs as well. On the other hand, costs for additional online capacity and training of faculty will be needed. Given that Castleton did not have a significant online presence pre-COVID (online coursework utilized primarily by graduate programs), this could be significant. Also, the sales and services revenues were not lowered from the on-campus scenarios which could further increase deficits. These issues will require further evaluation.

Exhibit Castleton-1

Scenarios

ESTIMATES ONLY

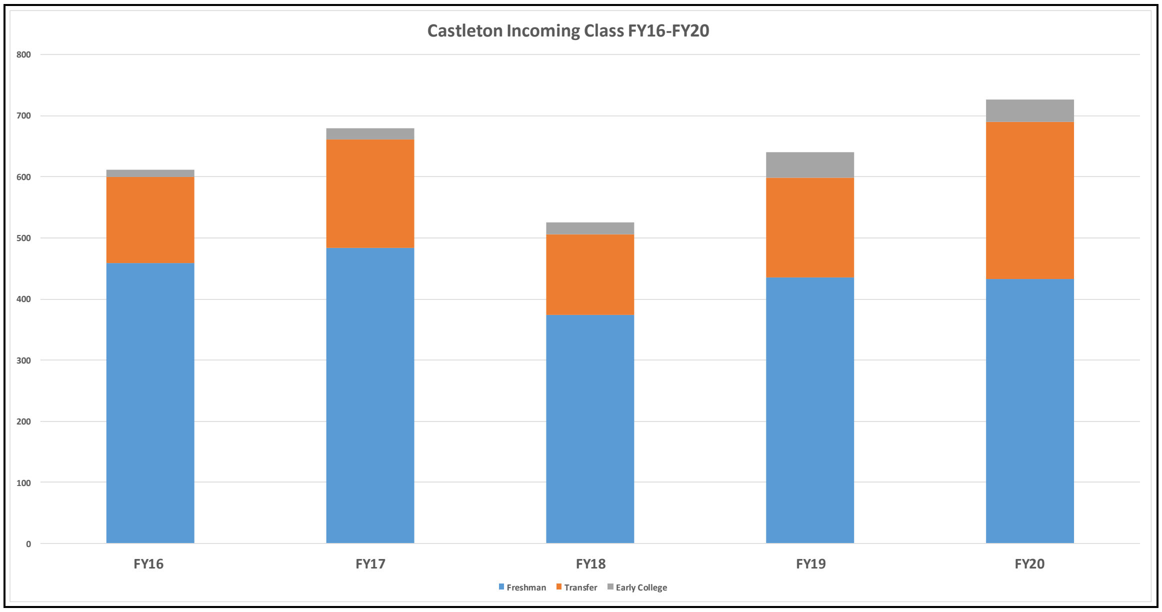
Castleton University

	Fall Enroll = 1923 3.0 % Decline Covid-19	New Column Fall Enroll = 1818 8.3% Decline Covi-19	Fall Enroll = 1720 13.3% Decline Covid-19	Fall Enroll = 1489 25.0% Decline Covid-19	Fall Enroll = 1957	AlternativeTuition Rate Fall Enroll = 1923 No Students Fall Covid-19	AlternativeTuition Rate Fall Enroll = 1818 No Students Fall Covid-19	AlternativeTuition Rate Fall Enroll = 1720 No Students Fall Covid-19	AlternativeTuition Rate Fall Enroll = 1489 No Students Fall Covid-19	Fall Enroll=1983 C 6/30 Projection
	A - BEST	Middle	B- Worse	C-Ultra Worse	**Pre-Covid**	BEST	Middle	Worse	C-Ultra Worse	@ Q3
	FY21	FY21	FY21	FY21	**FY21**	FY21		FY21	FY21	FY20
Tuition & Fees	**37,326,000.00**	35,037,665.00	33,350,140.00	28,632,000.00	**37,441,000.00**	27,520,000.00	25,950,000.00	24,653,000.00	22,360,000.00	36,511,000.00
State Appropriation	**6,804,000.00**	6,804,000.00	6,804,000.00	6,804,000.00	**6,804,000.00**	6,804,000.00	6,804,000.00	6,804,000.00	6,804,000.00	6,418,000.00
Room & Board	**11,500,000.00**	10,800,000.00	10,200,000.00	8,920,000.00	**11,500,000.00**	4,600,000.00	4,320,000.00	4,080,000.00	3,600,000.00	10,700,000.00
Sales & Services	**900,000.00**	900,000.00	800,000.00	800,000.00	**1,175,000.00**	800,000.00	800,000.00	800,000.00	800,000.00	1,155,000.00
Gifts	**500,000.00**	400,000.00	400,000.00	400,000.00	**500,000.00**	400,000.00	400,000.00	400,000.00	400,000.00	650,000.00
Other Revenue	**420,000.00**	420,000.00	420,000.00	420,000.00	**420,000.00**	420,000.00	420,000.00	420,000.00	420,000.00	460,000.00
	57,450,000.00	54,361,665.00	51,974,140.00	45,976,000.00	**57,840,000.00**	40,544,000.00	38,694,000.00	37,157,000.00	34,384,000.00	55,894,000.00
Salary & Benefits	**30,000,000.00**	30,000,000.00	30,000,000.00	30,000,000.00	**30,000,000.00**	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00	28,400,000.00
Services Supplies Travel	**10,495,000.00**	10,495,000.00	10,495,000.00	10,495,000.00	**10,495,000.00**	9,300,000.00	9,300,000.00	9,300,000.00	9,300,000.00	10,000,000.00
Scholarships	**10,500,000.00**	10,000,000.00	9,400,000.00	7,700,000.00	**10,600,000.00**	5,500,000.00	5,000,000.00	4,700,000.00	3,850,000.00	10,680,000.00
Utilities	**2,244,000.00**	2,244,000.00	2,244,000.00	2,244,000.00	**2,244,000.00**	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,200,000.00
Interest Expense	**-**	-	-	-	**-**	-	-	-	-	-
Debt Service	**2,095,000.00**	2,095,000.00	2,095,000.00	2,095,000.00	**2,095,000.00**	2,095,000.00	2,095,000.00	2,095,000.00	2,095,000.00	3,483,000.00
Chancellor's Office	**1,810,000.00**	1,810,000.00	1,810,000.00	1,810,000.00	**1,810,000.00**	1,810,000.00	1,810,000.00	1,810,000.00	1,810,000.00	1,729,000.00
Other Transfers	**1,908,695.00**	1,908,695.00	1,908,695.00	1,908,695.00	**1,908,695.00**	1,908,695.00	1,908,695.00	1,908,695.00	1,908,695.00	(125,000.00)
	59,052,695.00	58,552,695.00	57,952,695.00	56,252,695.00	**59,152,695.00**	52,613,695.00	52,113,695.00	51,813,695.00	50,963,695.00	56,367,000.00
	(1,602,695.00)	(4,191,030.00)	(5,978,555.00)	(10,276,695.00)	(1,312,695.00)	(12,069,695.00)	(13,419,695.00)	(14,656,695.00)	(16,579,695.00)	(473,000.00)

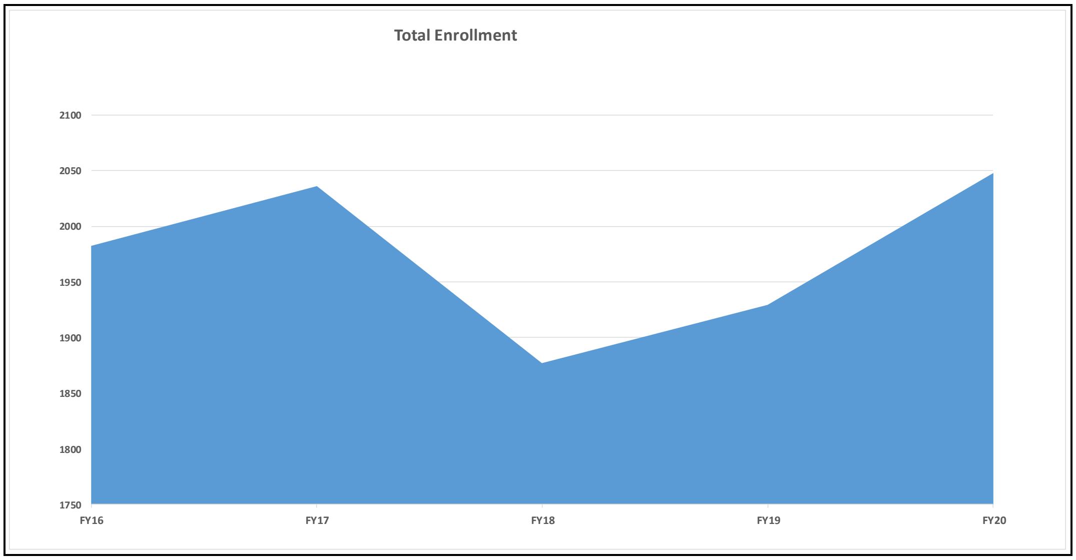
Covid Related:	
Summer Tuition	(111,000.00)
Conference & Events	(255,000.00)
Room & Board Adjustments/Refunds	(2,200,000.00)
Institutional Donations	(250,000.00)
CARES ACT Funding	878,000.00
	(2,411,000.00)

Exhibit Castleton-2

Castleton Enrollments, 5-Year History



	FY16	FY17	FY18	FY19	FY20
Freshman	459	484	374	435	433
Transfer	141	178	132	164	257
Early College	12	18	19	41	37



	FY16	FY17	FY18	FY19	FY20
Total Enrollment	1,982	2,036	1,877	1,929	2,048

Exhibit Castleton-3 – Year over Year Enrollment Trends as of May for the Fall Semester

Castleton University Fall 2020 Enrollment (as of 5/14/20)

Castleton University - FTE CSC Program - Fall 2020							
	Male		Female		Total		
14 May 2020	Full/Time	Part/Time	Full/Time	Part/Time	Full/Time	Part/Time	
Fresh	114	5.1	138	4.8	252	9.9	261.9
Soph	110	6.1	148	7.0	258	13.1	271.1
Junior	114	16.3	157	23.1	271	39.4	310.4
Senior	32	9.0	96	13.4	128	22.4	150.4
Graduate	5	6.3	13	10.6	18	16.9	34.9
Non-Degree		1.0		0.8		1.8	1.8
Total	375	43.8	552	59.6	927	103.4	1030.4

Castleton University Fall 2019 Enrollment (as of 5/15/19)

Castleton University - FTE CSC Program - Fall 2019							
	Male		Female		Total		
15 May 2019	Full/Time	Part/Time	Full/Time	Part/Time	Full/Time	Part/Time	
Fresh	159	6.6	131	8.6	290	15.3	305.3
Soph	121	4.7	149	8.5	270	13.2	283.2
Junior	131	10.3	169	24.3	300	34.5	334.5
Senior	38	15.8	82	13.0	120	28.8	148.8
Graduate	6	4.7	4	9.7	10	14.3	24.3
Non-Degree		0.8				0.8	0.8
Graduate Non-Degree				0.3		0.3	0.3
Total	455	42.8	535	64.3	990	107.1	1097.1

Source: Castleton University

Projected FY20 Results - Estimates

Prior to the COVID-19 outbreak, NVU projected a $3,326,000 operating deficit, based on budget to actual reports as of December 31, 2019 (Pre-COVID Projection). This budget assumed no impact from COVID-19.

In May 2020, NVU staff updated the projection for FY20 based on COVID-19 impacts and using budget to actual reports as of March 31, 2020. This increased the FY20 deficit to $4,044,000 (Post-COVID Projection). For this projection, all revenue categories were reduced. Expenditures were increased across the board, except in the case of debt service and Chancellor's Office expenses, which were unchanged. In addition, other transfers were adjusted due to the anticipated reduction in federal work study and capital equipment transfers during the remote learning phase of the spring 2020 semester.

FY21 Projections

For FY21, Treasury staff worked with staff from NVU to develop scenarios reflecting the range of financial uncertainty facing the educational institution, particularly in light of COVID-19. Staff at NVU were asked to complete best and worst case scenarios for FY21, and ultimately provided the following:

- The best case scenario assumes that residency may be vacated for up to 25% of the academic year and a 14.3 percent reduction in student enrollment.
- The worse case scenario assumes a 29.9 percent reduction in student enrollment.
- A worst case scenario, which adjusted the worse case to project the impacts if the campus is closed for the fall semester.

NVU officials also provided a FY21 pre-COVID rollforward estimate scenario (referred to in Exhibit NVU-1 as "Rollforward without COVID") that reflects an operating deficit of $3,179,000.

Background

NVU's enrollment history has seen a general decline in recent years, which has been exacerbated by recent events. NVU states that it has a stronger scholarship program than its sister institutions. Because of this strong scholarship program and the fact that it serves the lowest-income cohort of students relative to the other educational institutions, NVU has not ramped up scholarship offerings in response to enrollment challenges as the other educational institutions have. That said, the downward trend in enrollments has been aggravated as more and more educational institutions compete for a decreasing pool of students. NVU has been negatively impacted by aggressive discounting of tuition by other public and private colleges and increased wait-listing practices. NVU is also experiencing increased competition for students from New Hampshire, and outreach to Vermonters has grown since the recent press reports about closings and VSC's finances.

Although the Board of Trustees did not take action on the Chancellor's restructuring proposal, the notion that the educational institution could close has introduced significant uncertainty that is driving student decisions. Students pay attention to these announcements. In 2016, Johnson and Lyndon merged into NVU. While significantly lowering the institution's combined expenses, the merger had the effect of increasing departures/transfers of first-year students. NVU recovered from this disruption. However, recent events have resulted in further declines in enrollment and retention, which are reflected in the scenarios described below. Both NVU campuses are experiencing lower retention rates than the other residential colleges in the VSC system. These are attributable to higher levels of first generation and low-income students attending NVU.

One indicator of future enrollment is deposits made by accepted applicants. Although there is some level of "melt," as students may make deposits at multiple institutions while they assess their options, year-to-year trends provide some insight into the current year enrollment levels. The deposit data is consistent with lowering levels of first-time enrollments in fall 2020. The following data (representing number of deposits received from accepted students) was provided by NVU.

Location	**Date**	**2020**	**2019**	**2018**	**2017**	**2016**
Johnson	15-May	147	218	212	249	252
	15-Oct		279	275	304	299
Lyndon	15-May	99	198	232	263	280
	15-Oct		225	280	252	327
Online	15-May	37	34	20	30	32
	15-Oct		155	139	138	117

FY21 Scenarios

Using the FY20 scenarios as a base, rollforwards for FY21 were prepared. Based on the FY20 Pre-COVID Projection, a Pre-COVID FY21 deficit of $3,179,000 was projected. This reflects a 4.4% improvement over the FY21 deficit projected in the second quarter of FY20, largely due to a $1,030,000 decline in services and supplies and a $600,000 reduction in debt service based on the FY20 and FY21 schedules, which was offset by a 4.8% decline in enrollment and a corresponding decrease in room & board and scholarships. This results in a combined Pre-COVID deficit through FY21 of $6,505,000.

Exhibit NVU-1 provides a summary of the FY20 and FY21 scenarios discussed. It is important to recognize that enrollment is the key driver in these scenarios.

<u>Best Case</u>

Using the Post-COVID FY20 results as a base, NVU staff projected the impact of COVID and further erosion of enrollments. This best case FY21 scenario incorporates a reduction in enrollment, room & board, and scholarships of 14.3%. The room and board projection assumes that students may be required to vacate residency up to 25% of the academic year. This results in a projected FY21 operating deficit of $9,132,000. Combined with the FY20 Post-COVID Projection of $4,044,000, the two-year cumulative deficit is $13,176,000.

<u>Worse Case</u>

The worse case scenario includes the impacts of COVID and a larger drop in enrollment due to the news media reports on the status of VSC, and NVU in particular. In this assumption, there is a projected decrease in enrollment, room and board, and scholarships of 29.9%. This results in a FY21 operating deficit of $14,361,000 and a cumulative two-year deficit of $18,405,000. Based on national enrollment trends, the impact of COVID, and the impact of recent news reports, the Treasurer's Office does not believe this is an outlier.

<u>Worst Case</u>

The worst case scenario was developed by adjusting the worse case scenario described above to assume the closing of campuses for the entire first semester. This results in a FY21 operating deficit of $16,239,000, and a cumulative two-year deficit of $20,283,000. This projection may be mitigated by reductions in supplies, utilities, and other expenses. In addition, the numbers provided do not adjust for different on-campus enrollment by semester as there is some level of "melt" (students who do not return to school after the winter break) for the spring semester.

Summary of FY21 Scenarios

In the scenarios described above (and summarized in Exhibit NVU-1), staff salaries and benefits are the same. Based on union contracts, any reduction in force requires notification such that any notice provided by fall 2020 would not be effective until the end of the fiscal year. Trends in retirements and attrition should also be incorporated in future projections as NVU officials expect to see increasing departures over the next year.

Net tuition and fees (including tuition and fees plus room and board fees less scholarships) is the most significant contributor to NVU's revenue base, comprising 62% of NVU's revenues in FY20 and ranging down to 55% in the worse and worst case scenarios. The combination of enrollment, demographics, and discounting places considerable budgetary strain on many higher education institutions, especially NVU.

	FY20 FY 20 Q2 Forecast Pre COVID	FY21 FY 21 Roll Forward witout COVID 4.8% enrollment Decline	FY20 FY 20 Q3 Forecast with COVID IMPACT	FY21 Best Scenario	FY21 Worse Scenario	FY21 Worst Likely with COVID and No Fall Semester
Net Tuition	33,017	32,612	30,076	26,710	21,848	19,970
Deficit	(3,326)	(3,179)	(4,044)	(9,132)	(14,361)	(16,239)

It should be noted that these numbers are very fluid. As NVU has explained, these are not hard and fast numbers but are more directional in nature. This is the case for all four colleges in the VSC system, although NVU is expected to have more downside risk given recent announcements. While the Treasurer's Office took a big picture look at the trends and potential outcomes, we recommend that JFO further review these scenarios.

Exhibit NVU-1
NVU Scenarios

	FY20 Q2 Forecast Pre COVID	FY21 Roll Forqard witout COVID 4.8% enrollment Decline	FY20 Q3 Forecast with COVID IMPACT	FY21 Best Scenario	FY21 Worse Scenario	FY21 Worst with COVID and Fall Semester
REVENUES						
Tuition and Fees	30,320	29,730	29,523	26,060	21,316	21,315
State Appropriation	11,331	10,920	11,331	10,920	10,920	10,920
Room and Board	8,907	8,971	6,749	6,119	5,005	3,128
Sales and Services	1,329	1,369	1,048	681	314	314
Gifts	450	563	250	250	250	250
Other Revenue	633	652	497	497	497	497
TOTAL REVENUES	52,970	52,205	49,398	44,527	38,302	36,424
EXPENSES						
Employee Salaries & Benefits	32,952	32,510	32,355	32,765	32,765	32,765
Services, Supplies and Travel	10,059	9,029	8,925	8,011	8,011	8,011
Scholarships and Fellowships	6,210	6,089	6,196	5,469	4,473	4,473
Utilities	2,450	2,499	2,272	2,158	2,158	2,158
Other Expenses						
Debt Service	2,357	1,756	2,357	1,756	1,756	1,756
Chancellor's Office	3,102	2,951	3,102	2,951	2,951	2,951
Other Transfers	(834)	550	(1,765)	549	549	549
TOTAL EXPENSES	56,296	55,384	53,442	53,659	52,663	52,663
NET REVENUE	(3,326)	(3,179)	(4,044)	(9,132)	(14,361)	(16,239)

Exhibit NVU-2

NVU Enrollments, 5-Year History

Fall Enrollment	FY2016	FY2017	FY2018	FY2019	FY2020
Campus Undergrad	15FA	16FA	17FA	18FA	19FA
Johnson	920	929	926	852	771
Lyndon	1,203	1,179	1,070	1,011	892
Online Undergrad	439	457	456	419	389
Graduate	15FA	16FA	17FA	18FA	19FA
Johnson	179	163	178	289	283
Lyndon	64	84	73	46	31

NVU Deposits, 5-Year History

Fall Deposits		FY2017	FY2018	FY2019	FY2020	FY2021
Campus	Reference Date	16FA	17FA	18FA	19FA	20FA
Johnson	15-May	252	249	212	218	147
	15-Oct	299	304	275	275	
Lyndon	15-May	280	263	232	198	99
	15-Oct	327	252	280	225	
Online	15-May	32	30	20	34	37
	15-Oct	117	138	139	155	

Projected FY20 Results – Estimates

Prior to the COVID-19 outbreak, VTC projected an operating surplus of $827,000. This was based on budget to actual reports as of March 31, 2020, and it reflects an improvement in the operating position as of the December 31, 2019 data ($66,000 surplus).

Lost revenue from COVID-19 put the FY20 projections into a deficit. Drivers for the change include revenue losses for conference and events ($250,000) and room and board refunds ($950,000). The projected deficit is partially offset by $500,000 of CARES Act funds. This does not include appropriations from the $1.25 billion Coronavirus Relief Fund established by the CARES Act, which are currently under consideration.

VTC has initiated several cost savings actions for FY20, including a reduction of salaries and benefits, supplies and travel line items, and other costs. The net result of these efforts was to generate an updated projected surplus of $ $559,564, as reflected in Exhibit VTC-1.

FY21 Projections

For FY21, Treasury Staff worked with staff from VTC to develop scenarios reflecting the range of financial uncertainty facing the educational institution, particularly in light of COVID-19. At the outset, staff at VTC were asked to complete best and worst case scenarios for FY21.

- The best case scenario assumes campus disruption for the first part of the fall semester and a 10 percent reduction in student enrollment.
- The worst case scenario assumes that the campus is closed for the full fall semester and a 25 percent reduction in student enrollment.

VTC officials also provided a FY21 pre-COVID rollforward estimate scenario (referred to in Exhibit VTC-1 as "No COVID") that reflects an operating deficit of $284,212.

Background

VTC operates two residential campuses (Randolph and Williston) and twelve decentralized nursing sites. There are twenty degree programs with the highest enrollments in nursing (18% of the total) followed by computer information systems (10%), business (9%), electrical and computer engineering technology (9%), and mechanical engineering technology (7%). While VTC utilizes Telepresence for lecture programs, enabling delivery to multiple locations, the hands-on portion of programs is challenging to deliver through on-line methods. In the case of nursing programs, the twelve sites are equipped with simulation and skill labs. In addition, the nursing program partners with local hospitals. The engineering and computer related programs make use of lab-based services. VTC staff have also reported significant numbers of students participating in apprenticeship programs and customized employer training through its Continuing Education and Workforce Development Division (CEWD).

VTC's enrollment history has been fairly steady over the last three to five years for degree programs, with a steady to slight increase in non-degree programs and increased enrollments of high school non-degree students. Detail on VTC's enrollment by head count, as reported by VTC, for the last three years is as follows:[9]

17-18 Catalog Year	
Degree	1503
Non-degree	186
High School - ND	396
Total Students	2085
18-19 Catalog Year	
Degree	1508
Non-Degree	189
High School - ND	413
Total Students	2110
19-20 Catalog Year	
Degree	1500
Non-Degree	198
High School - ND	429
Total Students	2127

Full-time equivalent (FTE) enrollment has been plus/minus 1-2% year over year (detailed data is included in Exhibit VTC-2). Enrollment, however, remains an issue as more and more educational institutions compete for a decreasing pool of students, and VTC will likely need to respond to aggressive discounting by other institutions.

[9] Degree = all students enrolled in a degree program. Non-degree = all students taking classes but not in a degree program. High School - ND = dual enrollment students still at their high school taking college classes. Total Students = the accumulated total of all students.

Net tuition and fees (includes tuition and fees plus room and board fees less scholarships) is the most significant contributor to the revenue base, comprising between 83% and 84% in the base and best case/mild scenarios, indicating a high sensitivity to enrollment disruptions.

VTC officials report that enrollments had been steady through March, although the pace has slowed down since the Chancellor's restructuring plan was announced, which would have closed the Randolph Center campus. Officials also report that deposits from accepted applicants are down from prior years, particularly for out-of-state students. Five-year applicant deposits, as of May 15th of each year, are as follows:[10]

Deposits as of May 15th for upcoming school year

- 2017 453
- 2018 468
- 2019 531
- 2020 581
- 2021 446

Both deposits and enrollments are expected to have continued "melt" primarily due to 1) the news media reports on the status of VSC and 2) the impact of COVID-19.

Demographic data is included as Exhibit VTC-3.

FY21 Scenarios

Best Case

VTC officials provided a best case scenario (referred to in Exhibit VTC-1 as "mild") that assumes campus disruption for the first part of the fall semester and a 10% reduction in enrollment. An operating deficit of $3,826,387 was projected, which is significantly higher than VTC's calculated rollforward FY21 results without COVID-19. Combined with the FY20 surplus, this brings the two-year total cumulative deficit to $3,266,823.

It should be noted, however, that these numbers are very fluid. VTC contracted with Beacon Associates to prepare a COVID-19 impact study (Beacon Report). The results indicate significant downward pressures in enrollment. The Beacon Report cites a number of national trends facing American colleges and universities, indicating concerns by students about jobs, distance learning, and mental health distress.[11] The VTC consultant surveyed 401 VTC students, applicants, and potential applicants during the first week of remote delivery.[12] Its findings include the following:

[10] VTC staff note an unusually high enrollment in FY19 as an anomaly, which was also accompanied by a significant "melt."

[11] Beacon Associates, *Vermont Technical College: 2020 Covid-19 Impact Study, Final Report* (April 16, 2020) at 2 (Beacon Report).

[12] VTC is repeating this survey soon to determine if student views changed from the beginning of remote delivery.

- Among graduating students, 54% are coping with the on-line alternative, but 13% say it is a real challenge and 20% state that they strongly prefer in-class instruction. Among undergraduates, 28% stated it was a real challenge and 13% stated they may leave VST if on-line continues.[13]
- Among undergraduates, the authors calculated a 20% retention loss as follows:
    - +3% who were not planning to continue but now think they will,
    - -13% because of distance learning,
    - -5% not planning to continue in the fall, and
    - -5% going elsewhere.[14]
- In another set of questions, the authors noted that 29% of undergraduate students feel that COVID-19 is affecting their ability to attend college. The reasons are:
    - money/loss of funding (12%),
    - public heath reason (4%),
    - plans to spread their education over longer period (4%), and
    - issues around clinicals, lack of hands-on learning and technology (9%).

The issues cited by students in the Beacon Report are clearly over and above normal attrition and would appear to indicate additive impacts due to COVID-19. Given VTC's mission on career-focused education and the hands-on nature of the programs, these findings are of great concern.

The best/mild scenario assumes relatively similar enrollment in both semesters, although staff report an historical "melt" (students who do not return to school after the winter break) for the spring semester. This could impact the scenarios, although the level of such impact is not known.

In both this (best/mild) scenario and the one discussed below (worst/severe), the scholarship expense is capped at the FY21 preliminary rollforward level, presumably driven by budget constraints. While there are fewer enrollments associated with these scholarship levels and therefore higher levels per student, these levels may nonetheless hamper the ability of VTC to incentivize enrollments. VTC's discount rate is at 8%, lower than the 16% for public institutions.

Worst Case

If campuses are unable to open to residential students in the fall, there may be significant reductions in enrollment, losses in revenue, and further deficits. Such a disruption could lower enrollments to levels approaching 20% to 25% – very close to those referenced in the Beacon Report, or more.

This worst case scenario represents preliminary thinking for the purposes of this analysis, and it acknowledges the significant change in the student experience if students are not able to return to campus. Based on this scenario, an operating deficit of $ $8,548,687 is projected, with a cumulative two-year deficit of $7,989,123.

[13] Beacon Report at 4, 7.
[14] Beacon Report at 9.

Summary of FY21 Scenarios

Under either of the scenarios developed for FY21, the impact on net student tuition (and the resulting surplus/deficit) is substantial:

Scenarios			
FY20 Projection	FY21 Rollforward	FY21 Best/Mild	FY21 Worst/Severe
$27,330,530	$28,303,955	$24,591,705	$19,568,205
$559,564	($284,212)	($3,826,387)	($8,548,687)

These scenarios will require further review as considerable uncertainty exists and will continue, at least into the near future. VTC has prepared a review of anticipated costs related to COVID-19. This extensive list includes remote learning costs such as IT infrastructure, training, and upgrading of classrooms. Other costs identified include health screening and medical support, enhanced public safety, increased sanitation and PPE, housing precautions, admissions and recruiting, and others. This may provide a format for discussion with other institutions within VSC. The full text is included as Exhibit VTC-4. These will require further review by JFO.

Exhibit VTC-1

VTC Scenarios

	2020	2021 S1: "No COVID" (Preliminary roll-forward)		2021 S2a: "COVID, mild" -10% enr, -1/2 sem d/d		2021 S2b: "COVID, severe" -25% enr, -1 sem d/d	
	(Q3 PROJECTION)	$$$	DELTA	$$$	DELTA	$$$	DELTA
1. REVENUES	**$ 38,050,200**	**$ 38,919,895**	**2.3%**	**$ 34,984,145**	**-8.1%**	**$ 29,737,145**	**-21.8%**
Tuition & Fees	$ 25,743,371	$ 26,225,000	1.9%	$ 23,602,500	-8.3%	$ 19,668,750	-23.6%
State Appropriation	$ 7,141,895	$ 7,141,895	0.0%	$ 7,141,895	0.0%	$ 7,141,895	0.0%
Room & Board	$ 3,817,205	$ 4,359,000	14.2%	$ 3,269,250	-14.4%	$ 2,179,500	-42.9%
Sales & Services	$ 966,369	$ 894,000	-7.5%	$ 670,500	-30.6%	$ 447,000	-53.7%
Gifts	$ 134,393	$ 130,000	-3.3%	$ 130,000	-3.3%	$ 130,000	-3.3%
All Other Revenues	$ 246,967	$ 170,000	-31.2%	$ 170,000	-31.2%	$ 170,000	-31.2%
2. OPERATIONAL EXPENSES	**$ (36,637,636)**	**$ (38,412,107)**	**4.8%**	**$ (38,018,532)**	**3.8%**	**$ (37,493,832)**	**2.3%**
Salaries & Benefits	$ (23,465,183)	$ (24,335,800)	3.7%	$ (24,335,800)	3.7%	$ (24,335,800)	3.7%
Services, Supplies, & Travel	$ (7,333,463)	$ (7,469,100)	1.8%	$ (7,469,100)	1.8%	$ (7,469,100)	1.8%
Scholarships & Aid	$ (2,230,045)	$ (2,280,045)	2.2%	$ (2,280,045)	2.2%	$ (2,280,045)	2.2%
Utilities	$ (1,660,739)	$ (1,686,536)	1.6%	$ (1,686,536)	1.6%	$ (1,686,536)	1.6%
Other Expenses	$ -	$ -		$ -		$ -	
Bond Payment & Capital Support	$ (1,470,000)	$ (722,426)	-50.9%	$ (722,426)	-50.9%	$ (722,426)	-50.9%
Chancellor's Office	$ (1,629,620)	$ (1,630,000)	0.0%	$ (1,630,000)	0.0%	$ (1,630,000)	0.0%
Other *operational* Transfers	$ 1,151,414	$ (288,200)	-125.0%	$ (288,200)	-125.0%	$ (288,200)	-125.0%
Hypothetical: COVID Efficiencies @ 10%	$ -	$ -		$ 393,575		$ 918,275	
3. CAPITAL INVESTMENT & SYS DEBT	**$ (853,000)**	**$ (792,000)**	**-7.2%**	**$ (792,000)**	**-7.2%**	**$ (792,000)**	**-7.2%**
Payment to C/O for System Debt	$ (453,000)	$ (392,000)	-13.5%	$ (392,000)	-13.5%	$ (392,000)	-13.5%
Investment in Capital	$ (400,000)	$ (400,000)	0.0%	$ (400,000)	0.0%	$ (400,000)	0.0%
NET REVENUE	**$ 559,564**	**$ (284,212)**	**-150.8%**	**$ (3,826,387)**	**-783.8%**	**$ (8,548,687)**	**-1627.7%**

Exhibit VTC-2

Vermont Technical College Enrollments, 5-Year History (by FTE)

					2021 Scenarios		
					-3%	-13%	-28%
FTE Enrollment, by Campus/School, by FY	2017	2018	2019	2020	-10%	-13%	-28%
Randolph	**690.4**	**689.3**	**678.9**	**669.6**	**627.1**	**568.6**	**470.6**
Agriculture, Plant, & Animal Science	159.8	150.7	114.3	116.2	101.9	92.4	76.4
Engineering & Computing	267.3	278.8	281.4	291.0	279.2	253.2	209.5
Nusing & Allied Health	37.9	37.8	38.1	37.7	36.1	32.8	27.1
Professional Studies & Management	190.9	181.8	201.6	193.8	180.2	163.4	135.2
Undeclared, NDU, & Other	34.5	40.4	43.5	30.9	29.7	26.9	22.3
Williston	**374.5**	**355.1**	**368.8**	**389.2**	**373.4**	**338.6**	**280.2**
Agriculture, Plant, & Animal Science	1.0	0.6			0.0	0.0	0.0
Engineering & Computing	131.0	122.0	126.1	116.8	112.1	101.6	84.1
Nusing & Allied Health	149.7	142.9	137.1	164.2	157.5	142.8	118.2
Professional Studies & Management	74.5	80.1	82.8	88.5	84.9	77.0	63.7
Undeclared, NDU, & Other	18.3	9.5	22.9	19.7	18.9	17.1	14.2
Online	**60.3**	**58.2**	**63.8**	**50.1**	**48.1**	**43.6**	**36.1**
Nusing & Allied Health	52.1	48.0	54.9	43.2	41.4	37.6	31.1
Professional Studies & Management	8.3	10.2	8.8	6.9	6.6	6.0	5.0
Other	**241.4**	**236.7**	**236.3**	**269.0**	**295.0**	**267.4**	**221.3**
Engineering & Computing			1.3		0.0	0.0	0.0
Nusing & Allied Health	194.3	178.0	181.5	204.8	233.4	211.6	175.1
Professional Studies & Management				1.0	1.0	0.9	0.7
Undeclared, NDU, & Other	47.2	58.7	53.5	63.2	60.6	55.0	45.5
Grand Total	**1,366.7**	**1,339.3**	**1,347.8**	**1,377.8**	**1,343.5**	**1,218.2**	**1,008.2**

Source: VTC

Exhibit VTC-2 (continued)

Pre-Registration 5-Year History

All Pre-Registration Count @ May 15th for approaching FY	2016	2017	2018	2019	2020	2021
Randolph	**256**	**236**	**157**	**240**	**217**	**169**
Agriculture, Plant, & Animal Science	66	60	35	49	43	32
Engineering & Computing	113	105	84	119	110	92
Nusing & Allied Health	1			2		
Professional Studies & Management	75	71	38	70	63	41
Undeclared, NDU, & Other	1				1	
NA						4
Williston	**117**	**104**	**80**	**122**	**120**	**139**
Engineering & Computing	49	28	16	48	50	39
Nusing & Allied Health	27	47	47	38	29	65
Professional Studies & Management	41	27	17	34	40	34
Undeclared, NDU, & Other		2		2	1	1
Online	**28**	**26**	**30**	**45**	**44**	**22**
Nusing & Allied Health	23	22	25	40	34	17
Professional Studies & Management	5	4	5	5	10	5
Other	**2**			**5**	**3**	
Nusing & Allied Health	2			4	3	
Undeclared, NDU, & Other				1		
NA	**18**	**25**	**13**	**37**	**32**	
NA	18	25	13	37	32	
Grand Total	**421**	**391**	**280**	**449**	**416**	**330**

Deposit Counts for approaching fall semester, by FY

	2017	2018	2019	2020	2021
3/15	111	115	136	198	138
4/1	150	175	195	249	213
4/15	203	249	295	341	295
5/1	373	386	468	513	413
5/15	453	468	531	581	446
6/1	502	519	581	622	
6/15	554	562	616	642	
7/1	592	603	643	658	
7/15	608	622	653	661	
8/1	639	635	690	691	
8/15	661	655	713	708	
9/1	681	660	714	706	
9/15	681	661	706	694	

Source: VTC

Exhibit VTC-3 – Vermont Technical College Demographics

	Avg Age
Randolph	**21.9**
Agriculture, Plant, & Animal Science	22.1
Engineering & Computing	21.2
Nursing & Allied Health	25.8
Professional Studies & Management	21.4
Undeclared, NDU, & Other	22.7
Williston	**26.3**
Engineering & Computing	25.2
Nursing & Allied Health	28.8
Professional Studies & Management	23.2
Undeclared, NDU, & Other	22.5
Online	**34.7**
Nursing & Allied Health	35.3
Professional Studies & Management	31.4
Other	**29.2**
Nursing & Allied Health	31.4
Professional Studies & Management	17.7
Undeclared, NDU, & Other	25.8
Grand Total	**25.8**

	Avg Age
Agriculture, Plant, & Animal Science	**22.1**
Randolph	22.1
Engineering & Computing	**22.5**
Randolph	21.2
Williston	25.2
Nursing & Allied Health	**30.5**
Randolph	25.8
Williston	28.8
Online	35.3
Other	31.4
Professional Studies & Management	**22.4**
Randolph	21.4
Williston	23.2
Online	31.4
Other	17.7
Undeclared, NDU, & Other	**25.0**
Randolph	22.7
Williston	22.5
Other	25.8
Grand Total	**25.8**

%IS, by FTE	I/S	NEBHE	O/S
Randolph	**78%**	**7%**	**15%**
Agriculture, Plant, & Animal Science	81%	9%	10%
Engineering & Computing	76%	8%	16%
Nursing & Allied Health	100%	0%	0%
Professional Studies & Management	71%	7%	21%
Undeclared, NDU, & Other	85%	0%	15%
Williston	**87%**	**3%**	**10%**
Engineering & Computing	84%	3%	14%
Nursing & Allied Health	96%	2%	2%
Professional Studies & Management	71%	7%	22%
Undeclared, NDU, & Other	94%	0%	6%
Online	**71%**	**0%**	**29%**
Nursing & Allied Health	70%	0%	30%
Professional Studies & Management	73%	0%	27%
Other	**76%**	**16%**	**7%**
Nursing & Allied Health	76%	19%	4%
Professional Studies & Management	100%	0%	0%
Undeclared, NDU, & Other	77%	0%	23%
Grand Total	**80%**	**8%**	**12%**

%IS, by FTE	I/S	NEBHE	O/S
Agriculture, Plant, & Animal Science	**81%**	**9%**	**10%**
Randolph	81%	9%	10%
Engineering & Computing	**78%**	**6%**	**15%**
Randolph	76%	8%	16%
Williston	84%	3%	14%
Nursing & Allied Health	**84%**	**11%**	**5%**
Randolph	100%	0%	0%
Williston	96%	2%	2%
Online	70%	0%	30%
Other	76%	19%	4%
Professional Studies & Management	**71%**	**7%**	**22%**
Randolph	71%	7%	21%
Williston	71%	7%	22%
Online	73%	0%	27%
Other	100%	0%	0%
Undeclared, NDU, & Other	**82%**	**0%**	**18%**
Randolph	85%	0%	15%
Williston	94%	0%	6%
Other	77%	0%	23%
Grand Total	**80%**	**8%**	**12%**

Source: VTC

Exhibit VTC-4

Vermont Technical College Narrative

INCURRED AND ANTICIPATED COSTS RELATED TO COVID-19

Mental Health Counseling for Students: Vermont Technical College has experienced increased costs related to mental health counseling due to increased student need related to the pandemic. These needs are related to anxiety regarding the virus, the economy, job loss, loss of close personal relationships, disruptive changes in education and living situation, homelessness and food insecurity. Vermont Tech has incurred an increase in the current year's mental health counseling program for students and anticipates that mental health counseling related to COVID-19 will increase in the next fiscal year. We are currently working with four part-time, hourly contractual counselors, but it may be in our best interest to hire one full-time LMHC to work directly for the College

Estimated Incurred Costs FY20: $25,000
Anticipated Costs FY21: $75,000

Camps and Conferences Revenue: Vermont Tech offers camps and conferences throughout the summer and academic year as an additional revenue stream. Additionally, Vermont Tech provides community access to the pool and athletic facilities in its SHAPE building. These offerings provide significant net revenue that allow the university to meet its mission. Due to COVID-19 restrictions, Vermont Tech has experienced a significant loss of revenue.

Estimated Lost Revenue FY20: $150,000
Anticipated Lost Revenue FY21: $350,000

Cancelled Student Travel: Vermont Tech offers an international travel program for students. This annual trip provides students with a cultural and educational exchange opportunity that cannot be found in Vermont. All planned and booked student travel has been cancelled for FY2020. The institution, which utilizes the same primary vendor as NVU, was unable to obtain a full refund. Additionally, Vermont Tech had to cancel student organization planned travel. Clubs have requested refunds.

Estimated Incurred Costs FY20: $60,000

Remote and Hybrid Instruction: Vermont Tech will require substantial investment in faculty development resources and significant upgrades to its IT infrastructure. These costs will involve professional development for faculty in order to improve and expand their capacity to continue delivering courses in online and hybrid formats to a standard in accordance with proper planning, as opposed to the emergency mode accepted in the spring semester. This professional development opportunities will take place during the summer, necessitating faculty as well as facilitator compensation. The expense of this professional development initiative is: $100,000 - $150,000 (including compensations, cost of trainings, inclusion in professional development networks, consulting, developed course materials, etc.), the postponed addition of an instructional designer (estimated at $100,000), loaner equipment (expanded laptop and mobile inventory, high-end cameras, wireless cards, etc.) for students in programs requiring higher-end hardware and equipment (estimated at $60,000 - $75,000), upgrading classrooms and labs to allow remote instruction for students in self-quarantine (estimated at $175,000 - 250,000), and Wi-Fi upgrades accommodate remote academic instruction (estimated at $150,000).

Other technological upgrades required for administering a socially distant academic workforce include:

(1) an innovation fund to test innovative lab delivery technologies ($50,000); (2) Software investment for workforce remote access ($10,000); (3) Virtualized server environment ($150,000); (4) Digitized phone system and VOIP technology ($100,000); (5) Lecture capture software to support online/remote learning ($30,000)

Estimated Incurred Costs FY20: $50,000
Anticipated Costs FY21: $1,065,000

Instruction Changes due to Social Distancing: In addition to the items above it will be necessary to create additional sections of labs, as well as high-enrollment courses, in order to make social distancing possible. This will require the hiring of additional faculty, ideally adjunct or on terminal contract, or the overload of current full-time faculty were other alternatives are not feasible.
The critical laboratory and clinical courses for VTC students will be the most impacted by these potential restrictions.

Anticipated Costs FY21: $200,000 - $250,00

Health Screening, Medical Support: Current guidelines require health screening of all employees upon arrival to their place of work, and it is anticipated that additional screening will be required of all students and visitors to our campuses. In addition, it is expected that campus based medical support for students, as well as transportation to physicians' offices, will be necessary. To support these activities, it is expected that our part-time coordinator of health services may need to become a full-time position for one year only.

Anticipated Costs FY21: $75,000

Enhanced Public Safety: Adding public safety personnel and a public safety station at the entrance of campus to support the Health Screening efforts described above.

Anticipated Costs FY21: $300,000

Increased Sanitation and PPE: Guidelines for colleges and universities have not yet been released regarding the cleaning and sanitizing of academic and residential spaces. However, it is clear that the college will be required to increase the level of sanitation on each campus. VTC therefore anticipates a need to hire up to four to six new custodians to support this work in the coming year. In addition, the university anticipates needing to purchase personal protective equipment for key personnel.
Anticipated Costs FY21: $350,000
Housing precautions: If we open housing for fall 2020 there may be a need to offer single rooms to promote social distancing. We normally charge an additional fee to students for

singles. This would not be fair if we are mandating that. Cost is based on 400 students in housing placed in singles for fall only.

Anticipated Costs FY21: $370,000

Admissions and Recruiting: The COVID-19 pandemic has resulted in an inability to travel. Our ability to reach students it with technology and printed materials to our best advantage. To do so, the college will need funding for virtual experiences for prospective students for approximately $20,000, an increase to its digital recruitment campaign with a four-year campaign approximately $450,000 annually, and the production and mailing of marketing pieces with corresponding postage estimated at $150,000.

Anticipated Costs FY21: $620,000

Lost Gifts/Development Opportunities: Due to an inability to travel, the institution anticipates that it will have difficulty stewarding critical donors. This loss of stewardship is expected to result in a loss of key gifts for the upcoming year.

Anticipated Loss of Revenue FY21: $100,000

Financial Aid: More than 80% of Vermont Tech's students are Vermonters and approximately 50% of its students are Pell Eligible. Our ability to support students requires optimization of our scholarship funding. The financial impacts of COVID-19 have hit those with the lowest incomes the hardest. An infusion of financial aid for Pell Eligible students, in the amount of $2,000 each (approx. 1,185 FTE) for the duration of their four years at the college, would help students return to the classroom.

Anticipated Cost FY21: $2,450,000

Marketing: Vermont Tech must be recognized as stable, open and ready to serve its students into their future. For Vermont Tech to demonstrate its stability in the marketplace, it needs to reach a broad referring market. We estimate that a three-year campaign would be necessary, estimated at approximately
$1,000,000.

Anticipated Cost FY21: $330,000

Enhanced Apprenticeship Outreach: To respond to Vermont workforce & employer's post-COVID-19 recovery needs, Vermont Tech's Continuing Education and Workforce Development division is seeking funding to augment its Apprenticeship program. We propose to add a FT position responsible for program coordination and outreach, along with software, travel, and support, and to expand the reach of the program while continuing to meet or exceed the requirements of the VDOL, local industry, and the accrediting agency.

Anticipated Cost FY21: $225,000

Projected FY20 Results – Estimates

Prior to the COVID-19 outbreak, CCV projected an operating deficit of $100,000, although this was reduced to zero by the application of a $250,000 carry-forward. The balance of $150,000 was then applied to reserves. This was based on budget to actual reports as of December 31, 2019.

CCV staff updated the projection for FY20 based on COVID-19 impacts and using budget to actual reports as of March 31, 2020. This updated projection reflects a reduction in tuition revenues, mitigated by reductions in costs for part-time instructional staff. This results in an operating deficit of $33,000, which was again offset by the carry-forward, with the balance applied to reserves.

FY21 Projections

For FY21, Treasury staff worked with staff from CCV to develop scenarios reflecting the range of financial uncertainty facing the educational institution, particularly in light of COVID-19. At the outset, staff at CCV were asked to complete best and worst case scenarios for FY21. Ultimately, four scenarios were produced.

- The best case scenario assumes no change in enrollment and maintaining the current average class size of 12.5 students. This results in a surplus of $311,953. This is the FY21 rollforward projection.
- The middle case scenario assumes no change in enrollment and a reduction in average class size to 9.8 students to accommodate social distancing. This results in a deficit of $2,107,931.
- A worse case scenario was calculated at the request of the Treasurer’s Office. It assumed an enrollment reduction of 25% and maintaining the average class size of 12.5. This results in a deficit of $3,144,147.
- A worst case scenario assumes the 25% enrollment reduction and a decrease in the average class size to 9.8 students. This results in a deficit of $4,959,086.

The FY20 and FY21 projections are summarized in Exhibit CCV-1.

Background

CCV differs from the three residential colleges in the VSC system. It is the only community college in Vermont. Tuition is paid on a credit hour basis – $280 for in-state students and $560 for out-of-state students. People who live in counties that are adjacent to Vermont borders, but outside of the State, pay in-state tuition through the Good Neighbor Program. Because of its configuration, CCV is not experiencing the same competitive pressures as the other Vermont institutions. It is, however, impacted by declining numbers of high school students. Since CCV’s tuition is higher than many community colleges due to the level of state and outside support, it may be out of reach for some Vermont students. As noted below, increased cost pressures due to COVID-19 will require increased use of reserves and/or increased tuition that could impact the educational institution's affordability.

CCV's enrollment history has seen a year-over-year reduction of 3% to 5% over the last five years. Detail on CCV's enrollment by head count, as reported by CCV, for the last five years is as follows.

Academic Year:	CCV Count[15]
15-16	11,829
16-17	11,589
17-18	11,027
18-19	10,674
19-20	10,003

CCV has twelve locations across the State. Over time, CCV has moved to online instruction, which presently accounts for 40% of the total classes. CCV offers eleven associates degrees and eighteen career certificates. Fall and spring courses total about 600, with approximately 390 to 400 in the summer.

CCV has strong articulation agreements and program pathways with the other colleges and universities in the VSC system, as well as UVM and the private colleges within Vermont. Many of these agreements include guaranteed admissions, junior status, and waived application fees for CCV graduates.

CCV's tuition budget is based on credit hours, the number of classes, and the average size per class (currently 12.5 students), plus administrative fees, a small budget for other classes and fees, minus any waivers. Over 71,000 credit-hours are included in the rollforward budget. These revenues are offset by faculty/instructional costs. For the rollforward budget, $8,783,281 of the $21,496,716 total staff cost and benefits are related to instructional costs as noted in the summary of FY21 scenarios below.

Class size is an important variable in the development of net revenues. If class enrollment does not approach the necessary student count, the class is cancelled and the instructor is paid a cancellation fee. CCV is therefore able to exercise control over its bottom line, despite declining enrollments, through FY20. There are, however, fixed costs including 160 non-instructional staff who are under contract for the year. Other payments for maintenance of facilities and debt service are also fixed.

While the model has worked successfully for many years, extreme changes in class size and enrollments could cause CCV to reach a tipping point, requiring it to dip into reserves for that year. The tuition could be increased in the subsequent year, which presents the risk that it could push CCV out the price range for a lot of Vermonters. Approximately 57% of the enrollment are first generation students and 51% of degree students are receiving financial aid. The impact of these

[15] Unduplicated annual head count. CCV uses full time equivalents (FTEs) for budgeting purposes.

variables is evident in the development of post-COVID costs, based on significant decline in enrollment coupled with a reduction of class size to accommodate social distancing, and are reflected in the development of the best, middle, worse and worst case scenarios.

Summary of FY21 Scenarios

Relationship Between Tuition and Fees and Instructional Costs				
Scenario:	Best	Middle	Worse	Worst
Enrollment and Class Size	**0%, 12.5**	**0%, 9.8**	**-25%, 12.5**	**-25%, 9.8**
Tuition and Fees	22,614,596	22,614,596	16,962,768	16,962,768
Instructional Staff	(8,783,281)	(11,203,165)	(6,587,553)	(8,402,492)
Subtotal	13,831,315	11,411,431	10,375,215	8,560,276
Other Staff and Benefits	$ 12,713,435	$ 12,713,435	$ 12,713,435	$ 12,713,435
Total Staff and Benefits	$ 21,496,716	$ 23,916,600	$ 19,300,988	$ 21,115,927

Before COVID-19, projected FY21 enrollment was approximating prior year levels. Post-COVID enrollments are hard to predict. CCV will not have a number for fall enrollments until September, but summer enrollments are presently down 10%. Staff believes that moving to full online courses was a contributing factor in the decline.

While a 25% enrollment decline cannot be predicted with any certainty, class size (currently projected at 9.5 students) could also drop to as few as 8 students/class, which would generate a significant operating deficit. CCV staff noted that every year presents a new enrollment mix as people enter, depart, and reenter the system. Staff stated that on average, a third of students are new every semester, a third were enrolled the previous semester, and a third are students returning after some period of leave.

While the CCV model has served the institution and Vermonters very well, the current COVID-19 environment creates substantial downside risk, including operating losses and the need to raise tuition costs for many low-income Vermonters. With the economic disruption experienced by many Vermonters during this public health crisis, barriers to education may increase.

Exhibit CCV-1

CCV Scenarios

Vermont State Colleges	Projected FY20	Projected FY20	0% Enrollment Change	0% Enrollment Change	-25% Enrollment Change	-25% Enrollment Change
Summary Budget	December 2019	March 2020	Class Size Avg = 12.5	Class Size Avg = 9.8	Class Size Avg = 12.5	Class Size Avg = 9.8
	Projected FY20	Projected FY20	Best Likely Scenario/FY21 Rollover	Middle Scenario	Worse Likely Scenario	Worst Likely Scenario
REVENUES						
Tuition and Fees	21,446,000	21,406,000	22,614,596	22,614,596	16,962,768	16,962,768
State Appropriation	6,119,000	6,119,000	6,119,000	6,119,000	6,119,000	6,119,000
Room and Board			0	0	0	0
Sales and Services	2,000	8,000	6,000	6,000	6,000	6,000
Gifts	70,000	70,000	50,000	50,000	50,000	50,000
Other Revenue	225,000	165,000	86,000	86,000	86,000	86,000
TOTAL REVENUES	27,862,000	27,768,000	28,875,596	28,875,596	23,223,768	23,223,768
EXPENSES						
Employee Salaries & Benefits	21,050,000	21,263,000	21,496,716	23,916,600	19,300,988	21,115,927
Services, Supplies and Travel	4,303,000	4,279,000	4,373,000	4,373,000	4,373,000	4,373,000
Scholarships and Fellowships	178,000	190,000	170,000	170,000	170,000	170,000
Utilities	320,000	294,000	325,000	325,000	325,000	325,000
Other Expenses	310,000	310,000	191,000	191,000	191,000	191,000
Debt Service	1,399,000	1,399,000	1,034,000	1,034,000	1,034,000	1,034,000
Chancellor's Office	1,621,000	1,621,000	1,599,927	1,599,927	1,599,927	1,599,927
Other Transfers	(1,219,000)	(1,555,000)	(626,000)	(626,000)	(626,000)	(626,000)
TOTAL EXPENSES	27,962,000	27,801,000	28,563,643	30,983,527	26,367,915	28,182,854
NET REVENUE	(100,000)	(33,000)	311,953	(2,107,931)	(3,144,147)	(4,959,086)
NON-RECURRING ITEMS						
Carry-Forward	250,000	250,000				
Other	(150,000)	(217,000)				
Total	-	-				