~~A Revised~~ Final Report of the Select Committee on the Future of Public Higher Education in Vermont

NCHEMS

The National Center for Higher Education Management Systems

~~February 11~~March 11, 2021

Table of Contents

List of Figures

Executive Summary

In accordance with the requirements of Act 120, the Select Committee on the Future of Public Higher Education in Vermont submits this revised report due on February 12, 2021, the second of three required by the legislation. Act 120 charged the Select Committee with "addressing the urgent needs of the Vermont State Colleges (VSC) and developing an integrated vision and plan for a high-quality, affordable, and workforce-connected future for higher education in Vermont" and to offer recommendations regarding "the financial sustainability of the VSC system" as judged through the lens of having "impact on institutional capacity to innovate and meet State goals and learners' needs."

In keeping with that charge, the Select Committee developed a set of goals to frame the recommendations as follows:

i. The committee interprets "meeting learner needs" to mean:
    1. Providing access to relevant academic programs in all regions of the state—relevant means programs that prepare students for the world of work and for participating in a democratic society.
    2. Ensuring that these programs are available to students regardless of income, race/ethnicity, national origin, parents' education, age, sex, gender identity, disability, prior academic experience, or place of residence.
    3. Students are provided the necessary support to ensure that they can succeed in their academic endeavors—they successfully complete their programs of study. Necessary support includes access to broadband and the technology necessary for on-line learning.
    4. Institutions in the VSC System are affordable to all students regardless of their economic circumstances.

ii. The committee interprets "meeting state needs" to mean:
    1. Fulfilling the state's workforce development needs—meeting the needs of employers in all sectors of the state's economy (including the creative economy).
    2. Preparing students for participation in the world of work and in democratic society.
    3. Reducing gaps in educational opportunities available to students of all types and from all communities throughout the state.
    4. Stimulating and supporting the economic and cultural vitality of the state and its communities.
    5. Attracting and retaining talent to a vibrant and growing Vermont economy fueled by an entrepreneurial spirit, creativity, skilled labor, and relevant basic and applied research supplied by thriving VSC institutions.
    6. Being a good steward of public funds and of funds received from tuition payments through efficient academic and administrative operations/functions.

The Select Committee asks the legislature to consider and elevate these goals as strategic objectives that form the basis for policymaking regarding the VSC System and its institutions. In the process, policies considered by the legislature should always be sensitive to differences in institutional missions as approved by the VSC Board.

If implemented, these recommendations discussed below will help usher into existence a re-envisioned VSC System that will be:

- Nimble in response to the needs of students, employers, regions and communities, and the state.
- Accessible—programs will be readily available to all types of students in all parts of the state.
- Innovative—programs will prepare students for jobs in a changing economy.
- Affordable—the VSC System will remain broadly accessible to Vermonters from all income backgrounds.
- Ubiquitous—the VSC System will be a resource to residents in all parts of the state.
- Essential—the VSC System will continue to provide essential support to stimulating economic and workforce development for the state and its regions and communities.
- High-quality—transformation will help to smooth educational pathways and improve program relevance and delivery.
- Financially self-sustaining—systemwide scale will yield greater efficiencies in academic delivery and administrative services, while keeping tuition revenue focused on paying for instruction and support costs.

The Select Committee's recommendations are as follows:

1. **The Vermont Legislature should recognize the gravity of the fiscal crisis facing the Vermont State Colleges and act with urgency to preserve the System as an indispensable state asset.** In the absence of additional support from the legislature and time to undertake radical structural changes the overall system—not just individual institutions—will be faced with financial bankruptcy. The additional funding provided in the 2020 legislative session is a short-term bailout, but not a long-term solution. Additional support is essential if the VSC System is to avoid an immediate return to a condition of fiscal crisis, a condition that will inevitably put institutional closures back on the table. The seriousness of this fiscal problem should not be underestimated. (A more detailed discussion of this recommendation begins on page 53.)

2. **The Vermont Legislature should articulate a clear set of statewide strategic objectives for public postsecondary education (to which the VSC System should be expected to contribute), place these in statute, and use them to direct state investments.** Such goals should be brief and broadly specified, framed in strategic terms, and capable of being linked to metrics. Examples of appropriate goals are reaching educational attainment targets, ensuring that the needs of employers are being addressed, promoting economic development and entrepreneurship, maintaining affordability, and reducing equity gaps in student access and success. This report identifies a process through which this set of goals may be more fully developed and recommended to the Legislature. The goals (specified above) that the SC articulated to guide its own work provides a set of goals that may be used as a starting place. (A more detailed discussion of this recommendation begins on page 55.)

The Legislature should also clarify the extent of the VSC Board's authority to "abandon, sell, or dispose" of physical facilities operated by the VSC System, ideally to give the VSC Board maximum flexibility to make use of physical spaces it oversees in the manner most consistent with its mission. (This specific recommendation is more fully addressed in the recommendation section concerning Physical Spaces, which begins on page 90.)

3. **The VSC System should be restructured and its institutions should be assigned clear missions**, as follows. (A more detailed discussion of this recommendation begins on page 56.)

    a. Maintain the Community College of Vermont (CCV) as a separate institution with a mission to focus on exclusively sub-baccalaureate programming expanded to encompass a greater focus on workforce-relevant education and training and services to adult learners and to employers, including non-credit programming.

    b. Unify the remaining three VSC institutions under a single leadership structure and accreditation. In the process, ensure that it serves a mission to provide affordable and accessible baccalaureate-level education, limited master's programs in areas where the need for such programs is geographically dispersed (e.g., education, health care), and limited technical sub-baccalaureate programs such as those that currently exist, as well as others that may be developed and offered in partnership with CCV.

    c. Both institutions should be capable of delivering education to residents in ways that prioritize access and success. This means that students of all types—including working adults, underrepresented and low-income populations, and rural residents—have access to physical campuses, robust online education, and adequate student support services.

    d. The VSC System will embrace the role it plays in stimulating economic and workforce development by delivering an array of academic and vocational certificate and degree programs that are continually refreshed to be responsive to employers' needs for talent and to meet students' needs for skills in demand for entry into, and advancement within, careers..

    e. Ensure that the Chancellor's Office retains the capacity to provide for systemwide leadership on academic integration and interinstitutional collaboration; coordinate with other institutions, state agencies, employers, and other key stakeholders; and assure that the benefits of scale across the system are realized.

4. **The VSC System should move aggressively to coordinate administrative service operations.** Although effective delivery of some services will require an on-campus presence, the System should develop a standard set of policies and policy enforcement procedures coordinated centrally in order to capture the benefits of scale across the System. This requires thoughtful reorganization of the administrative structure, including reporting relationships, but it does not necessarily require a larger centralized

presence as leadership for each service can be managed by personnel with appropriate expertise located at a campus. To ensure success, the VSC System will need highly professionalized project management expertise to achieve a smooth transformation to a new structure for administrative service delivery. ((A more detailed discussion of this recommendation begins on page 74.)

5. **The State of Vermont should adopt a strategic approach to how it funds the VSC System.** This approach should start with clear and specific objectives for its investments in the VSC System along the lines as those adopted by the Select Committee and be accompanied by appropriate measures that help to assure that the state's investments are aimed at achieving those objectives.

   More specifically, the problems facing the VSC System that the Select Committee was created to address have roots that span many years, are not caused by the pandemic (though it surely has worsened them), and require a coordinated and comprehensive response. All parties must recognize the seriousness and the need for urgency in working together to address these problems. It is no longer possible for this can to be kicked further down the road, with hopes that the individual institutions and the Chancellor's Office will come up with cost reductions substantial enough to achieve long-term financial sustainability, without help from the legislature working in partnership with the governor's office. To be effective, this response must involve additional funding that stimulates the needed transformation, yields reduced costs, and leads to improved affordability for Vermont residents attending public institutions in the state.

   These investments will need to be a combination of one-time funding and additional ongoing support. The one-time funding support should be spread over multiple years consistent with a reasonable yet aggressive timeline for the implementation of needed changes. Ongoing additional support is also needed in order to address weakness in student accessibility, success, and affordability at the VSC System and throughout the state, to ensure that the VSC System has the necessary support to serve its recommended expanded mission and retains the capacity to adapt to meet the evolving needs of students and the state.

   The following four figures outline the timing and purposes of the needed state investments (in millions). Figure 2 reports the total operating deficit as comprised of the extraordinary costs associated with the pandemic and a structural deficit. In order to concentrate its recommendations on reducing the structural deficit, the Select Committee assumed that the portion of the deficit caused by the pandemic can be addressed by federal stimulus funding, although much remains unknown at this time about the total amount and allowable uses of that funding stream. To the degree that stimulus funding falls short of covering COVID-19's full impact on the VSC's total deficit, the System will have to make up the difference from discretionary revenues derived from the state appropriation and tuition. Nevertheless, the Select Committee interpreted its charge as being focused on the portion of the deficit that the VSC System must close to become fiscally sustainable. To do so, it recommends that the System realize $5M annual reductions in its structural deficit with the support of state investments as presented in Figure 3. Due to the Select Committee's need to focus primarily on the structural component of the VSC's deficit, since that is the component of the deficit that predated COVID and which is likely to worsen without deliberate attention by the Select Committee (and by extension the legislature, the governor, and VSC leadership), Figures 2 and 3 do not show the portion of the deficit that is attributable to COVID-related impacts.

Figure 1. Isolating the Structural Component of VSC's Total Operating Deficit from the Fiscal Impact of COVID-19

	FY 2022	FY 2023	FY 2024	FY2025	FY2026	FY2027 & Beyond
VSC Total Operating Deficit	**45**	**20+?**	**15+?**	**10+?**	**5+?**	**?**
COVID Mitigation (Assumes additional fed stimulus)	20	?	?	?	?	?
Existing VSC Structural Deficit	**25**	**20**	**15**	**10**	**5**	**0**

Note: "?" marks refer to unknown COVID-related costs that may be incurred after FY 2022, as well as any that may be carried forward into future fiscal years if the $20M costs estimated for FY 2022 are not covered in that year.

Figure 2. Schedule for Reducing VSC's Structural Deficit

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 & Beyond
Existing VSC Structural Deficit	**25**	**20**	**15**	**10**	**5**	**0**
Reductions in VSC Structural Deficit (Annual)	5	5	5	5	5	
Reductions in VSC Structural Deficit (Cumulative)	5	10	15	20	25	

Figure 3. State Investments in Transformation and Ongoing Support at VSC to Address the Structural Deficit

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 & Beyond
Historic VSC State Appropriation	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**
Additional State Investments in VSC	**42.5**	**37.5**	**34.5**	**27.5**	**22.5**	**17.5**
State Investments in Transformation	25	20	17	10	5	
State Ongoing Investments in Improved Capacity and Affordability at VSC	17.5	17.5	17.5	17.5	17.5	17.5
Total Non-COVID-Related State Investments in VSC (excludes federal stimulus funding to address COVID-related fiscal impacts)	**73**	**68**	**65**	**58**	**53**	**48**
Additional State Ongoing Investments in Affordability through VSAC	5	5	5	5	5	5
Total State Investments to VSC & VSAC	**78**	**73**	**70**	**63**	**58**	**53**

Note: As a reminder, not included in this table are COVID mitigation costs estimated at $20M in FY 2022 that have deepened the VSC System's overall deficit. It is assumed that these costs will be covered by federal stimulus funding, but the exact amount and allowable use of federal stimulus dollars remains to be determined.

In addition to the historic state appropriation to the VSC System, Figure 3 shows the one-time funds, spread over multiple fiscal years, that will be needed to support the transformation effort. These funds will allow the VSC System to eliminate its structural deficit over the next 4-5 years in a stepwise fashion through reduced costs and enrollment increases among new student populations to be targeted. Operational funding will support the restructuring effort and the aggressive consolidation of administrative services recommended above, while capital funds will enable the System to demolish obsolete and unusable buildings and repurpose others to better support student learning and engagement with employers and the community.

In addition, the VSC System needs additional ongoing state funding to ensure that it has adequate capacity to evolve as needs change, to provide funding support for keeping pace with maintenance requirements, and to begin to address affordability issues that have become serious barriers to student access and success.

Figure 4 summarizes the previous three figures by showing the total state and federal investments in FY 2022 necessary to address the VSC's funding requirements in that year for covering COVID-19 related impacts and for funding the costs of transformation that will begin to reduce its structural deficit.

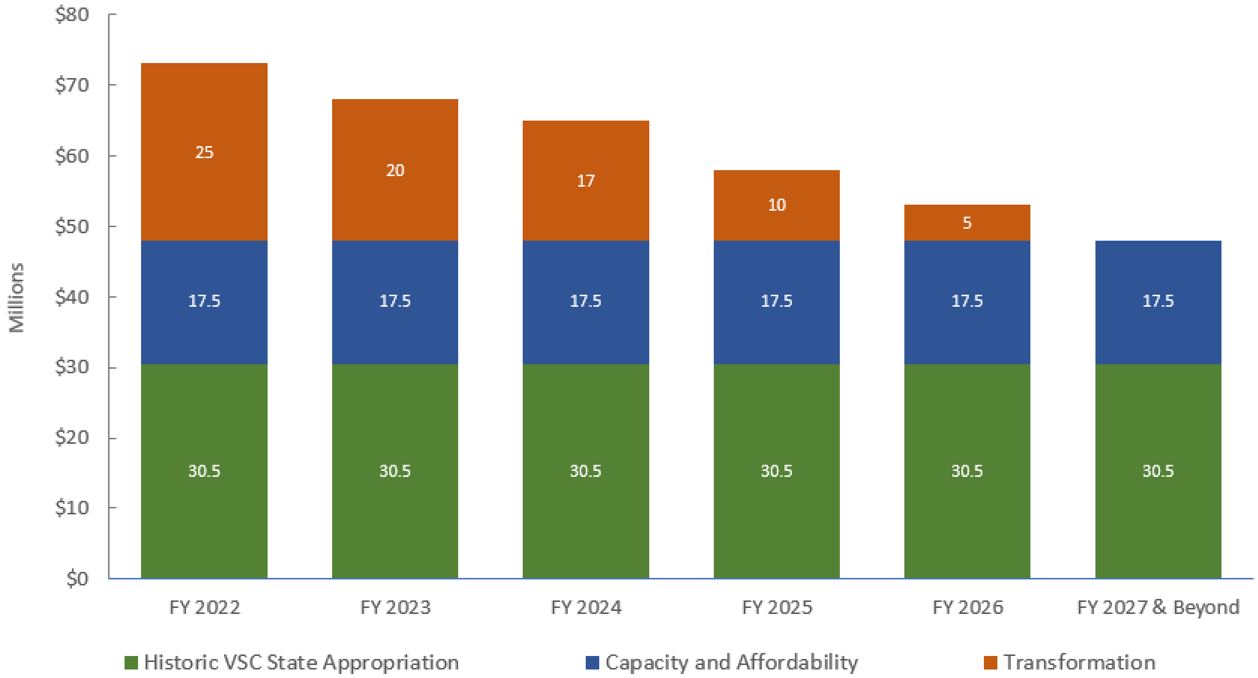
Figure 4. Summary of Total State and Federal Investments in VSC in FY 2022

	FY 2022
State and Federal Investments in COVID Mitigation	20
Historic VSC State Appropriation	30.5
Additional State Investments in VSC in Transformation and in Capacity and Affordability	42.5
Total State and Federal Investments in VSC	**93**

~~In addition to the historic state appropriation to the VSC System, Figure 3 shows the one-time funds, spread over multiple fiscal years, that will be needed to support the transformation effort. These funds will allow the VSC System to eliminate its structural deficit over the next 4-5 years in a stepwise fashion through reduced costs and enrollment increases among new student populations to be targeted. Operational funding will support the restructuring effort and the aggressive consolidation of administrative services recommended above, while capital funds will enable the System to demolish obsolete and unusable buildings and repurpose others to better support student learning and engagement with employers and the community.~~

~~In addition, the VSC System needs additional ongoing state funding to ensure that it has adequate capacity to evolve as needs change, to provide funding support for keeping pace with maintenance requirements, and to begin to address affordability issues that have become serious barriers to student access and success.~~ Finally, Figure 5 graphs the total funding to VSC called for in the Select Committee's recommendations to support transformation, reduce the structural deficit, and ensure the System can address ongoing needs related to capacity and affordability. (A more detailed discussion of this recommendation begins on page 77.)

Figure 5. State Investments in Transformation and Ongoing Support at VSC



Note: Not included in this depiction are COVID mitigation costs that have deepened the VSC System's overall deficit. These costs will be covered at least in part by federal stimulus funding, but the exact amount and allowable use of federal stimulus dollars remains to be determined.

6. **The legislature should adopt an Affordability Standard and charge VSAC with annually reporting on progress in attaining affordability.** The intent of the Select Committee is that all Vermonters should be able to afford to attend any public postsecondary education institution in the state at which they meet admission requirements. In order for policymakers to have information that allows them to understand how close Vermont institutions are to attaining this worthy objective, the SC recommends adoption of a commonly understood definition for what "affordability" means and the production of an annual report indicating performance relative to this goal. The tuition payments made by students have increasingly become the principal source of funding support for the Vermont public institutions they attend. Increasing levels of competition for a shrinking pool of traditional-aged students, combined with a heavy expectation on institutions to raise their own operating revenue through student enrollments, leave policymakers increasingly in the dark about how best to direct state resources to support affordable pricing for Vermont residents. An Affordability Standard, anchored on a reasonable expectation of what a student and his or her family can contribute, can help policymakers recognize where affordability challenges are most acute and respond effectively with policy and funding. (A more detailed discussion of this recommendation begins on page 91.)

~~Finally, t~~This report outlines an aggressive agenda for reforming the Vermont State Colleges in ways that will both ensure the future viability of the institutions and enhance the level of services provided by these institutions to the state and its citizens. Implementing the agenda will require the concerted efforts of numerous policymaking groups and other entities in the state. In order to ensure that the recommendations of this Select Committee are given the best chance at success, this report outlines a series of implementation steps and makes appropriate assignments among the most critical actors, including the VSC Board, the Chancellor's Office, the institutions, the Legislature, the Governor, VSAC, the University of Vermont, and the employers who depend on the VSC System for a supply of appropriately prepared talent. ~~Along with the steps themselves, which are outlined in generally priority order, the report also gives a sense of an appropriate timeline for assessing the VSC System's progress.~~ (The detailed presentation of the implementation steps begins on page 101.)

Along with the implementation steps themselves, which are outlined in generally priority order, the report also gives a sense of an appropriate timeline for assessing the VSC System's progress. In order to set the conditions for ongoing state support in return for measurable progress by the VSC System in implementing the needed changes, this final section also presents suggested metrics by which the governor and the legislature can be provided assurance of that progress. Most of these metrics may be considered "process" metrics, as opposed to performance metrics such as a count of degrees awarded. Process metrics communicate urgency around the transformation agenda and provide evidence that the VSC System, its leadership, and its faculty and staff are taking the difficult steps and building the momentum necessary to create the needed changes outlined in this report. Improvements in student success, affordability, and other calculated outcome metrics are likely to be a product of transformation; measurable changes in such metrics will require time. Two points are crucial in evaluating progress against these metrics: First is the reality that the pandemic and Vermont's and the nation's recovery from it is just beginning and remains fragile. Second, the SC's proposed set of metrics cannot be so inflexible that they serve as a bar to evolution in the VSC System's transformation plan that matches changing conditions and opportunities. Therefore, the SC recommends that appropriate representatives of the legislature and the governor's office be in regular communication about the VSC System's progress against the metrics and be willing to consider adaptations as conditions warrant. (The specific metrics proposed by the Select Committee can be found on page 103.)

As the SC's work concludes with this final report, it notes that the VSC Board and leadership have worked to ensure that the System's plans to transform remain in close alignment with the SC's recommendations. At its February 22, 2021 meeting, the VSC Board adopted an initial transformation plan that provides more detail and a project timeline for the implementation of the SC's recommendations. That plan will be kept up to date on the VSC System's website at https://www.vsc.edu/transformation/.

The SC members have unanimously endorsed the contents of this report and approved its submission to the legislature.

Introduction

After experiencing sustained enrollment losses over many years, and facing worsening demographic conditions and increasing competition for students, the Vermont State College System produced a white paper, *Serving Vermont Students by Securing the Future of the Vermont State Colleges,* that identified six major challenges facing the system:

1. Historically weak demographics
2. Bottom-ranked state support
3. Accelerating pricing pressures
4. Barriers to adaptability
5. Changing student preferences and attitudes
6. Disruptive technology and delivery

Almost before the ink was dry on the white paper, the coronavirus pandemic upended higher education and dramatically deepened the fiscal crisis faced by the VSC System.

In response, in April 2020 the former Chancellor advanced a recommendation to shutter Northern Vermont University (which had only recently been created as a merger of Johnson State College and Lyndon State College) and the Randolph campus of Vermont Technical College, arguing that these closures would help balance the System's budget. While these steps may have righted the system's fiscal ship, they would have also severely reduced the capacity of the system to serve the educational needs of the state and its citizens.

The severity of the System's economic crisis and the radical nature of the steps put forward as necessary to deal with it came as something of a surprise to many in Vermont and led to vocal backlash and to the Chancellor's abrupt resignation. Shortly thereafter, the VSC Board created a task force to review ideas and recommendations about how the System should respond. Named VSCS Forward, the task force consisted of 15 administrative, faculty, and staff leaders. In August 2020 it presented recommendations to the Board to address program duplication, improve efficiency, strengthen program relevancy and delivery, and reconfigure the System.

The recommendation to shutter campuses also catalyzed action by the legislature, which commissioned two studies—one by the State Treasurer and one by Jim Page, former Chancellor of the University of Maine System and a recognized external expert—to review the VSC System's fiscal situation. The studies reached the same basic conclusion and helped convince the legislature to appropriate the nearly $30 million of "bridge" funding needed to address shortfalls caused by unanticipated costs related to COVID-19 and to keep the System afloat until a plan for sustainability could be formulated and implemented.

In addition, the legislature created the Select Committee on the Future of Public Higher Education in Vermont (Act 120) and charged it with "address[ing] the urgent needs of the Vermont State Colleges (VSC) and develop[ing] an integrated vision and plan for a high-quality, affordable, and workforce-connected future for public higher education in the state." Furthermore, the legislation expects the Select Committee to "offer recommendations on how to increase affordability for students, access, retention, attainment, relevance, and fiscal sustainability including the following issues:

1. The financial sustainability of the VSC System and its impact on institutional capacity to innovate and meet State goals and learners' needs…
2. The current organizational structure of VSC…
3. The alignment of the VSC System and workforce development goals, policy frameworks, and partnerships between businesses and institutions of higher education that are designed to meet the needs of employers and promote the public value of education, and
4. Collaboration with the University of Vermont to move Vermont toward meeting the concepts in [#3 above]."

In keeping with Act 120's requirements, the Select Committee, supported by the Legislative Joint Fiscal Office, issued an RFP for a consultant to provide assistance in developing these recommendations. The National Center for Higher Education Management Systems (NCHEMS) was selected and awarded a contract for this work.

There are numerous conditions that have led VSC to the precipice. The two primary factors are demographic conditions—a past and projected decrease in the number of high school graduates—and the historic low levels of state support that has made the institutions increasingly reliant on tuition. This dependence on tuition revenues makes the institutions particularly vulnerable. Because of the demographic realities, the institutions have been forced to increase tuition rates and simultaneously increase their discounting practices—effectively foregoing needed revenue—in order to sustain the levels of tuition necessary to keep themselves afloat. This has the negative affect of making higher education even less affordable and, therefore, less attractive to potential students for whom finances are a determining factor in the decision to attend college at all. The very public recommendation made in April 2020 to close three campuses created uncertainties that further tarnished the attractiveness of these institutions to students. This combination of conditions has pushed the VSC institutions into a downward spiral that will take concerted efforts to reverse.

This report presents the work of the Select Committee, whose members contributed substantial time and energy in reviewing multiple drafts, two interim reports (submitted in December 2020 and February 2021), and numerous comments and input provided by the public, as well as participating in the SC's many public meetings and engaging with stakeholders directly. This report, resulting from this intensive process, outlines an aggressive agenda for reforming the Vermont State Colleges in ways that will both ensure the future viability of the institutions and enhance the level of services provided by these institutions to the state and its citizens. Implementing the agenda will require the concerted efforts of numerous policymaking groups and other entities in the state. Organizationally, this report first describes the work of the SC, including the goals the SC adopted for its own work, based on its charge by the legislature. Next it provides a review of evidence drawn from relevant documents, an extensive analysis of quantitative data, and insights drawn from stakeholder engagement activities; this evidence is then briefly summarized into high-level findings. In order to assess the suitability of recommendations, the SC developed a set of criteria that are presented next. The section that discusses the SC's detailed recommendations follows. Finally, the report concludes with a series of implementation steps that describe the actions required of the various entities in the state.

The SC members have unanimously endorsed the contents of this report and approved its submission to the legislature.

The Work of the Select Committee

The Select Committee, with assistance from NCHEMS, developed and endorsed a set of guiding principles that governed the work of the group. These principles called for a process that was:

- Data-driven, informed by robust analysis of the current realities facing the state and public institutions.
- Consultative and inclusive, incorporating input from a broad range of stakeholders.
- Aware of insights and recommendations from reviews of the Vermont State College System currently underway and completed in the past.
- Based on a respectful—and robust—dialogue about needs and solutions.
- Cognizant of the urgent need for change, providing specific proposals for change and innovation.
- Action-oriented, providing a detailed plan for implementation.
- Future-oriented, envisioning the future postsecondary learning needs of the state.
- Tailored to the unique circumstances of the state.

The intent was to develop a process and a plan that fits the Vermont context, is owned by the SC members, and lays out implementation steps that have a high likelihood of adoption.

The work of the Select Committee (SC) was informed by:

1. The results of data analyses. These analyses covered a broad range of topics including the state's demography, economy, and higher education infrastructure. The data were used to place Vermont in a national and international context and to highlight regional differences within the state. The key findings of these analyses are presented in a subsequent section of this report and additional data charts are presented in an appendix.
2. A review of documents prepared by numerous groups that have grappled with the issues facing VSC and have proposed solutions to those issues.
3. Interviews with numerous individuals and groups including all public higher education institution presidents, VSC System Office Chancellor and senior staff, selected VSC Board members, representatives of executive branch agencies, faculty members, employers, and others. ~~These interviews shaped the early draft of the report.~~

~~3.~~4. ~~Subsequent to the release of the initial report, f~~Focus group conversations ~~were~~ held with employers, educators~~,~~ (including faculty and staff representatives and union leaders), leaders in other executive branch agencies, and civic leaders in order to gather additional input.[1]

~~4.~~5. On-going discussions with members of the Select Committee. The Steering Group of the SC met every two weeks and the full committee met monthly (with additional meetings as needed). Early meetings were devoted to discussions of the criteria that would drive the recommendations of the SC and the process to be followed in accomplishing the work of the group. Next came discussions of the analyses and the conclusions that could be derived from these findings. Finally, the SC held extensive discussions of drafts of the report prepared by NCHEMS staff. These discussions led to revisions and further review.

~~5.~~6. ~~The~~ A draft report delivered to the legislature and the Governor in December and a revised report delivered in February in accordance with the requirements of the authorizing legislation. ~~A final report will be completed and submitted in April.~~

NCHEMS' role in this process has been to intensively support all aspects of the SC's work, including facilitating meetings of the SC, conduct the underlying analyses and synthesize insights gleaned from interviews and focus groups, advance proposed recommendations for the SC's consideration, and draft each version of the report.

The Ends to be Served—State Goals and Student Needs

The charge to the Select Committee states that the Committee should make recommendations regarding "the financial sustainability of the VSC system" as judged through the lens of having "impact on institutional capacity to innovate and meet State goals and learners' needs." As one of its first activities, the SC deliberated how best to further clarify these statements, ultimately agreeing upon and adopting the following goals.

~~a. The work was framed by agreement about the following goals.~~

i. The committee interprets "meeting learner needs" to mean:
   1. Providing access to relevant academic programs in all regions of the state—relevant means programs that prepare students for the world of work and for participating in a democratic society.
   2. Ensuring that these programs are available to students regardless of income, race/ethnicity, national origin, parents' education, age, sex, gender identity, disability, prior academic experience, or place of residence.
   3. Students are provided the necessary support to ensure that they can succeed in their academic endeavors—they successfully complete their programs of study. Necessary support includes access to broadband and the technology necessary for on-line learning.

[1] NCHEMS gratefully acknowledges the New England Board of Higher Education (NEBHE), who collaborated in the design of the focus groups and led the facilitation of them.

4. Institutions in the VSC system are affordable to all students regardless of their economic circumstances.

ii. The committee interprets “meeting state needs” to mean:

1. Fulfilling the state’s workforce development needs—meeting the needs of employers in all sectors of the state’s economy (including the creative economy).
2. Preparing students for participation in the world of work and in democratic society.
3. Reducing gaps in educational opportunities available to students of all types and from all communities throughout the state.
4. Stimulating and supporting the economic and cultural vitality of the state and its communities.
5. Attracting and retaining talent to a vibrant and growing Vermont economy fueled by an entrepreneurial spirit, creativity, skilled labor, and relevant basic and applied research supplied by thriving VSC institutions.
6. Being a good steward of public funds and of funds received from tuition payments through efficient academic and administrative operations/functions.

iii. The committee interprets “innovate” to mean:

1. That VSC institutions offer postsecondary educational programs and credentials aligned with the needs of students (of all kinds, including adult and lifelong learners), the business community, and the state.
2. Adapting/enhancing the ways VSC institutions deliver programs in order to overcome deficiencies in service to students and the state.
3. Changing how VSC functions—the ways in which it organizes and delivers administrative services and educational programs–in order to ensure its financial viability.
4. Adjusting state-level policies to ensure that the VSC System is oriented toward serving the needs of students and the state.

iv. Additionally, the SC ~~anticipates~~ agreed that the final products of its work ~~will~~ should~~(by April 2021)~~:

1. Include an implementation plan that outlines the roles and responsibilities of key parties to a ‘compact’ for public postsecondary education for Vermont.
2. Lead to the e~~E~~stablishment of key metrics for performance, outcomes, funding and accountability—linking performance metrics to each goal in the plan.
3. Be addressed to the roles that public postsecondary education must play—including not just VSC institutions but also UVM and the state’s adult-focused career/tech education.
4. Ideally position Vermont as a national leader among similarly situated states in addressing the realities facing public postsecondary institutions and systems, particularly those searching

for alternatives to circumstances facing public higher education caused by unfavorable demographics, declining enrollment, low state investment, and constraints of legacy systems, etc.

Document Review (NEBHE Overview in Appendix C)

~~(To be more fully developed)~~An early step in the development of actionable recommendations was to identify and review relevant documents. These included the enabling statutes for the VSC System and its by-laws, related statutes addressing workforce and economic development, as well as other important governing documents and policies. Additionally, the challenges facing the VSC System have been the subject of other studies by various parties, including reports drafted by the Chancellor's Office, the VSCS Forward task force created by the VSC Board, analyses by the State Treasurer and by former University of Maine Chancellor Jim Page, and external organizations like the Labor Task Force and VSCS Thrive.

With respect to the relevant governance documents, NCHEMS' review found that the enabling act for the VSC System does not provide guidance about the broad public purpose of the VSC System. In § 2171(a), the VSC System is directed to "plan, supervise, administer, and operate facilities for education above the high school level supported in whole or in substantial part with state funds." The statute specifies the limits of the VSC Board's authority to dispose of any real property under its ownership, as well as restricting the Board's ability to close a constituent institution without legislative approval. In 2016, the VSC Board was able to consolidate the former Johnson State College with the Lyndon State College into Northern Vermont University without seeking legislative approval, although all campus sites were maintained in the process. This established a precedent for the VSC Board to exercise its authority to reorganize institutions under its control so long as it does not explicitly close an institution. The remaining language in this authorizing statute addresses the organization of the VSC Board of Trustees, accounting-related matters, and the determination of state residency for tuition purposes. By its silence, the statute leaves any more detailed expressions of the public purpose of the System and the missions of its institutions to the VSC Board.

The VSC System's by-laws subsequently delegate considerable authority to the Chancellor, including direct supervision of the institutions' presidents. The Board retains ultimate authority to hire, compensate, and discipline institutional presidents, but the by-laws indicate that the Board will consider the Chancellor's recommendations. Other policy matters relevant to the SC's charge are addressed by the Policy and Procedure Manual, which the Chancellor develops for the Board's review and approval. The Policy and Procedure Manual addresses the System's resource allocation policy (which is currently suspended as the Chancellor's Office and the Board develop a consolidated budget for the System), as well as policies regarding program array, including program review and approval, the treatment of low-enrolled courses, etc. In sum, a review of the relevant governing documents demonstrates that the VSC Board has wide latitude to define the System's purpose, develop and execute a long-term plan, organize the institutions under its control (apart from closing an institution), allocate funds to institutions from state appropriations and tuition revenue, set tuition prices, establish the terms and conditions of employment, and set academic policy.

In addition to the governing documents, NCHEMS reviewed other reports and studies of the VSC System. Generally, these documents overlapped considerably in terms of findings. Among those reports that advanced recommendations, there was also a number of recommendations that had characteristics in common with the SC's draft reports. For instance, Jim Page's report and the studies produced by NVU Strong, the VSCS Forward task force, and the Labor Task Force all articulated the need for VSC to implement the sharing of academic programs across institutions through the adoption of flexible delivery models and more seamless credit recognition policies and practices, as well as a more deliberate calibration of programming to workforce demands. Other recommended solutions were conceptually similar to the SC's reports but with substantive differences in important respects; differences aside, there was at least a common fundamental architecture in the shape of the potential solution. Of particular note is that recommendations for restructuring routinely included the unification of at least some of the VSC institutions under a common accreditation and consolidation of administrative services. NEBHE supported the effort by capturing the recommendations in these various reports and studies and providing a high-level overview that was considered in the formulation of SC recommendations (see Appendix C).

a. ~~Reference statement about the expectation for providing postsecondary education "substantially at the state's expense."~~
b. ~~Legislature provides little guidance in enabling statutes nor in appropriations bills.~~
c. ~~State statute invests nearly all requisite authority in the VSC board, with the exception of closing an institution.~~
d. ~~By-laws delegate considerable authority to the chancellor~~
    i. ~~Resource allocation policy (currently suspended) has flaws, but recent changes to present a consolidated budget is a step in the right direction.~~
    ii. ~~Policies regarding program array, including evaluation, low-enrolled courses, etc.~~
e. ~~Convergence around some principles and some recommendations among multiple groups examining the VSC challenges.~~
    i. ~~System-ness~~
    ii. ~~Calibration of program array to workforce needs.~~

An Overview of the Quantitative Evidence

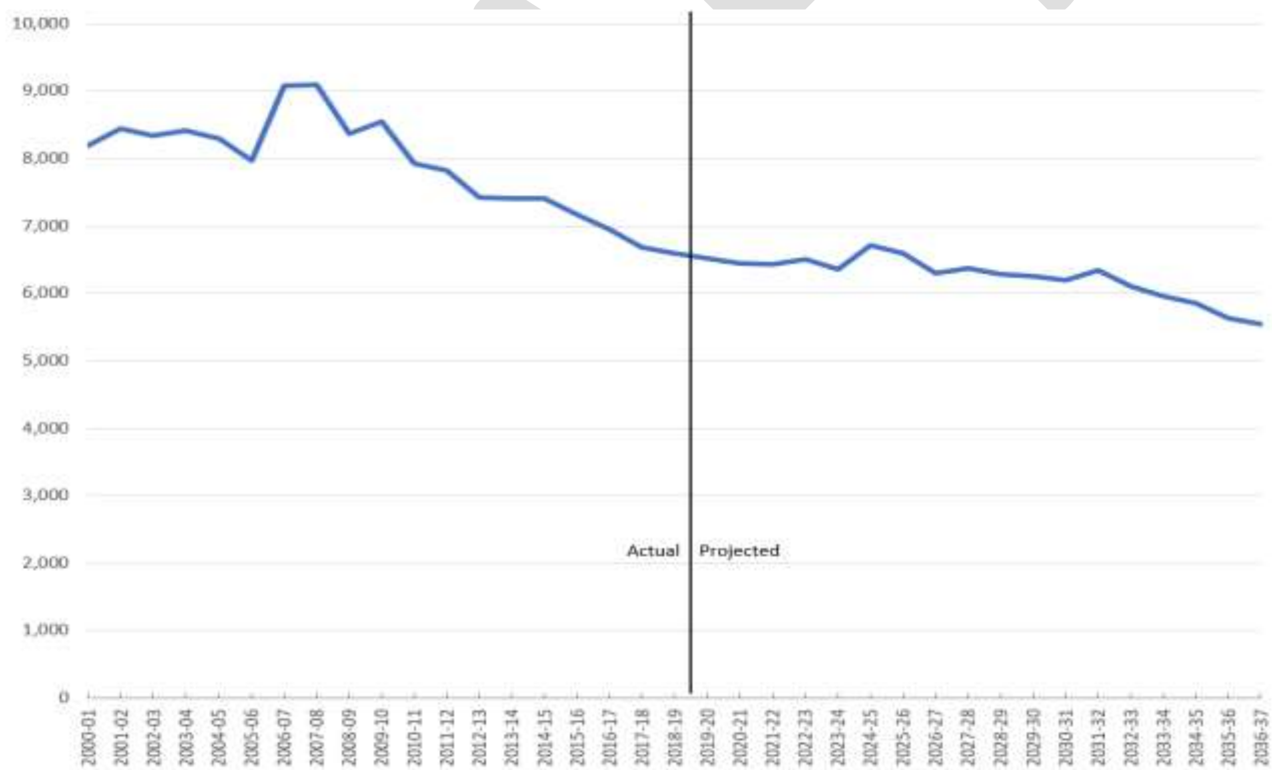
In order to provide a solid foundation of evidence on which to develop and evaluate recommendations, the Select Committee reviewed environmental scan data. NCHEMS obtained and analyzed data from publicly available national sources, especially from the U.S. Census Bureau and from the National Center for Education Statistics, and data supplied by request from the VCS System, UVM, and VSAC. NCHEMS also gathered data from the state's Agency on Education and from the Department of Labor. Finally, some data on workforce demands were gathered from EMSI, an organization that licenses data it gathers by "scraping" job postings and resumes off the internet.

This section highlights key observations drawn on the data. Additional data exhibits are provided in Appendix B.

The Pool of Potential Students

Vermont faces starkly unfavorable demographic conditions. The number of graduates expected to graduate from public and private high schools in Vermont has been falling since reaching a peak at over 9,000 in 2008. By 2018, that number had dropped to about 6,600. Projections indicate that the number of Vermont high school graduates will hover between 6,400 and 6.700 graduates through 2026, after which the projected numbers resume a steady decline over the subsequent decade (Figure 6). Projections for the New England region are similar, though slightly more positive over the short term—roughly 11,500 more graduates are expected throughout the region between 2020 and 2025, equal to growth over that period of just under two percent.[2] Given Vermont institutions' dependence on the supply of high school graduates, the current period of relatively steady graduate numbers provides a limited amount of time for the VSC institutions to transform and adapt before conditions resume deteriorating.

Figure 6. Vermont Public and Private High School Graduates



Source: WICHE.

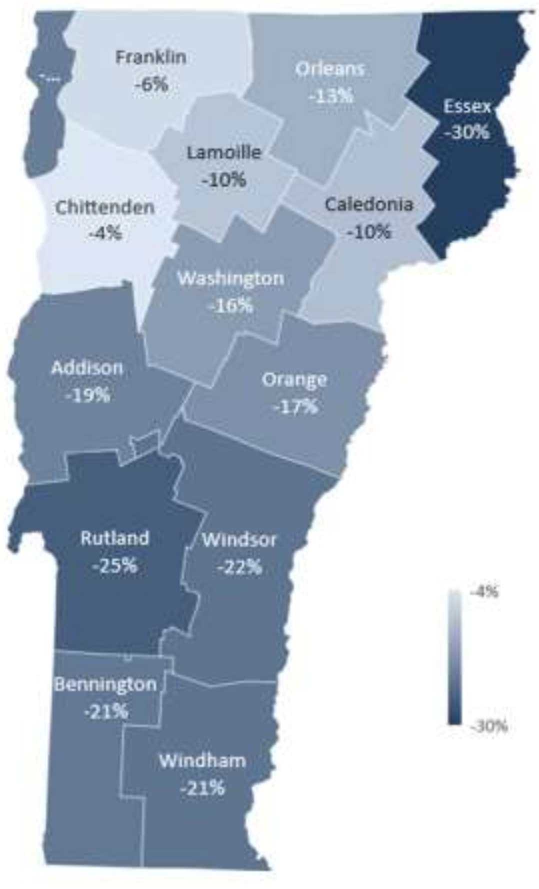
Population projections for other age groups also indicate falling numbers. According to the most recently available projections, the State expects its population of working-age adults (aged 25-64 years old) to be nearly 50,000 lower in 2030 than it was in 2010, a decline of about 14 percent.

---

[2] WICHE (2020). *Knocking at the College Door.* NCHEMS calculations.

Expectations are that all the state's counties will see declines, with the largest occurring in the southern tiers of counties and in Essex County (Figure 7).

Figure 7. Projected Percent Change in Population of Adults Aged 25-64, 2010-2030

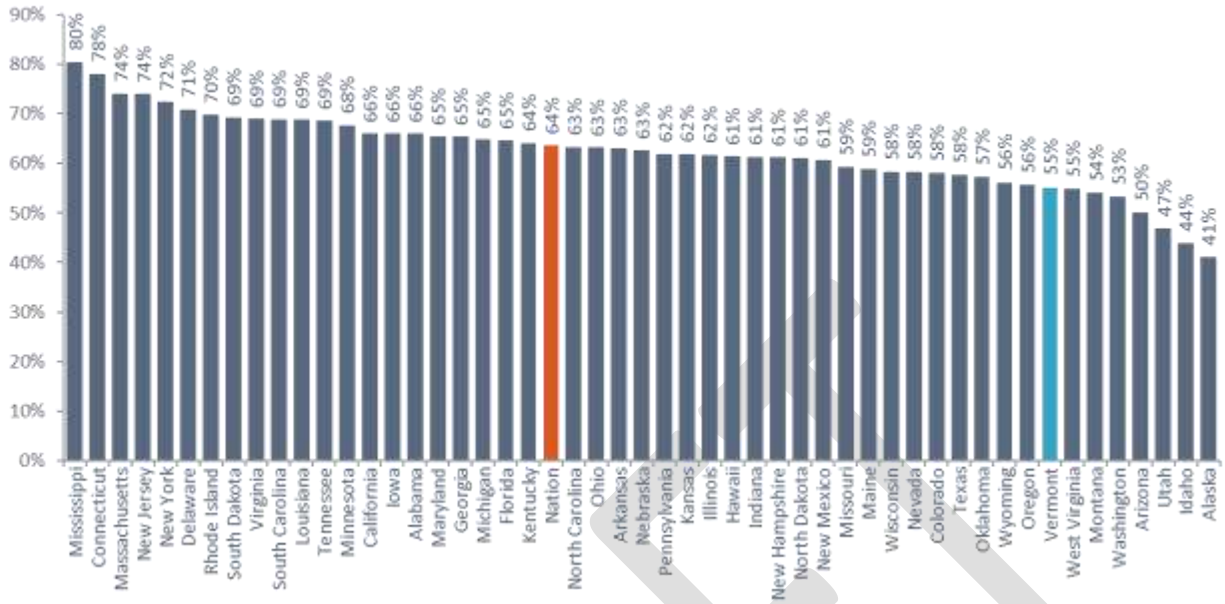


Source: State of Vermont, Vermont Population Projections – 2010 – 2030, August, 2013; Ken Jones, Ph.D., Economic Research Analyst

<u>College-Going Rates</u>

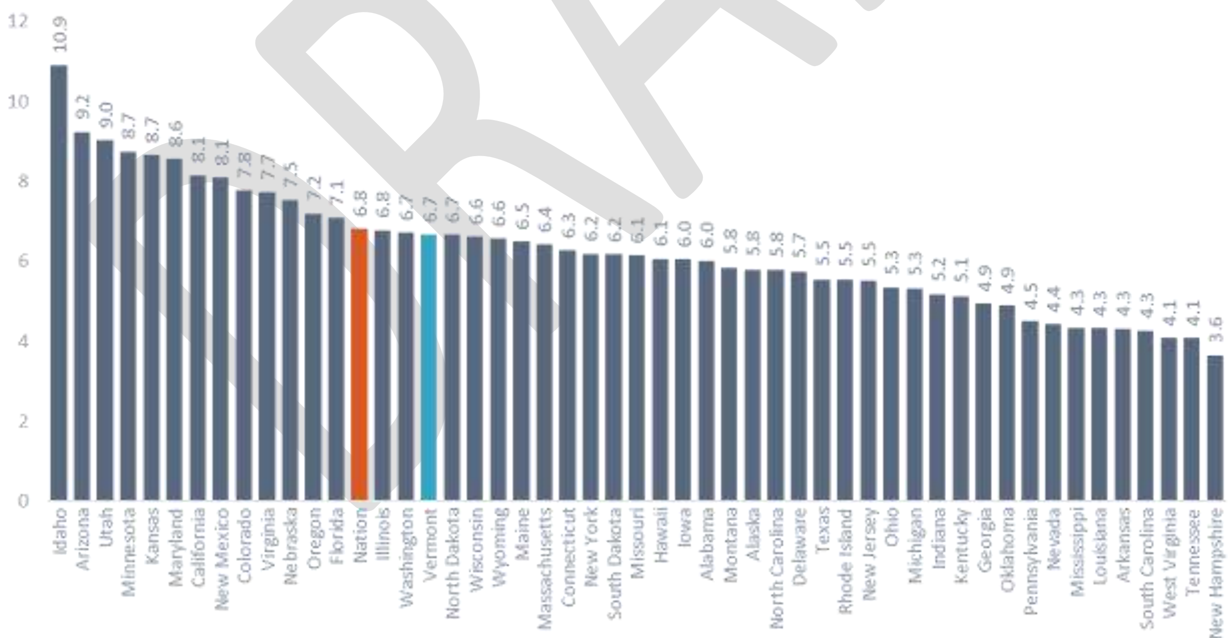
While Vermont boasts a lofty high school graduation rate relative to other states, its college-going rate among recent high school graduates is low. Figure 8 shows that, at 55 percent, only seven states have lower rates. Participation of Vermonters aged 25-49 years old is relatively better, about at the national average (Figure 9).

Figure 8. Percent of High School Graduates Going Directly to College, 2018



Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2016; NCES, IPEDS Fall 2018 Residency and Migration File; ef2018c Provisional Release Data File.

Figure 9. Undergraduate Enrollment Age 25-49 as a Percent of Population Age 25-49 with Less than an Associate's Degree, Fall 2017



Sources: NCES, IPEDS Fall 2017 Enrollment File; ef2017b Provisional Release Data File; U.S. Census Bureau, 2017 American Community Survey One-Year Public Use Microdata Sample.

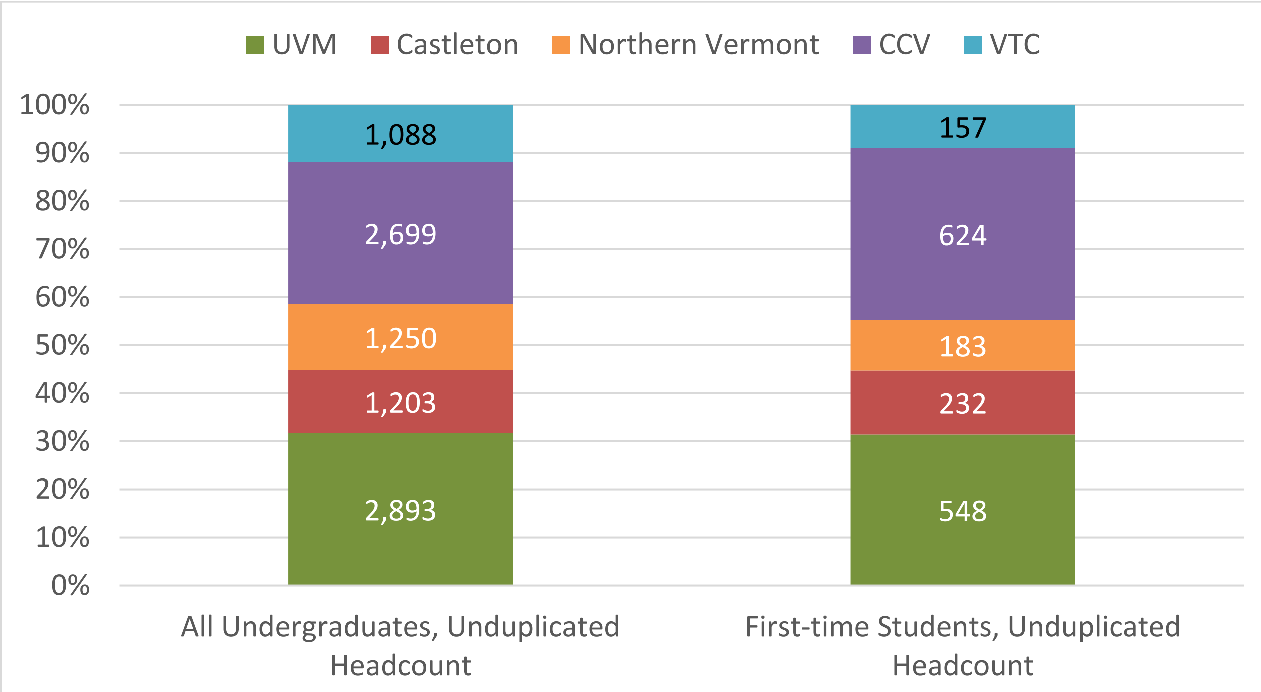
Enrollments by Institutional Sector

Postsecondary enrollment in Vermont is heavily concentrated at UVM and at private non-profit institutions. In 2019, UVM and the private institutions enrolled about 75 percent of total undergraduate students (Figure 10). But a closer look at the enrollment of Vermont residents shows that the VSC institutions play a significantly more important role, especially among first-time students (Figure 11).

Figure 10. Enrollment at Vermont Postsecondary Institutions by Sector, 2019

Source: NCES IPEDS.

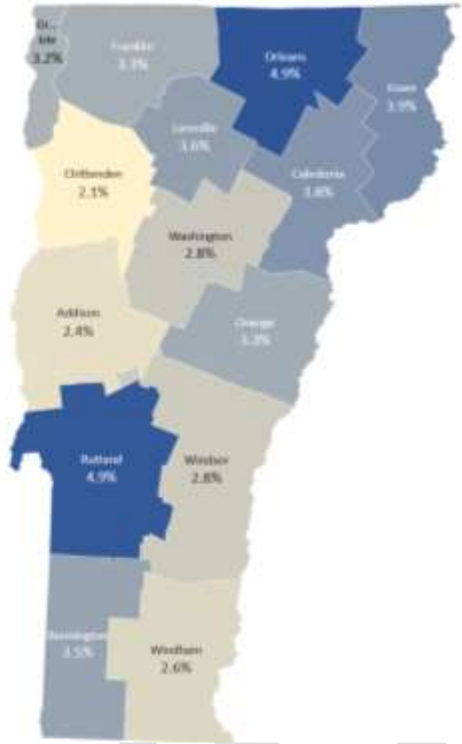
Figure 11. Undergraduate Enrollment of Vermont Residents, 2019



Source: VSC Chancellor's Office, University of Vermont

A more fine-grained analysis makes it apparent that the VSC institutions provide a point of access for students who hail from counties throughout the state (Figure 12). Measured against the population of Vermont counties, it is evident that VSC institutions are a major point of access for the counties in the Northeast Kingdom and in the southern portion of the state, counties that are less likely to show up as thriving in measures of educational attainment, population growth, and income.

Figure 12. VSC Undergraduate Enrollment by County, 2019



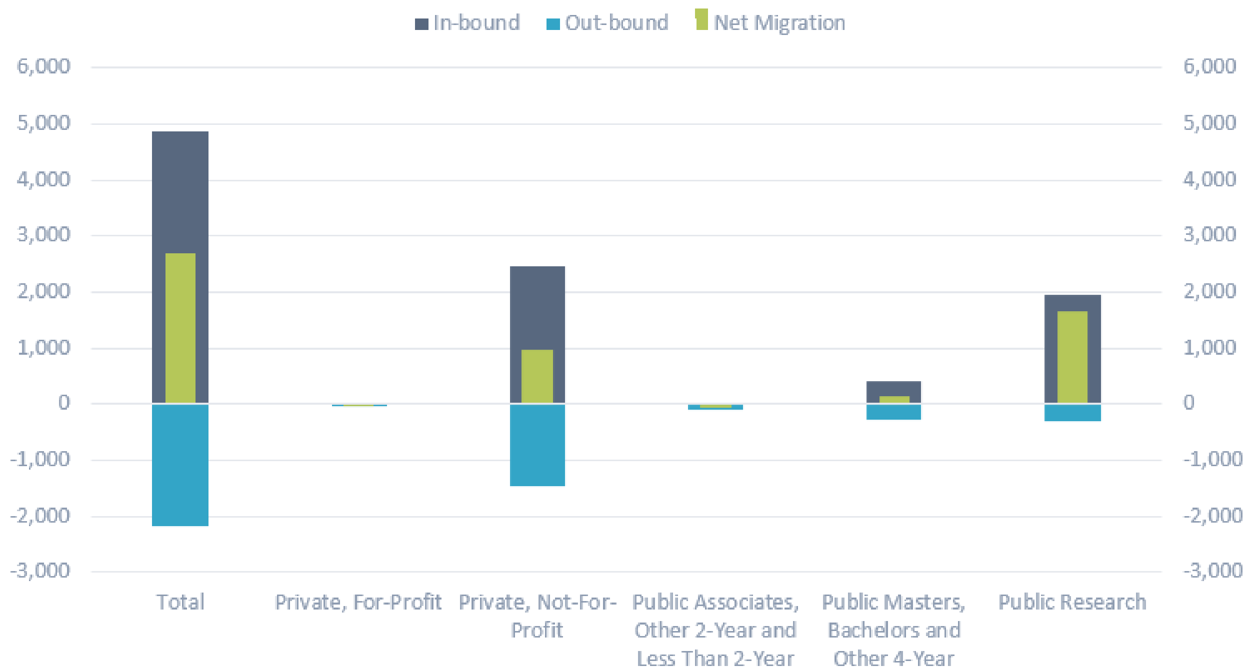
Note: Data are unduplicated undergraduate headcount as a percent of 18-44 year old population by county.
Source: Vermont State Colleges; U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates.

In- and Out-Migration of Students

A review of data also reveals that the migration of students into and out of the state is a major feature of the postsecondary landscape in Vermont, as well as more broadly throughout New England. Vermont is among the heaviest net importers of first-time postsecondary students in the nation. While the private non-profit sectors and UVM are especially active in attracting students from elsewhere, the VSC institutions also enroll more nonresidents than the number of Vermont residents who left the state to attend similar types of institutions (Figure 13). Across the VSC institutions in fall 2018, 76.4 percent of first-time students were in-state students, while about one in five hailed from New York, New Hampshire, Massachusetts, Connecticut, New Jersey, Maine, or a foreign country. By comparison, UVM's first-time students were much more geographically diverse; only about 22 percent were Vermonters, with the leading sources of nonresidents being Massachusetts, New York, Connecticut, and New Jersey, each of which supplied at least seven percent of the entering class that fall. These patterns have a major impact on institutional finance, a point that will receive more focused attention below.

Although Vermont has a history of successfully attracting out-of-state students, it also loses a substantial portion of its own residents to institutions in other states. The list of states where Vermonters were most likely to enroll is shown in Figure 14. The number of Vermonters who left to enroll at institutions in just these 10 states was almost as large as the number of Vermonters who enrolled as in-state first-time students at all of the state's public institutions combined.

Figure 13. Migration of First-Time Degree/Certificate-Seeking Students, Fall 2018



Source: NCES IPEDS.

Figure 14. Top 10 Destinations for Vermont Residents, by State, 2018

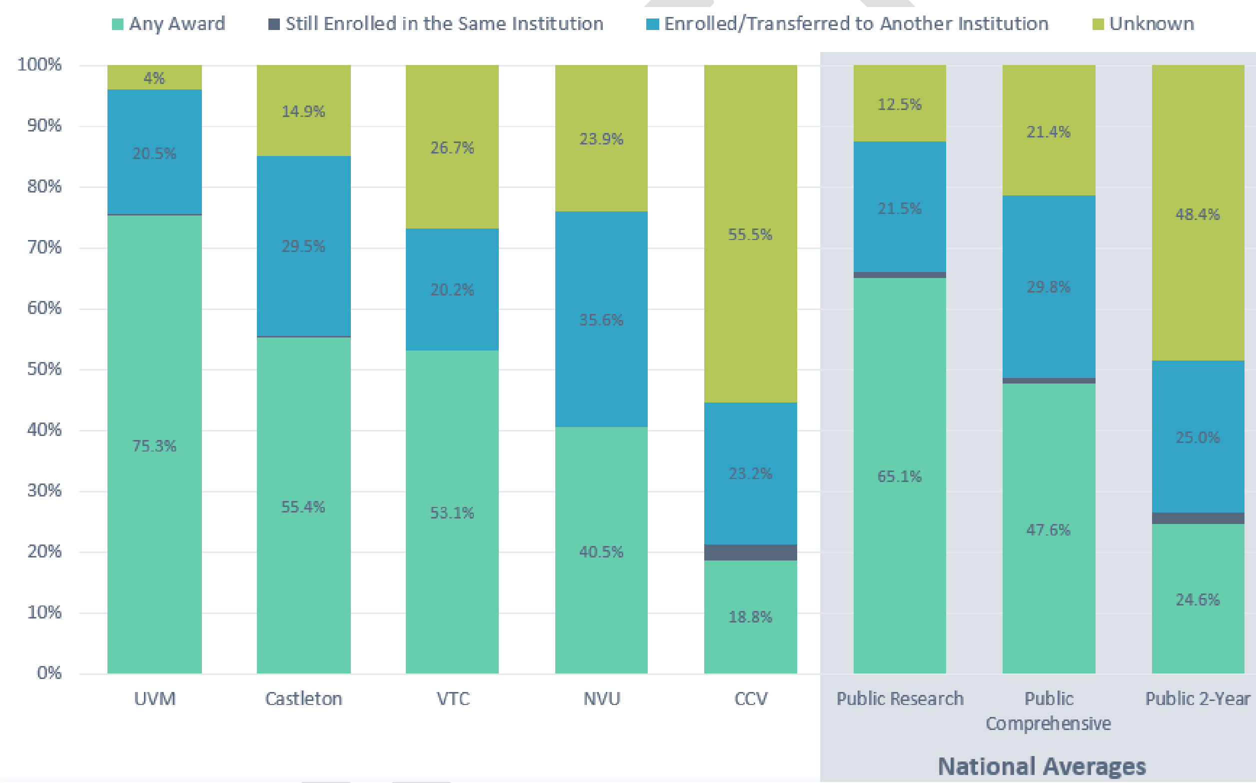
State	Number of First-Time Undergraduates
New York	453
Massachusetts	391
New Hampshire	285
Maine	185
Rhode Island	89
Pennsylvania	79
Connecticut	77
Ohio	67
Florida	58
Colorado	49
Total of Top 10 Destinations	1,733

Source: NCES IPEDS.

Student Success

The evidence suggests that there is room for improvement in student success, especially at VSC institutions and among low-income students. Among students who initially enrolled as full- or part-time students in 2010-11, the share who earned an award from VSC institutions was just above 50 percent for Castleton and VTC, just over 40 percent at NVU, and less than 20 percent at CCV. Large proportions across all VSC institutions transferred to some other institution over that period. A deeper analysis of these data reveals that Pell recipients at CCV are more likely to earn a degree from CCV, while a larger proportion of non-Pell students wind up enrolling at another institution. More analysis would be needed to confirm what accounts for that finding, but it could be that transfer pathways are working better for students with more income than for students of lesser means, or the different groups were pursuing different educational objectives.

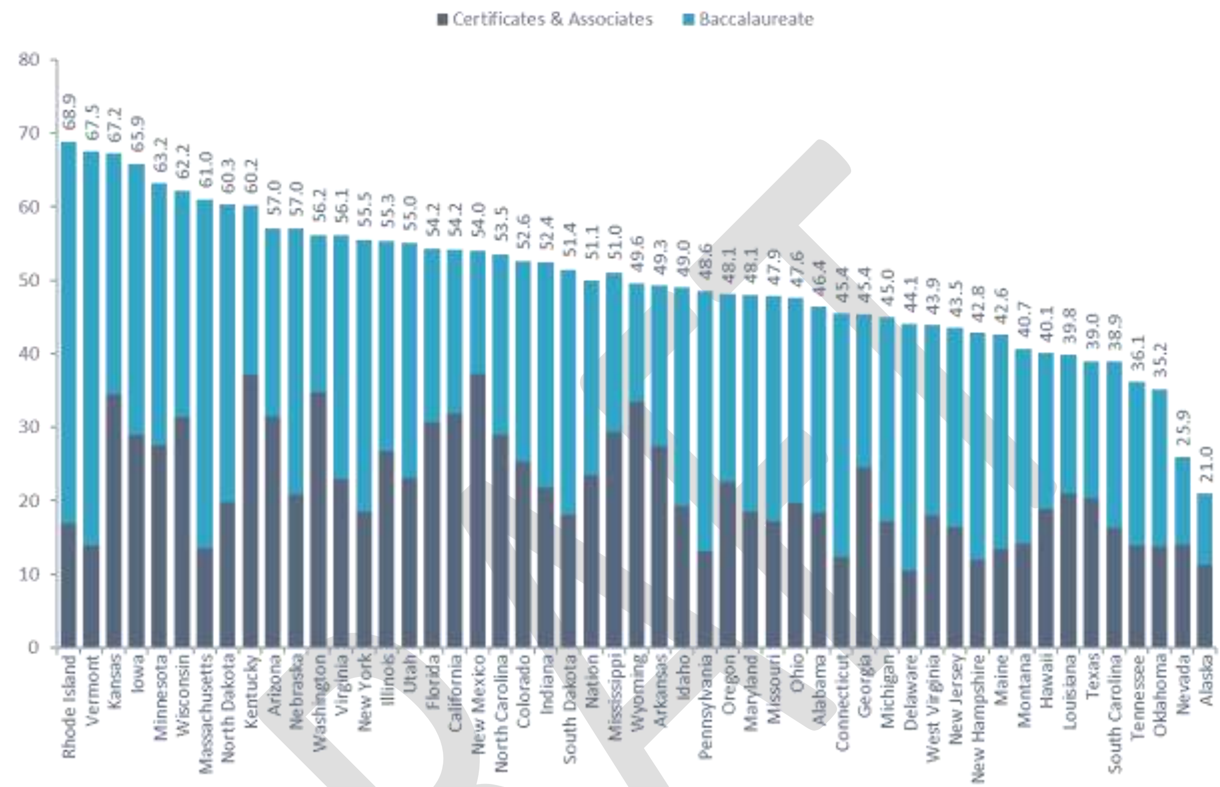
Figure 15. Outcomes at 8 Years of First-Time Students in 2011-12



Note: Data are for all first-time students. Completion/still enrolled status is unknown at the destination institution for students who enrolled/transferred to another institution.
Source: NCES IPEDS 2019 Outcomes Measures Survey.

Postsecondary institutions in Vermont place a heavy emphasis on baccalaureate-level programs and a comparatively less emphasis on workforce-oriented certificate and associate programs. Figure 16 shows that institutions in Vermont produce undergraduate awards at an unusually high rate relative to the number of state residents who do not already one—this is inflated relative to other states with a less-well-educated population and to the infusion of so many nonresidents. Comparing the number of sub-baccalaureate awards to baccalaureate awards (the dark section of each bar versus the brighter section) illustrates how relatively few sub-baccalaureate awards Vermont institutions produce.

Figure 16. Undergraduate Awards per 1,000 Population Age 18-44 with No College Degree, 2017-18

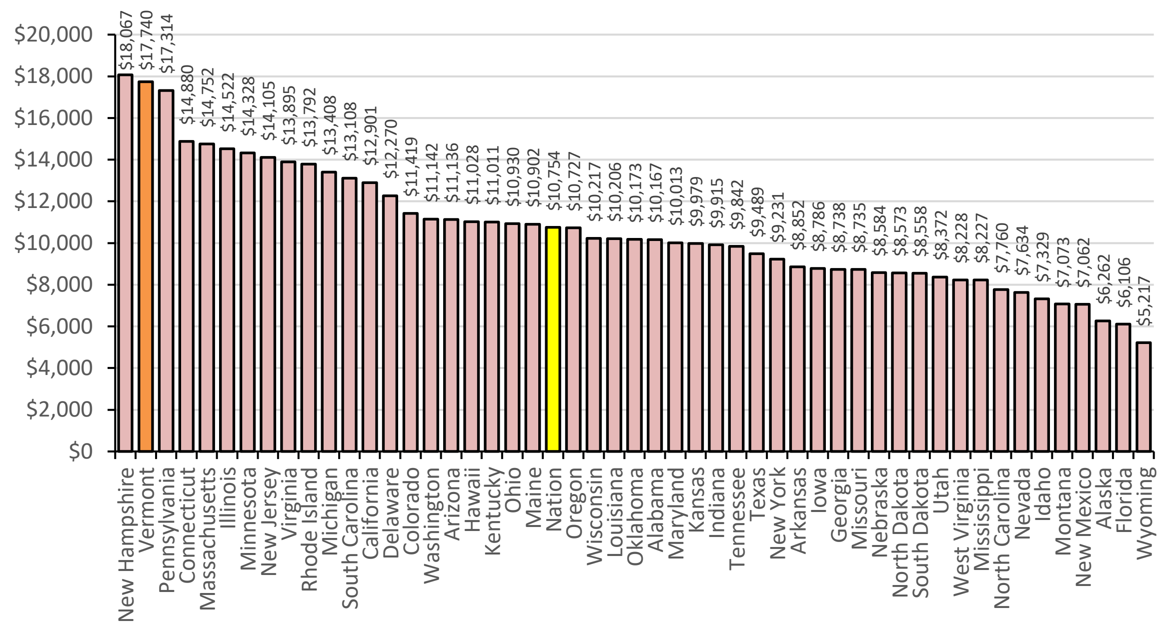


Sources: NCES, IPEDS 2017-18 Completions File; c2018_a Provisional Release Data File. U.S. Census Bureau, 2018 American Community Survey One-Year Estimates; Table B15001.
Note: Awards aggregated for Public and Private Postsecondary Title IV Degree-Granting Institutions in the 50 States and District of Columbia. Awards include first majors only.

<u>Affordability to Students</u>

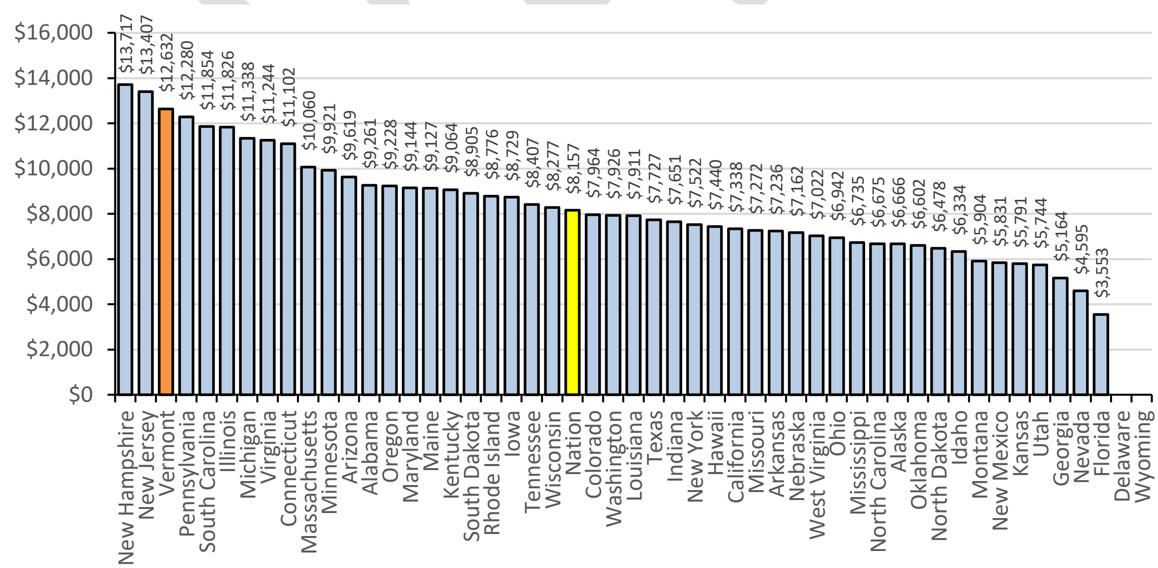
Finally, Vermont's public institutions are well known for being unaffordable relative to institutions in other states based on several affordability measures. Published tuition and fees charged to in-state students rank second or third across all sectors among all states (Figure 17-Figure 19).

Figure 17. Average In-State Tuition & Fee Charges, 2017-18, Public Research Universities



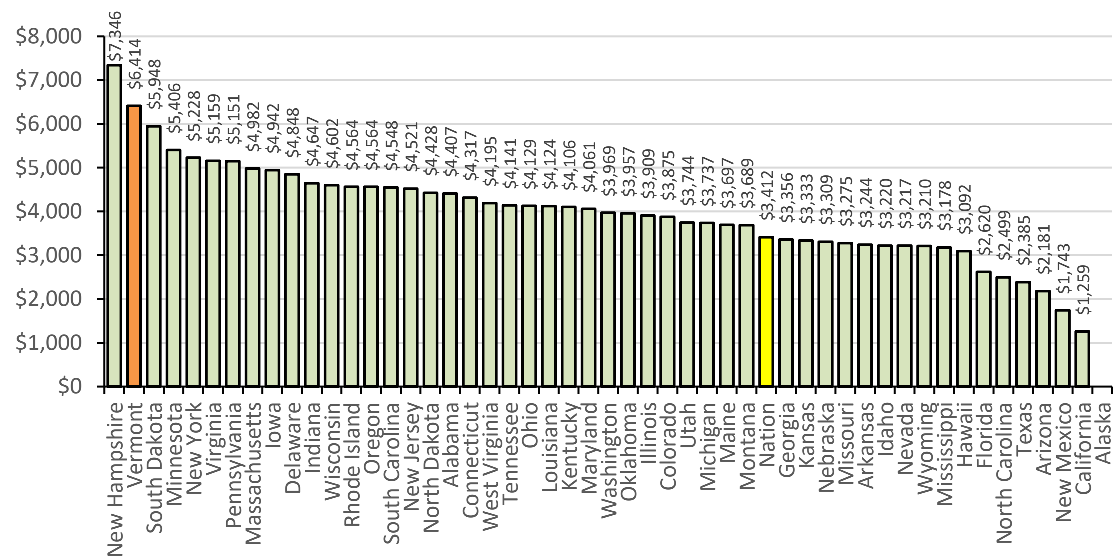
Source: NCES, IPEDS 2017-18 Institutional Characteristics Files, Fall 2017 Enrollment Files.

Figure 18. Average In-State Tuition & Fee Charges, 2017-18, Public Comprehensive Institutions



Source: NCES, IPEDS 2017-18 Institutional Characteristics Files, Fall 2017 Enrollment Files.

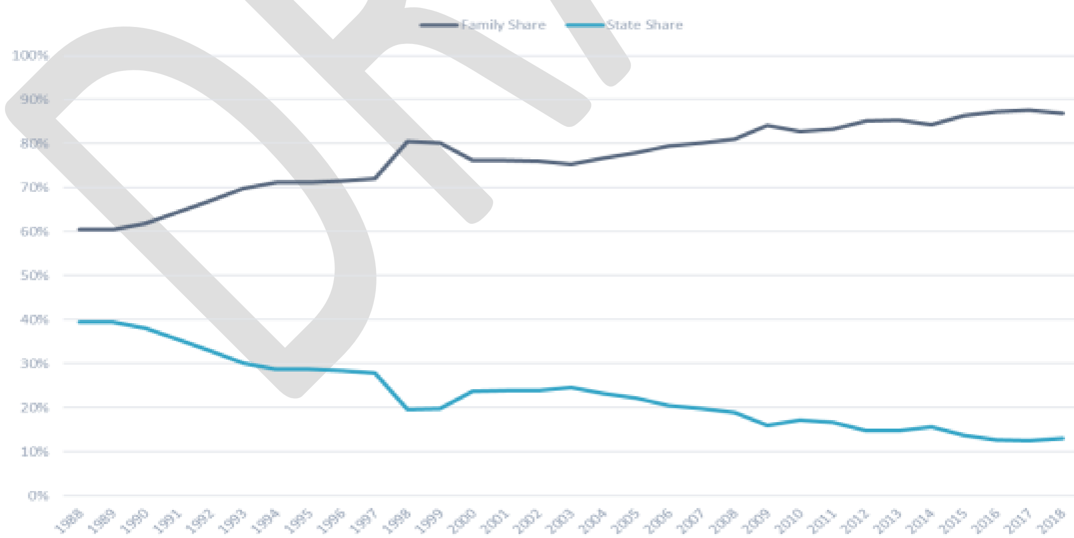
Figure 19. Average In-State Tuition & Fee Charges, 2017-18, Public Two-Year Institutions



Source: NCES, IPEDS 2017-18 Institutional Characteristics Files, Fall 2017 Enrollment Files.

Vermont's low level of support for its public institutions make them heavily reliant on funding from tuition revenue, a condition that has worsened over the years (Figure 20). Today, in no other state do students cover a larger share of the costs of higher education than Vermont, where students shoulder 87 percent of the burden. New Hampshire, at 78 percent, is the next most reliant state.

Figure 20. Family Share of Public Higher Education Operating Revenues, Vermont

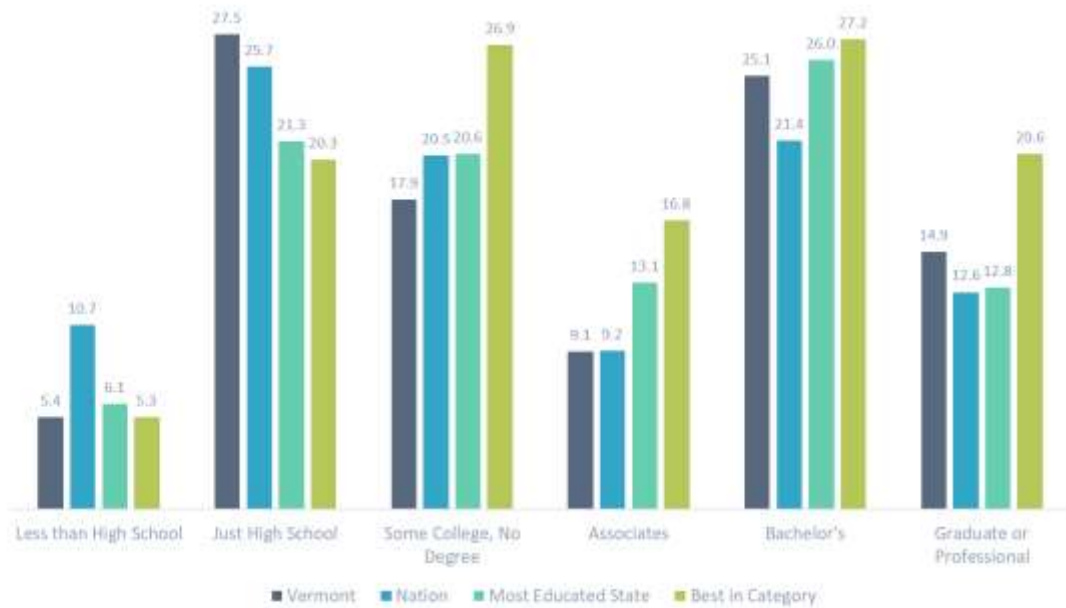


Source: SHEEO

Education Attainment

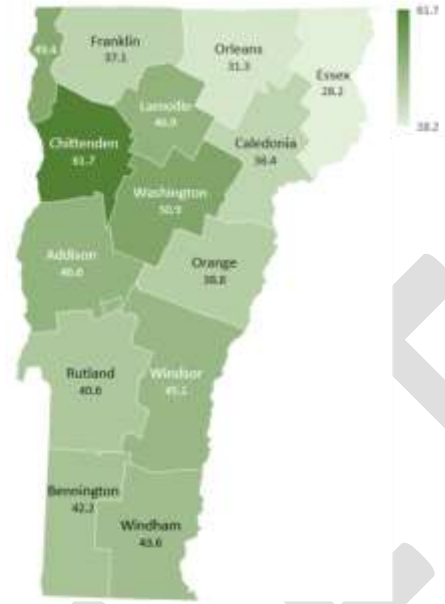
Vermont boasts a relatively well-educated population in comparison to other states—at 51.5 percent of residents with a high-quality certificate or higher in 2018, it outpaced the national average of 47.9 percent. This high attainment rate is the result of the state's having a heavy concentration of residents with a bachelor's degree or above (Figure 21). Vermont also is a national leader in having low proportions of residents with less than a high school education; that fact is mitigated by the presence of a large number of residents whose education does not extend beyond high school. Vermont is especially low in the proportion of its population with sub-baccalaureate credentials—associate degrees and high-quality certificates. Vermont is among 10 states with no more than two percent of the population with the latter credential—tied for last in the nation. Moreover, those with at least an associate degree are heavily concentrated in Burlington and the surrounding communities; Chittenden County's rate is more than double that of Essex County, where attainment rates are lowest (Figure 22).

Figure 21. Educational Attainment of Working Aged Adults Aged 25 to 64 – Vermont, the US, and the Most Educated State (2018)



Source: U.S. Census Bureau, 2018 American Community Survey One-Year Estimates; Table B15001.

Figure 22. Percent of Adults Aged 25-64 with an Associates or Higher by County, 2014-18

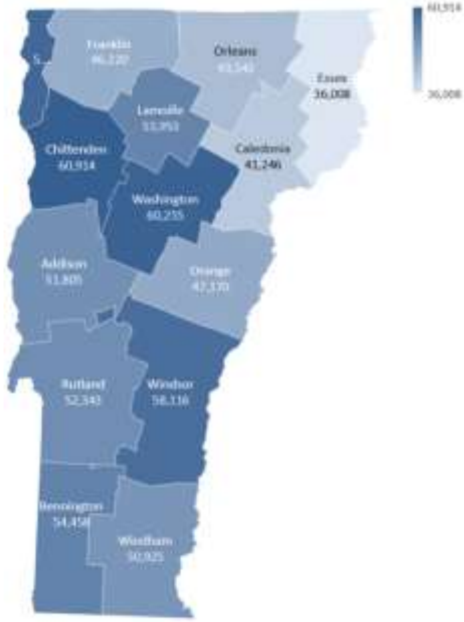


Source: U.S. Census Bureau, 2014-18 American Community Survey Five-Year Estimates; Table B15001.

<u>Income Levels</u>

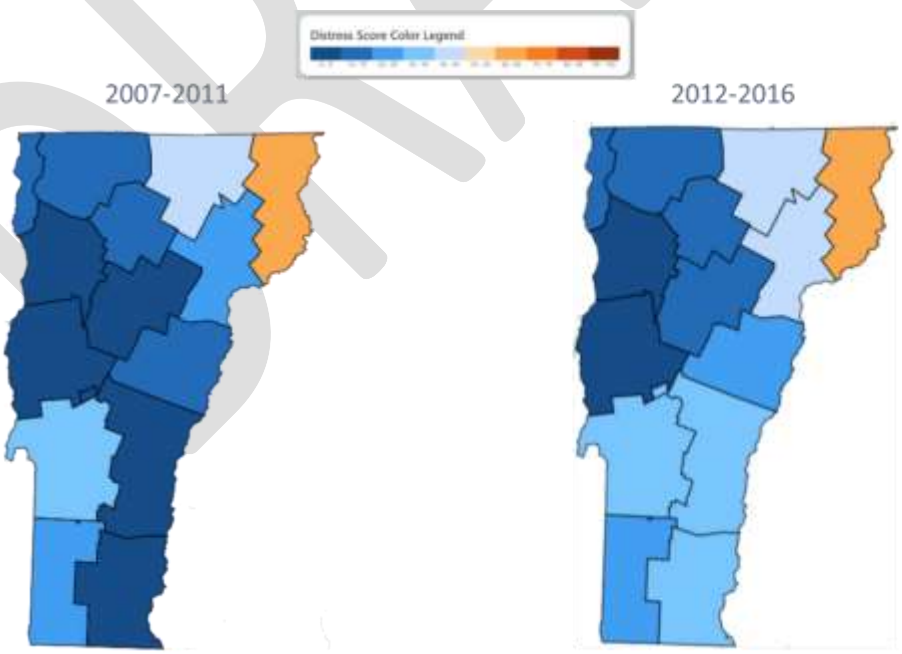
While the statewide average per capita income is just slightly below the national average, income levels vary considerably within the state; this should come as no real surprise given the increasingly tight linkage between education attainment levels and earning opportunities. Economic opportunity in the Northeast Kingdom is sharply lower than that in other parts of the state (Figure 23). An index using multiple measures tracking the vitality of local communities reinforces a picture of uneven opportunities in Vermont. Most obvious in Figure 24 is how the Northeast Kingdom is relatively distressed when measured in terms of income and educational opportunities, as well as workforce participation, business development, and housing occupancy. Less obvious but equally troubling for the state is a general downturn in the fortunes of many counties throughout the state as is shown by a comparison of the index over time. Between 2007-2011—during the depths of the recession—and 2012-2016, counties in the eastern half of the state especially saw their index scores fall; even Washington County appears to have lost ground.

Figure 23. Per Capita Income by County, 2018



Source: U.S. Bureau of Economic Analysis

Figure 24. Distressed Communities Index[3]



Source: Economic Innovation Group.

[3] The Distressed Communities Index (DCI) is a comparative measure of the vitality and wellbeing of U.S. communities, and combines seven complementary metrics into a holistic measure of comparative community economic well-being.

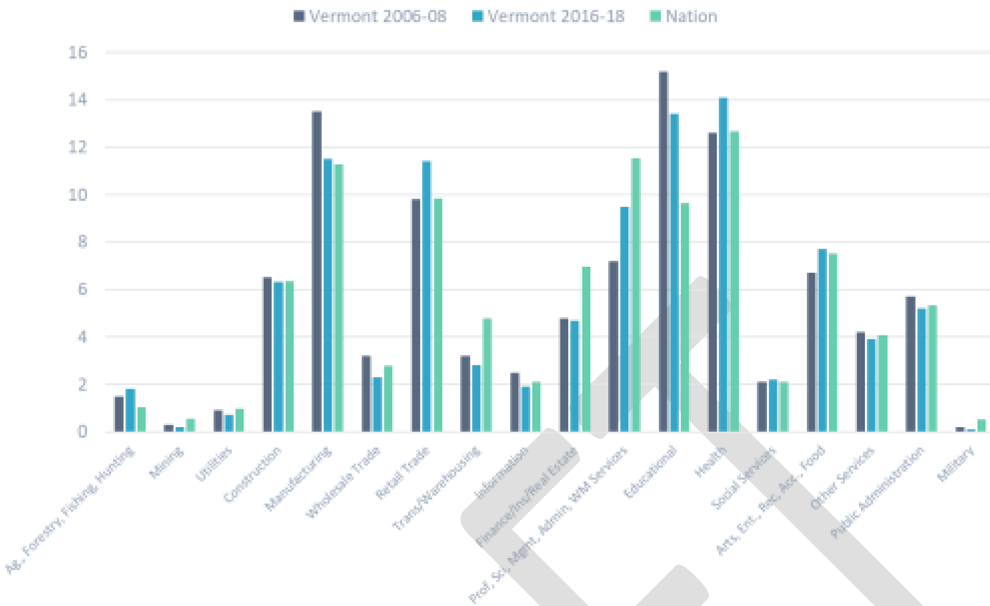
<u>Employment Patterns</u>

The economic context in Vermont has seen significant changes in the last decade. While both manufacturing and education remain important engines of the Vermont's economy, these industries contracted markedly in the decade after 2006, with those gaps being filled by a rising share of employment in the professional services, health care, and the arts, entertainment, and recreation sectors (Figure 25). Looking ahead, the state expects that these trends will continue, with employment projected to rise in health and education (though the two sectors are not disaggregated here, it is reasonable to assume that these increases are concentrated in health care). Manufacturing is expected to continue its slide (Figure 26). Occupational projections produced by the state indicate that nearly all the openings expected in the decade after 2018 will be vacancies created by exits (e.g., retirements) and turnover, with very little annual growth anticipated. What growth is projected is likeliest to be for personal care and services jobs, occupations that require little education beyond high school. Other growing job clusters—health care, business and financial operations, management, community and social services, and information technology jobs—typically require education and training beyond high school (Figure 27).

While these occupational projections provide insight into the educational requirements of growing jobs, data are not detailed enough to fully reveal the extent to which jobs are likely to require certificates, industry-recognized certifications, or clusters of skills, but fall short of a specific postsecondary degree requirement. There is ample evidence that the demand for certificates and industry-recognized certifications of value is rising. Such needs increasingly need short-term courses and programs, non-credit training opportunities, and other nontraditional forms of education credentialing. They are especially likely to be demanded by adult learners who are impacted by the shift in occupational demands inf the state economy.

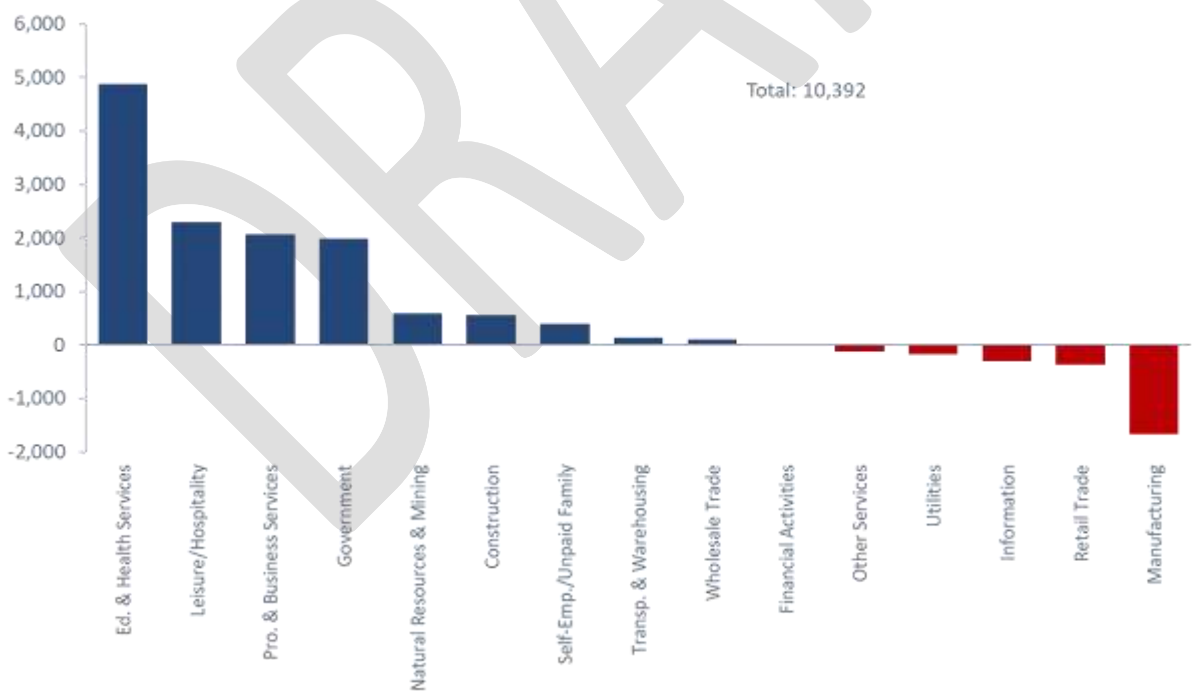
No high school diploma: Percent of the 25+ population without a high school diploma or equivalent
Housing vacancy rate: Percent of habitable housing that is unoccupied, excluding properties that are for seasonal, recreational, or occasional use
Adults not working: Percent of the prime-age (25-64) population not currently employed.
Poverty rate: Percent of the population living under the poverty line
Median income ratio: Median household income as a percent of the state's median household income (to adjust for cost of living differences)
Change in employment: Percent change in the number of jobs
Change in establishments: Percent change in the number of business establishments
Each component is weighted equally in the index, which is calculated by ranking communities on each of the seven metrics, taking the average of those ranks, and then normalizing the average to be equivalent to a percentile. Distress scores range from approaching zero to 100.0, such that the zip code with the average rank of 12,500 out of 25,000 will register a distress score of 50.0. Communities are then grouped into quintiles, or fifths. The best-performing quintile (with distress scores of 0 to 20.0) is considered "prosperous," the second-best "comfortable," the third "mid-tier," the fourth "at risk," and the fifth, or worst-performing (with distress scores of 80.0 to 100), "distressed."
For a full description of the methodology underlying the DCI, see eig.org/dci/methodology.

Figure 25. Average Annual Employment by Industry, 2016-18



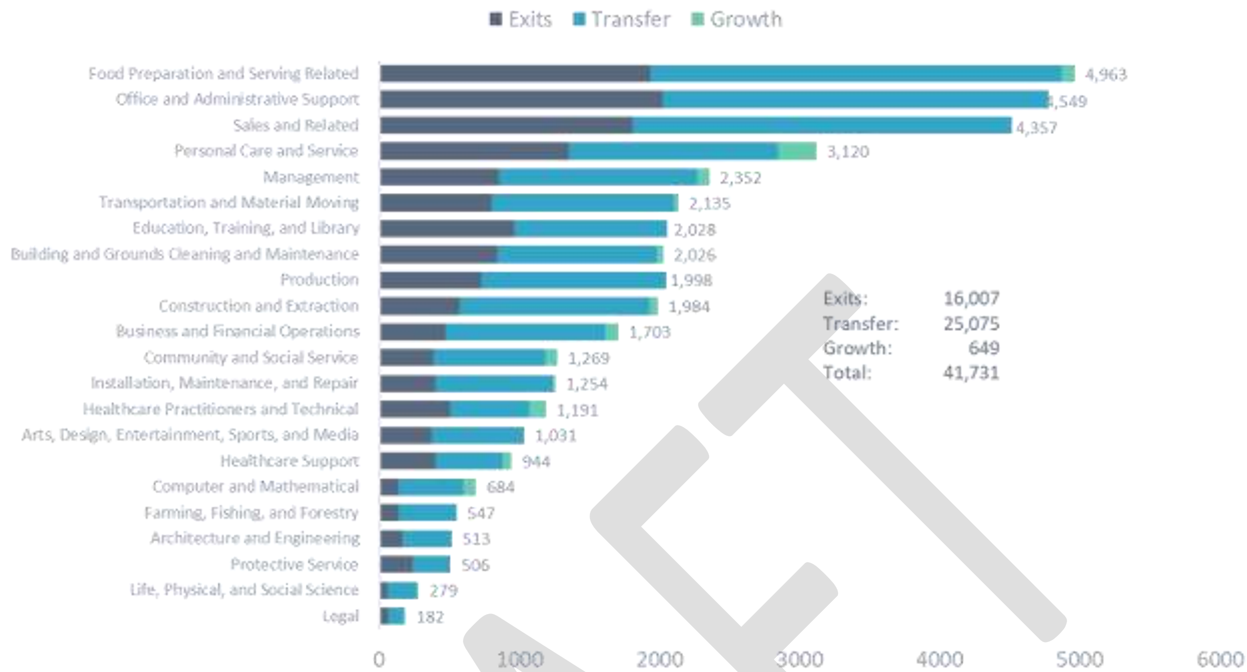
Source: U.S. Census Bureau, 2016, 2017, and 2018 American Community Survey One-Year Public Use Microdata Samples.
Note: Figures aggregated for employed persons age 25-64 with positive wage earnings.

Figure 26. Projected Change in Employment by Industry, 2018-28



Source: Vermont Department of Labor.
Note: Deviation in published data and chart data due to data not meeting disclosure standards.

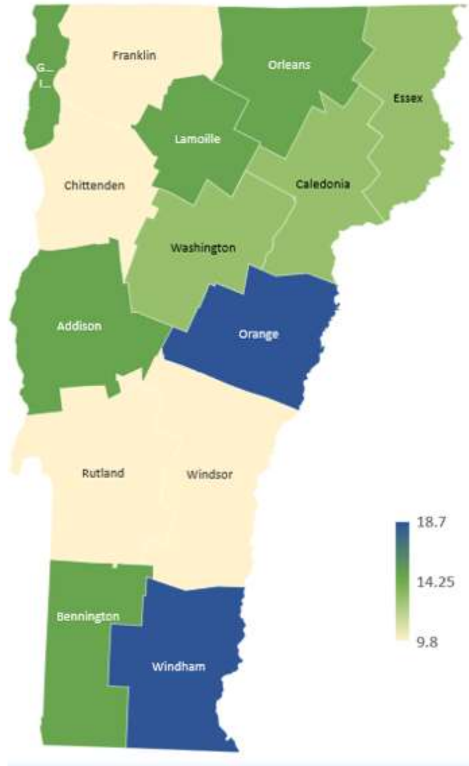
Figure 27. Projected Annual Job Openings by Occupation, 2018-2028



Source: Vermont Department of Labor

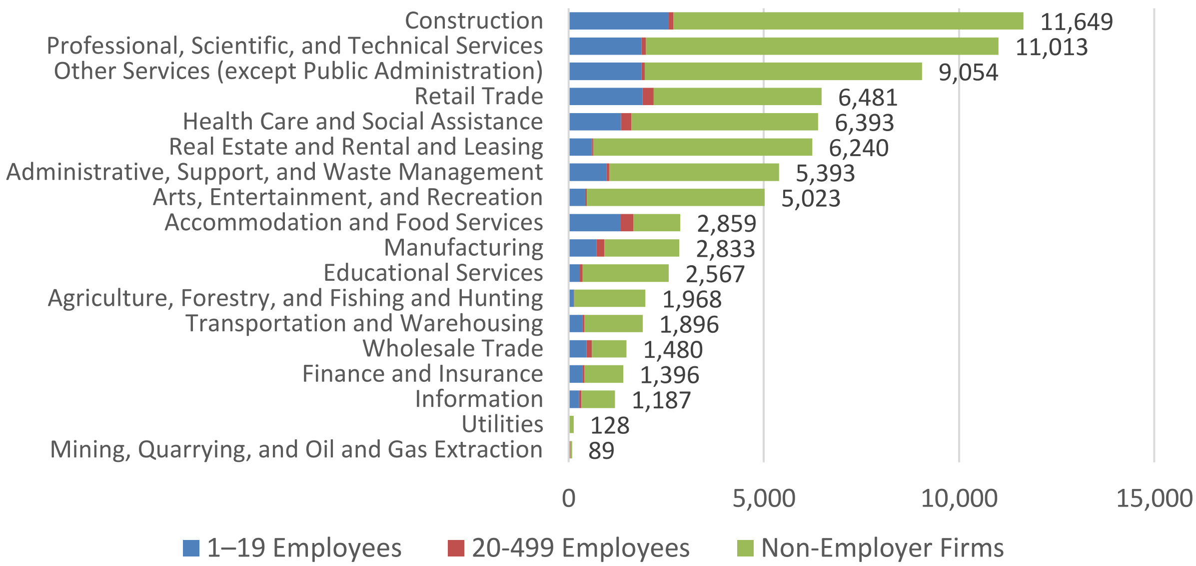
Another characteristic that distinguishes Vermont's economy from many other states is the extent to which small businesses and sole proprietorships are such an important part. This feature is especially evident outside of Burlington, as reflected by Figure 28. Furthermore, small businesses span most of the industry spectrum in the state (Figure 29).

Figure 28. Self-Employment as a Percent of Total Employment, by County



Source: U.S. Small Business Administration, Office of Advocacy 2019 Small Business Profile; Estimates of the rate of self-employment among employed civilians, 16 years and over, including both incorporated and unincorporated businesses, from the 2017 American Community Survey (ACS).

Figure 29. Small Businesses by Industry and Firm Size, 2016

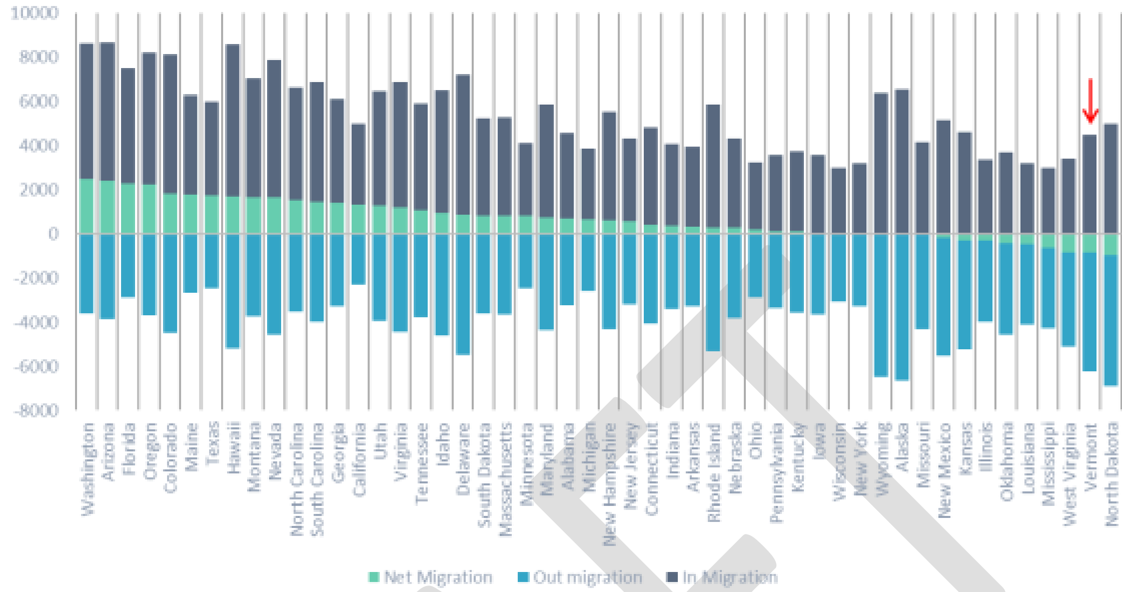


Source: U.S. Small Business Administration, Office of Advocacy 2019 Small Business Profile; Estimates of the rate of self-employment among employed civilians, 16 years and over, including both incorporated and unincorporated businesses, from the 2017 American Community Survey (ACS).

<u>In- and Out-Migration of Workers</u>

As previously shown, Vermont is a net importer of college students. Unfortunately, migration data show that the state struggles to retain the educated talent it creates. Only North Dakota lost more adults aged 25-64 with at least an associate degree, relative to state population, than Vermont did in the period 2016-2018 (Figure 30). At the same time, the state also experienced considerable "churn" in its educated population: about one out of every ten working-age Vermont residents with at least an associate degree was either new to the state, or moved away from the state, during the prior year. These rates are likely at least partially attributable to nonresident students moving away after completing a degree, but they also reflect broader population dynamics in Vermont.

Figure 30. Average Annual In-, Out- and Net-Migration per 100,000 22-64 Year-Olds With an Associate's Degree or Above, 2016-18



Source: U.S. Census Bureau, 2016, 2017, and 2018 American Community Survey (ACS) One-Year Public Use Microdata Samples.

<u>Impact on Communities</u>

Finally, the vital role that the VSC institutions play in anchoring their regions and communities cannot be overstated. Their contributions are wide-ranging and reflective of their missions to be a crucial point of access to postsecondary education, an engine for economic growth, a major driver of cultural vitality and quality of life, and a resource for the promotion of a healthy civil society. In light of these multiple contributions, it would be too simplistic to focus only on their role as an employer. Nevertheless, it is essential to point out the extent to which VSC institutions provide a foundation of well-paying jobs to residents of their communities. Figure 31 provides a picture of the importance of the VSC main campuses (as well as UVM) to county employment in terms of the share of the workforce they employ and the relative compensation of their employees.

Figure 31. Public Institution Employment Relative to County Employment, Selected Counties, 2018

County	Institution Employment	Average Total County Employment	Institution Employment as a Percent of Total County Employment	Average Institution Staff Salary	Average County Salary	Institution Staff Salary as a Percent of Average County Salary
Chittenden County	4,186	102,477	4.1%	$67,669	$54,409	124%
Lamoille/Caledonia Counties	447	12,016	2.0%	$51,171	$40,151	127%
Orange County	370	7,753	4.8%	$55,735	$40,676	137%
Rutland County	345	26,883	1.3%	$52,631	$44,167	119%
Washington County	701	33,409	2.0%	$48,412	$50,975	95%

Source: NCES, IPEDS Fall 2018 Employees by Assigned Position File; eap2018 Provisional Release Data File. Quarterly Census of Employment and Wages, 2018 - Bureau of Labor Statistics.

<u>Financing the Vermont State Colleges</u>

Reports produced by Jim Page and the State Treasurer leave little doubt about the troubling financial reality within the VSC System. This section provides some additional diagnostic evidence regarding the fiscal challenges facing the System. Taken together, these data help illustrate how the VSC institutions have failed to reduce their operating costs to match enrollment declines. They also demonstrate that Vermont is not well served if policymakers fail to fully appreciate the role of state funding in mitigating the effects of a financing approach that forces a high degree of dependence on tuition revenue. This reliance on tuition revenues has added to the fiscal strain at the VSC System as it contends with an increasingly competitive marketplace for a dwindling number of students and wrestles with burdens that come along with an aging and overbuilt physical infrastructure and a web of collective bargaining agreements.

The VSC System's audited financial statements show that the system has consistently lost money in terms of its ability to collect revenue sufficient to cover its operating expenses. According to its FY 2019 statements, the System has suffered from a prolonged annual structural deficit of $8-12M, and annual losses in its net position of $7-10M. These losses worsened due to the pandemic, due to reductions in tuition revenue—the System's primary source of funds—and increases in unbudgeted expenses.

Figure 32. Statement of Revenues, Expenses, and Changes in Net Position, Vermont State Colleges

($ in millions)

	2019	% Change	2018	% Change	2017	% Change	2016	2015
Net Student Revenues	107	-1%	108	-4%	112	0%	112	110
Grants and contracts	16	7%	15	7%	14	-7%	15	15
Other Operating Revenues	7	0%	7	0%	7	-13%	8	8
Operating Revenues	130	0%	130	-2%	133	-1%	135	133
Operating Expenses	186	0%	186	1%	184	-1%	186	190
Operating Loss	-56	0%	-56	10%	-51	0%	-51	-57
Nonoperating Revenues (Expenses)								
Non Capital Appropriations	30	0%	30	11%	27	4%	26	27
Federal Grants & Contracts	16	0%	16	0%	16	-6%	17	18
Gifts currently expendable	2	-33%	3	50%	2	-33%	3	4
Investment Income & Interest	2	0%	2	-33%	3	200%	1	0
Interest Expense	-5	0%	-5	0%	-5	-17%	-6	-4
Other nonoperating revenues	0	0%	0	0%	0	-100%	-1	0
Net Nonoperating Revenues	45	-2%	46	7%	43	8%	40	45
Total Change before other Revenues	-11	10%	-10	25%	-8	-27%	-11	-12
Other Changes in Net Position								
Capital Appropriation	3	0%	3	50%	2	-33%	3	2
Capital gifts and grants	0	0%	0	0%	0	0%	0	0
Endowment gifts	0	0%	0	-100%	1	100.0%	0	1
Change in Net Position	-7	0%	-7	40%	-5	-38%	-8	-10

Source: VSC FY 2019 Financial Statement.

Since the VSC System is a single corporate body, its annually audited statements are prepared for the system as a whole; data about individual institutional finances are not included. But as illustrated in Figure 33, federal data reveal that all the VSC institutions have struggled over the years to break even. They have also experienced significant volatility, none more so than VTC. Castleton's reported revenue fell short of expenditures in all five years for which data were gathered. NVU fared better after the merger. CCV experienced relative balance throughout the period—its losses in two years were very modest.

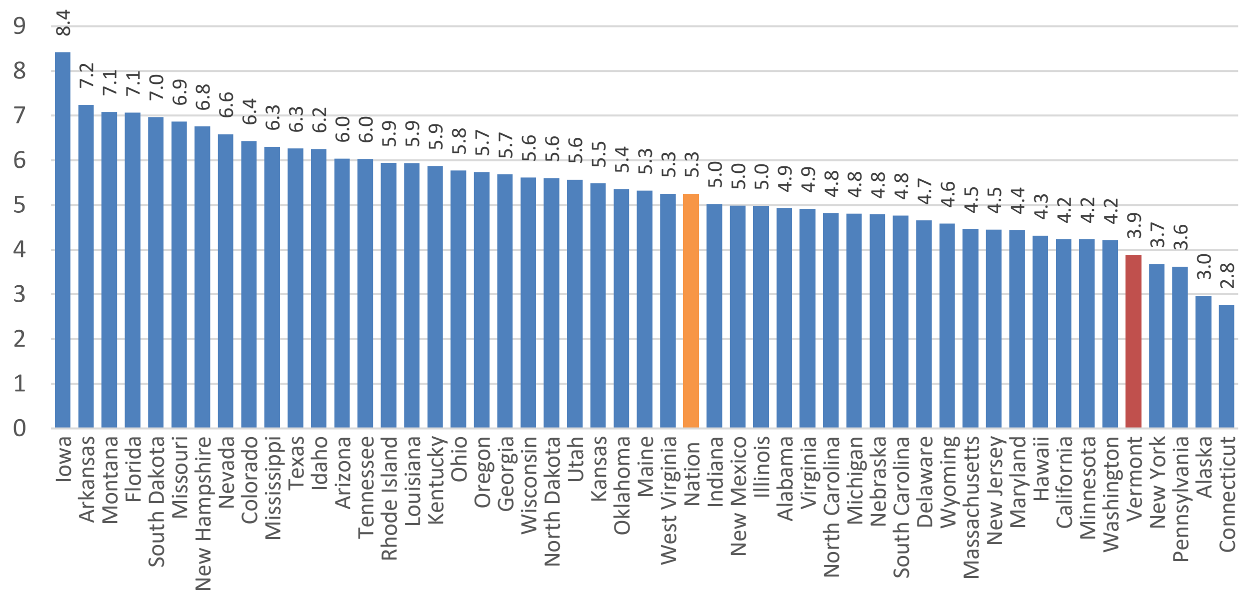
Figure 33. Revenue Minus Expenditures, Vermont State College Institutions

Source: NCES IPEDS

<u>Educational Productivity</u>

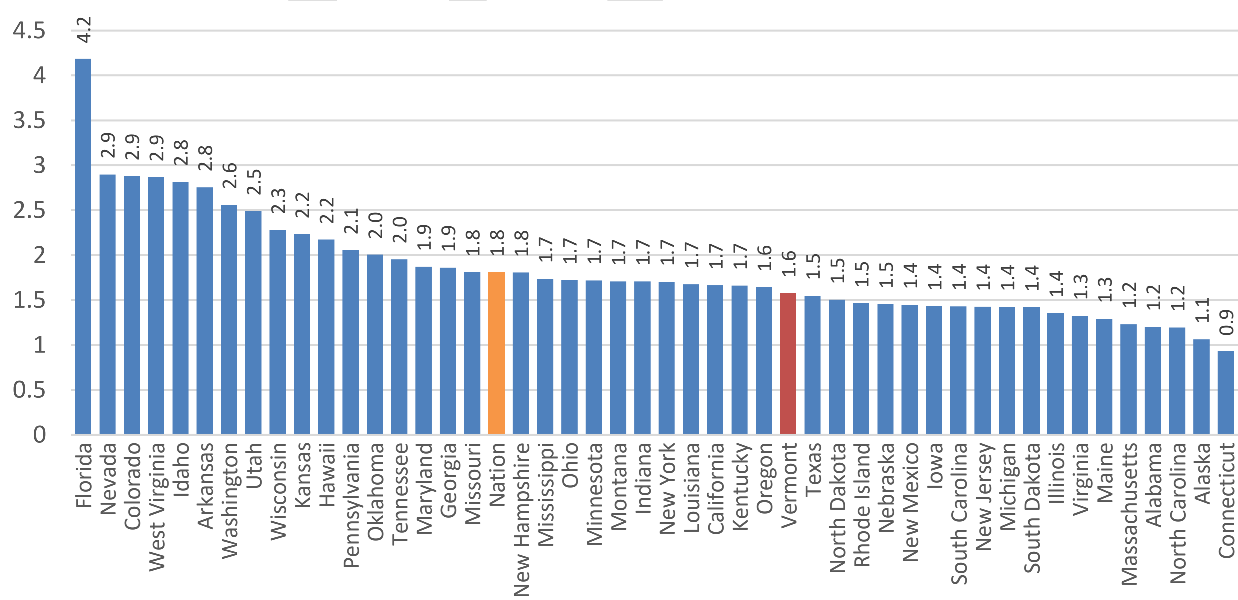
Measuring the productivity in terms of awards per $100,000 of funding (from the state and from students) of Vermont's public institutions against other states' shows that Vermont's institutions have room for improvement, although this measure suffers both from not counting successful transfers as an outcome and from intermingling the atypically larger tuition contributions from nonresidents (Figure 34-Figure 36).

Figure 34. Awards per $100,000 in State and Local Appropriations and Tuition and Fees Revenue, Public Research Universities, 2017-18



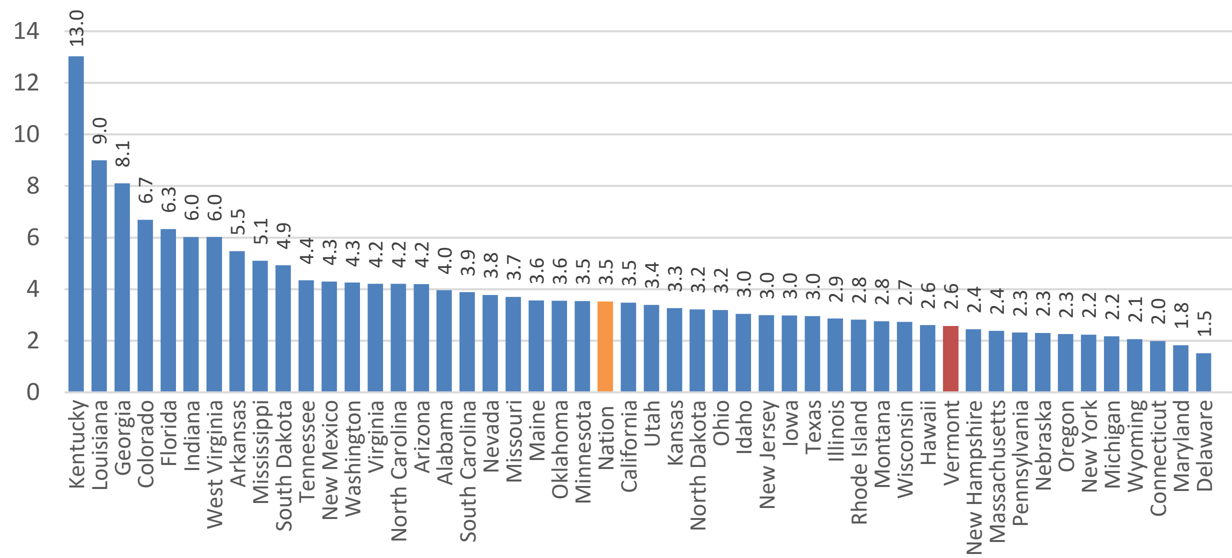
Sources: NCES, IPEDS 2015-16 Provisional Release Finance Files; f1516_f1a, f1516_f2, and f1516_f3 Finance Files; NCES, IPEDS 2015-16 Instructional Activity File; efia2016 Provisional Release Data File; NCES, IPEDS 2015-16 Institutional Characteristics File; hd2016 Provisional Release Data File Note: Figures for Postsecondary Title IV Degree Granting Institutions.

Figure 35. Awards per $100,000 in State and Local Appropriations and Tuition and Fees Revenue, Public Comprehensive Institutions, 2017-18



Sources: NCES, IPEDS 2015-16 Provisional Release Finance Files; f1516_f1a, f1516_f2, and f1516_f3 Finance Files; NCES, IPEDS 2015-16 Instructional Activity File; efia2016 Provisional Release Data File; NCES, IPEDS 2015-16 Institutional Characteristics File; hd2016 Provisional Release Data File Note: Figures for Postsecondary Title IV Degree Granting Institutions.

Figure 36. Awards per $100,000 in State and Local Appropriations and Tuition and Fees Revenue, Public Two-Year Colleges, 2017-18



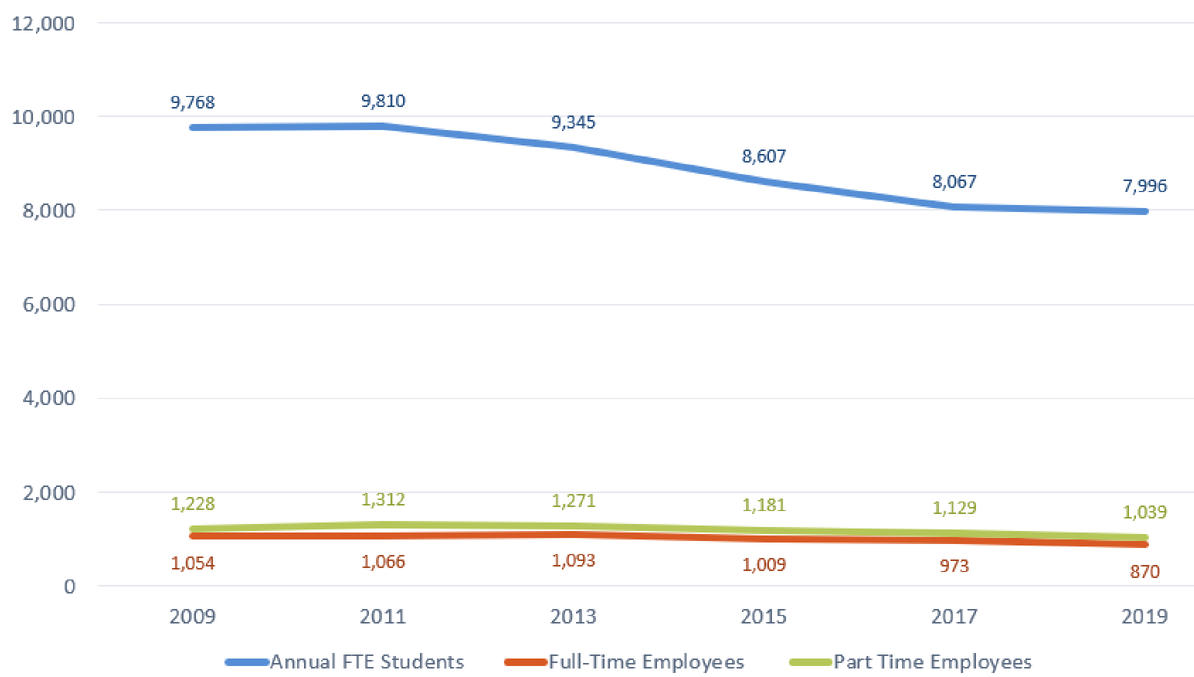
Sources: NCES, IPEDS 2015-16 Provisional Release Finance Files; f1516_f1a, f1516_f2, and f1516_f3 Finance Files; NCES, IPEDS 2015-16 Instructional Activity File; efia2016 Provisional Release Data File; NCES, IPEDS 2015-16 Institutional Characteristics File; hd2016 Provisional Release Data File Note: Figures for Postsecondary Title IV Degree Granting Institutions.

These data correspond with a student population that is declining relative to the number of employees. Figure 37 shows that while enrollment was falling in the years after 2011 across the VCS System, employee numbers also dipped, but not quite as rapidly. A closer look at staffing data shows that the brunt of the decrease was borne by all categories of employees but fell especially heavily on part-time faculty (Figure 38).

A look at total expenditures at the VSC institutions in comparison to similar institutions also indicates room for improvement in operational efficiencies. Figure 39 shows that Castleton, NVU, and VTC were each substantially more costly to operate than their institutional peers in FY2018, while CCV was relatively less costly than its peers. (Appendix A supplies details about the methods used to identify institutional peers, as well as the peers selected for each institution. Appendix B includes graphs that break down these expenditures into categories, which show differences among the institutions in terms of where the efficiency gains appear to be possible.)

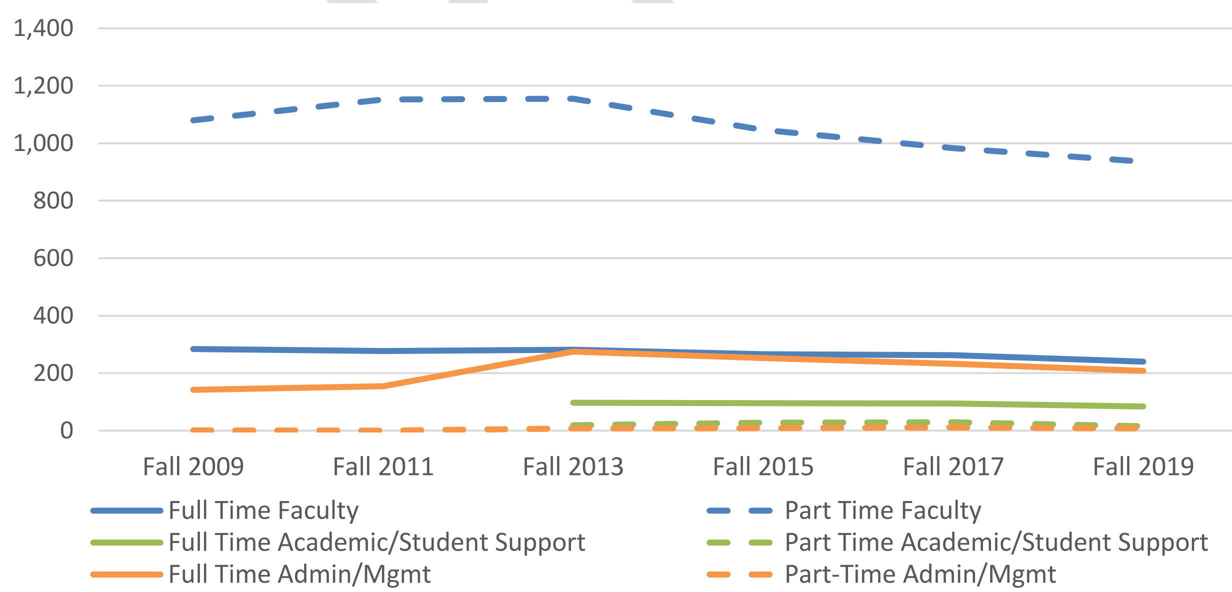
Additionally, data supplied by the VSC shows that Castleton and NVU operate a large share of their course sections with low enrollment (Figure 40). This figure obscures the fact that there may be compelling pedagogical reasons to maintain relatively small classes in some courses or in some disciplines, but this only reduces the discrepancy in these data without eliminating it. Small course sections are also a consequence of declining enrollment unmatched by commensurate reductions in the faculty.

Figure 37. 10 Year Trend in Student FTE and Staff/Administration, Vermont State Colleges (including System Office)



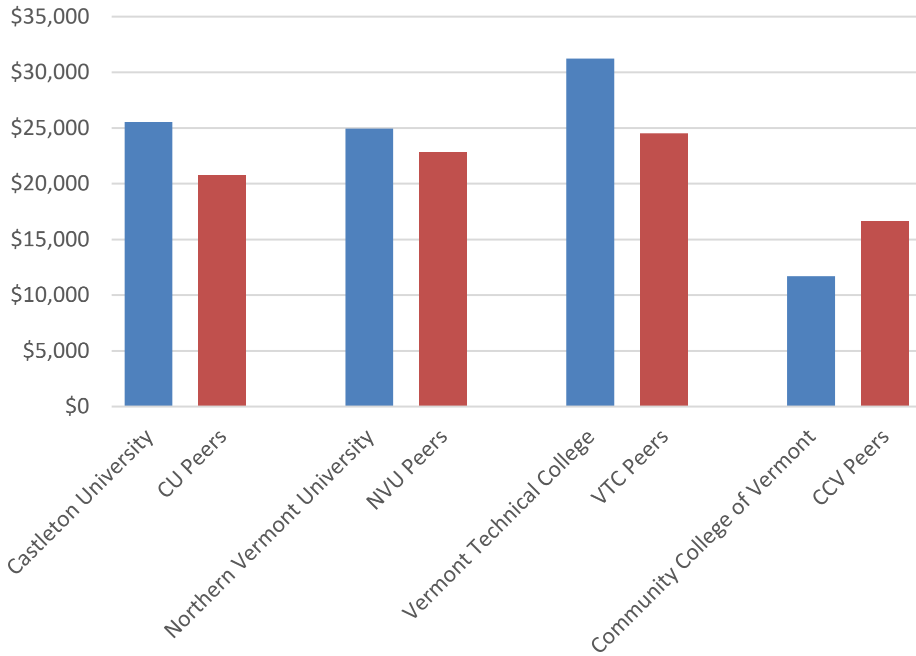
Source: NCES, IPEDS Fall Employees by Assigned Position Files; eap2009_rv, eap2011_rv, eap2013_rv, eap2015_rv, and eap2017_rv Final Release Data Files. NCES, IPEDS 2009-10 Instructional Activity Files; efia2010_rv, efia2012_rv, efia2014_rv, efia2016_rv Final Release Data Files and efia2018 Provisional Release Data File

Figure 38. 10 Year Trend in Staffing by Role, Vermont State Colleges (Includes System Office)



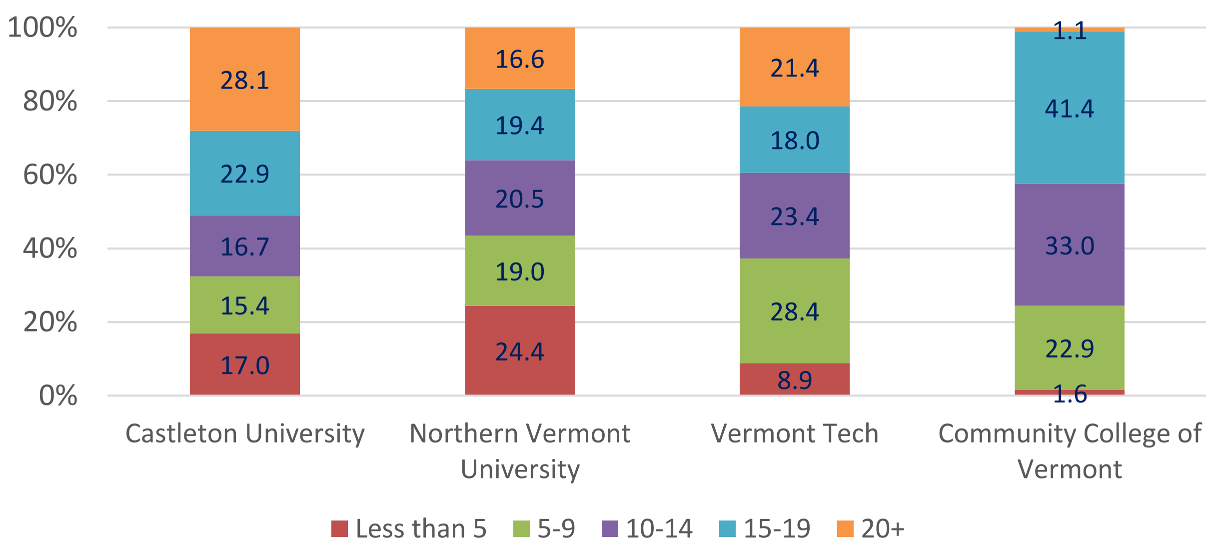
Source: NCES, IPEDS Fall Employees by Assigned Position Files; eap2009_rv, eap2011_rv, eap2013_rv, eap2015_rv, and eap2017_rv Final Release Data Files; NCES, IPEDS 2009-10 Instructional Activity Files; efia2010_rv, efia2012_rv, efia2014_rv, efia2016_rv Final Release Data Files and efia2018 Provisional Release Data File.

Figure 39. Total Expenditures per FTE, 2017-18



Source: NCES IPEDS.

Figure 40. Percent of Course Sections by Enrollment and Institution, 2019-20

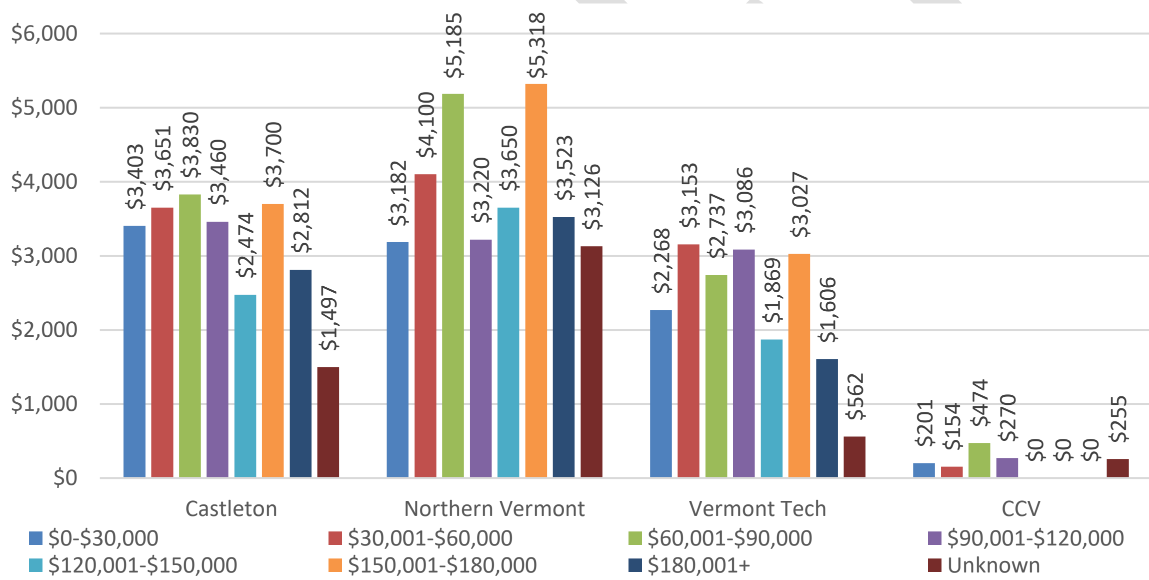


Source: VSC Chancellor's Office.

The Effects of Tuition Dependency

The heavy reliance in Vermont on tuition revenue has effects that contribute to depressed student enrollment and success rates, as well as to erosion in institutional fiscal health. The receipt of an institutional scholarship or grant can be a factor in a student's choice of institution even when the financial aid it represents is not strictly necessary in order to cover that student's cost of attendance. High prices to students leave large gaps in unmet need for students, especially among those with the lowest incomes,[4] especially as highly competitive markets force institutions to use more of their own resources to attract students with lower levels financial need (Figure 41-Figure 42).[5] Further, being entirely up to the institution's discretion, institutional aid awards are typically the last dollar committed in a student's financial aid package. This makes it very difficult for students to know with much confidence how much they will be expected to contribute toward their own costs of attendance in the first year and in each subsequent year. For students whose enrollment decisions hinge on financial considerations, this lack of predictability can be a serious barrier to access.

Figure 41. Average Institutional Aid Awards to First-Time Full-Time Vermont Residents in Fall 2019 by Institution and Income Band



Note: Averages calculated by dividing all aid dollars awarded in each income band divided by the total number of students (with and without grants or waivers of any kind) in each income band.
Source: VSC Chancellor's Office.

[4] Estimates of the size of unmet need and a related discussion are found in the section that presents the recommendations concerning affordability.
[5] Here and elsewhere in this discussion, institutional aid refers to grants and waivers. In many cases, from the institutional perspective, the "grant" is nothing more than foregone revenue—a discount against gross tuition payments.

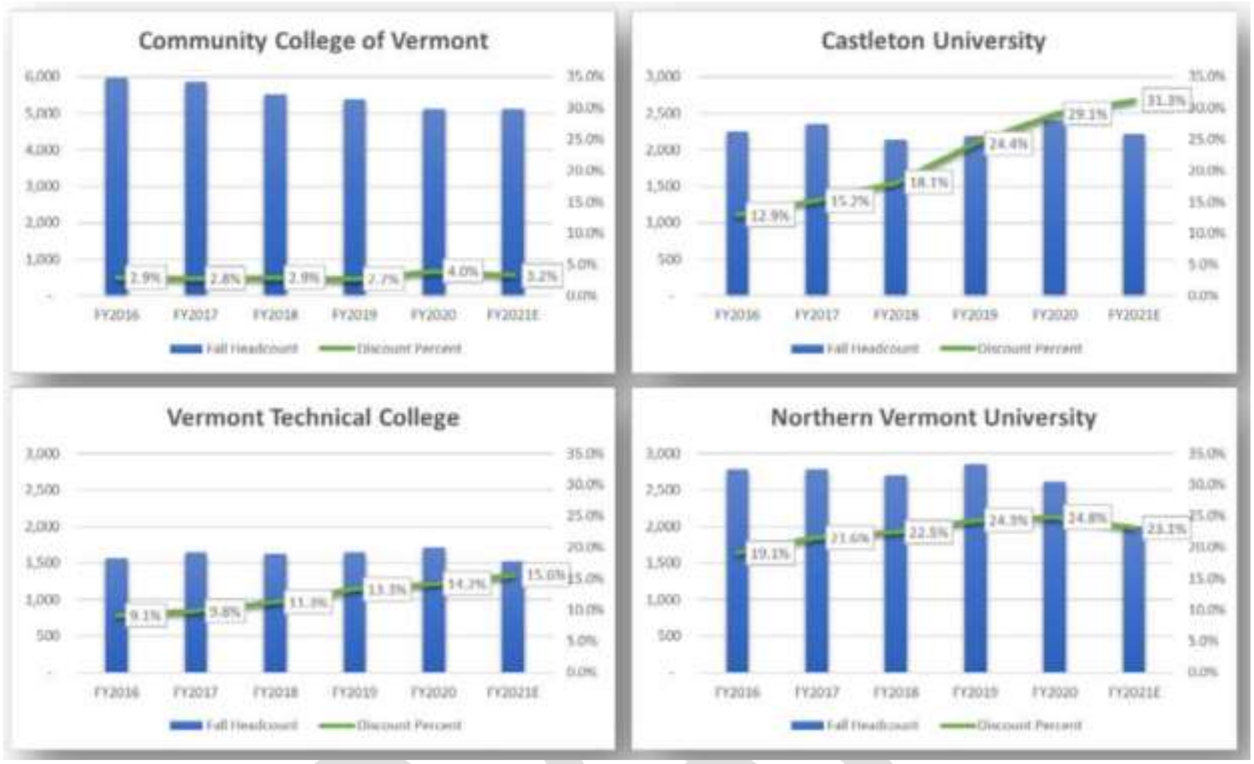
Figure 42. Institutional Aid Expenditures

	Total Institutional Grants/Waivers to Residents and Nonresidents	Total Institutional Grants/Waivers to Vermont Residents	Institutional Grants/Waivers Awarded to Vermont Residents > $90,000 or Unknown	Percent of Institutional Grants/Waivers to Vermont Residents Awarded to Those With Incomes > $90,000 or Unknown
Castleton	$3,028,804	$839,626	$299,658	35.7%
Northern Vermont	$1,556,219	$680,278	$158,659	21.6%
Vermont Tech	$703,874	$398,386	$171,191	43.2%
CCV	$77,986	$74,986	$10,469	26.5%

Note: Data are for awards to first-time, full-time, in-state students.

Moreover, the state institutions' need to attract tuition revenue creates powerful incentives to enroll nonresident students who are willing to pay higher nonresident tuition rates. These students may contribute to geographic diversity of the student body while helping to subsidize the education of Vermonters, and they also may remain in Vermont as graduates who contribute to the state's economy. All of these are virtuous outcomes. But attracting and retaining these students fuels competition among institutions both within the VSC System and across the multi-state region, while requiring large amounts of institutional aid dollars to be awarded to nonresidents. Given the economics of institutional budgeting, regional demographic trends, and Vermont's funding history, the effective use of student aid in recruiting and retaining students is strategically important. But for this strategy to be successful, Vermont institutions must successfully attract students able and willing to pay these higher rates. With competition rising and under worsening economic conditions, this is itself a strategy with questionable prospects moving forward, as illustrated by the rise in discount rates among VSC System institutions (Figure 43). The need to recruit from nearby states—and devote scarce institutional aid budget dollars to that task—also draws the VSC institutions farther away from their mission of being access points to postsecondary education for underrepresented and low-income students in Vermont. This issue grows more acute for serving adult learners with programs explicitly aimed at boosting economic mobility.

Figure 43. Institutional Headcount and Discount Percent, FY2016 – 2021 (Estimated)



Source: Memo to VSCS Board of Trustees Finance & Facilities Committee Meeting from Sharron Scott, Oct. 29, 2020, Chart 3, p. 17.

Finally, the role played by institutional aid in addressing affordability and in undergirding institutional operating budgets is notoriously opaque to public policymakers and even to board members. It is particularly clouded by the way the use of institutional aid is described and tracked. Some institutional aid represents real revenue to the institution, typically as a grant awarded to an enrolled student largely at the direction of someone with a formal relationship to the institution. In most cases, such grants are competitive scholarships funded through a restricted donation to the school's endowment. Even then, this does not really represent money that is "new" to the institution, since its foundation would always find an alternative deserving student to fund. But VSC institutions do not have and are unlikely to successfully raise large sums of foundation support for their institutional aid budgets. As a result, the institutional aid budgets at VSC institutions primarily represent true discounts—foregone revenue. Almost all the funds devoted to institutional aid directly reduce funds available to cover institutional operating expenditures. All of this clouds policymakers' ability to understand and anticipate how state investments will influence institutional behavior and how those investments will affect affordability for students, as well as the degree to which the combination of these complicated pricing strategies leaves institutions in a stronger or weaker financial position over time.

Summary of Comments Gathered During Stakeholder Engagement Activities

NCHEMS, with considerable assistance from NEBHE, gathered information from a wide range of stakeholders concerning their perspectives about higher education in the state and about VSC in particular. The following is a summary of the input provided.

a. Dealing with the problems being faced by public higher education (and VSC in particular) is made more difficult by the reluctance of policymakers to clearly articulate their expectations regarding outcomes sought from higher education, e.g., alignment to workforce needs, connections from cradle to career, improved student success, service to working adults, etc. Lacking that set of objectives, policy and resource allocation decisions made by policymakers are incremental rather than strategic. The absence of such guidance also fails to give system and institutional leaders a clear impetus to act decisively and with urgency to enact needed changes.

b. There is a need to better align programs and practices with student needs around:
    - i. Maintenance of student affordability; there is a widely shared belief that higher education in Vermont is very expensive and there is no appetite to impose even greater financial burdens on Vermont residents.
    - ii. Mobility/transferability of credits
        1. It is difficult to transfer credit within the system—some stakeholders argued that it is easier to transfer credits to private institutions than to other System institutions.
        2. The need to increase limits on credits that can be transferred in and be accepted for degree credit.
    - iii. Reductions in costs that can be passed on to students through lower tuition.
    - iv. The adoption of new, flexible delivery modes, particularly those that serve the needs of adults.
        1. Online programming that is supported with high-quality instructional design and effective coaching.
        2. System-wide, flexible academic schedules.
        3. Expand the use of prior learning assessment and incorporate principles of competency-based education.
    - i. Provide access to the full array of System programs regardless of where students reside. Provide access to UVM programs at VSC sites.
    - ii. Include a work experience, e.g., work-based learning activities, internships, apprenticeships, etc., in as many programs as possible, including in liberal arts programs. Make it an objective to provide as many students as possible with a high-quality work-based learning experience.

c. Recognize the need to better calibrate the program array at VSC institutions to state needs—especially the needs of employers' and adults:
    - i. More deliberately differentiate the missions of VSC member institutions, especially NVU and Castleton. Build on the specific programmatic expertise of each campus but develop capacity to deliver those programs across the system.

    ii. Eliminate some programs and combine others across campuses.
    iii. Develop new programs that lead to sub-baccalaureate credentials with better alignment to the needs of employers, as well as adult learners, displaced workers, etc.
    iv. Seek efficiencies in both academic programs and administrative services.
    v. Consider the complementarity of VSC programs with UVM offerings.
    vi. Acknowledge that too narrow a view of workforce relevancy is unhelpful. Workforce relevancy is most frequently translated to mean programs that are explicitly designed to prepare students for entry into specific occupations. However, the term should be broadened to incorporate the liberal arts recognizing that these programs impart skills that are highly valued in the workplace (communications, problem solving, etc.) and that they also prepare students for a less specific set of occupations; liberal arts graduates find employment in a wide variety of occupations, but those ties are hard to document in the absence of data that link education to occupations.

d. Working with faculty through the assembly and its unions to effect change will be critical, but failure to achieve broad agreement cannot be used as an excuse for not making necessary changes quickly.

e. There is a need to both adapt and downsize physical space through various means. Choices about which of the following means to employ should be deliberate and mission-aligned and not just opportunistic.
    i. Leasing
    ii. Selling
    iii. Renovating/repurposing
    iv. Demolition (in recognition that obsolete buildings have substantial carrying costs that impact operational budgets year after year)

f. There exists a potential willingness to consider a "grand bargain" between higher education and the legislature:
    i. The former Chancellor's aborted proposal, together with the reports produced by the State Treasurer and Jim Page, and the conditions created by the pandemic, have elevated alarm over VSC conditions. This combination of conditions has created an environment in which there is at least the possibility of additional funding from the legislature.
    ii. But any additional state funds will come with strings attached. For example, one-time investments (or a series of them over up to 5 years) would be provided only on the assurance that substantial structural reforms will occur.
    iii. As costs are brought down through these structural reforms, any longer-term operational commitments should increasingly go towards improving affordability—the substitution of state funding for tuition revenues through either:
        1. Funding to institutions on the condition of reductions to the sticker price.

2. Additional funding for need based student aid.

g. There is a need for political will to lead the necessary changes.
   i. There is uncertainty among all stakeholders regarding the locus of that political will.
   ii. Assumption among stakeholders interviewed to date is that leadership must be provided by the governor working in concert with the legislature, but
      1. The governor has not made VSC a priority (though he has supported the legislature's efforts to take the lead and provided an infusion of funds). He has also supported rural economic development, a priority to which VSC can be a critical contributor.
      2. There has been a perceived lack of clear direction from state policymakers—now and historically—about what specific purposes the VSC institutions should serve and the outcomes the System should produce.
      3. Legislators defend critical employment centers in their districts, or in other rural areas, and will likely oppose some of the changes necessary to achieve sustainability if not handled adroitly.
      4. Funding for postsecondary education in the state has been in no ways strategic.
   iii. Perceptions from stakeholders interviewed to date is that the VSC board has not historically taken bold action when such action was clearly needed.
   iv. There is not a strong network of large and influential businesses in multiple sectors in Vermont that engages with policymakers on topics of postsecondary education on an on-going basis. The "pull" from the business community is diffuse and weak, with little tradition of business involvement in education policy discussions.

h. Stakeholders report little to no coordinated economic development strategy at the state level.
   i. Recent efforts by VSC institutions to engage in public/private partnerships have been made outside the context of a statewide strategy.
   ii. VSC institutions currently are not expected to contribute in any obvious way apart from their workforce development missions, and these expectations are focused on CCV and VTC not on the System as a whole. There are no obvious System-wide expectations regarding:
      1. Development of new businesses through entrepreneurship or training students in entrepreneurship.
      2. Commercialization of university research in ways designed to grow particular sectors of the economy.
   iii. In spite of the fact that the different regions of Vermont face very different economic and demographic conditions, stakeholders were unable to identify any clear strategies for enhancing regional economies.
   iv. Workforce development strategies are uncoordinated and splintered among a broad array of providers (17 adult CTE training centers, four independent non-profit Adult Education and Literacy (AEL) providers, CCV, and VTC).

Summary Observations

From the data analyzed, the materials reviewed, and the discussions with different stakeholders, the Select Committee reached the following conclusions that shaped its subsequent work:

a. Business as usual is not an option, nor is incremental change to the status quo.
b. VSC is overbuilt for the size of its current student population—in both personnel and facilities.
c. In the face of unfavorable demographic trends, right-sizing VSC will require some combination of increasing enrollments among populations not currently being served and reducing the size of the enterprise—both employment and the physical footprint of campuses.
d. Neither the state's higher education policies nor institutional practices are designed to meet the needs of underserved populations—particularly adults and low-income students.
e. Compelling educational, political, and economic reasons exist not to close institutions but maintaining existing locations can only be accomplished by implementing substantial changes to institutional missions and functions and sharing both academic programs and administrative services across campuses. In addition, because the VSC system is a single corporate body, closing an institution comes with short-term costs that are so steep that they likely would further imperil the continued existence of the remaining institutions.
f. VSC institutions' policies are designed to serve institutional needs, not students', and create barriers to student enrollment and success.
g. Vermont lacks a clear, strategic approach for how it provides funding to the VSC System, an approach that recognizes the role the System plays in achieving goals related to the needs of students and the state. The legislature and governor will have to more strategically allocate state resources to the VSC System, and to postsecondary education more generally, and in the process provide appropriate direction and incentives related to those goals.
h. It will be critical to identify the locus of leadership—and the ability to marshal the political will—that will be necessary to implement the Select Committee's recommendations.

Criteria for Solutions

Based on these conclusions and after considerable discussion, the Select Committee concluded that its recommendations should target certain objectives while seeking ways to ensure the financial viability of the VSC System. These objectives are as follows:

a. Maintain a physical presence in each of the sites where VSC has campuses although recognizing that the activities carried on at those sites will necessarily change.
b. Share administrative services across all campuses in order to reduce costs.
c. Revise academic offerings:
    1. Better integrate workforce-relevant skills into the array of academic offerings, including in the liberal arts programs (e.g., technical writing requirement for English majors)
    2. Share academic programs and resources across institutions.
    3. Increase the variety of delivery modes utilized and adopt innovations in credit recognition.

4. Develop new programming (particularly short-term certifications) designed for adults who need to acquire skills for occupations and careers in demand.

d. Reduce costs and utilize savings to not only enhance the sustainability of System institutions but also lead to improved affordability for students and the state.
e. Improve the delivery of student support services so that the academic success of more students can be assured.
f. Provide adequate funding support over a reasonable timeframe in order to achieve these large-scale changes.

Additionally, consistent with its language included in Act 120 that created the Select Committee, which states that its recommendations should "meet State goals and learners' needs," the SC adopted criteria to be used in assessing proposed recommendations in terms of how they contribute to the fulfillment of that charge. These criteria are as follows.

<u>Achieving the Goals Related to Student Needs</u>

1. Students in all parts of the state will be able to access the full array of academic programs offered by VSC System institutions, or through agreements between VSC and UVM.
   - For some students, programs will remain primarily (or wholly) face-to-face, based on where faculty expertise is concentrated. Those programs will also be accessible to students attending other campuses in the system via online or other modes of delivery.
   - Some programs will be online (in whole or in part) rather than face-to-face.
   - The exceptions will be those programs that require considerable hands-on experience with specialized equipment.
2. VSC institutions will ensure that programs are aligned with current and future workforce needs by
   - Leveraging evolving educational models such as stackable credentials (certificates) with clear labor market payoffs.
   - Working with local and statewide employers to develop meaningful internship and apprenticeship experiences for which students will earn academic credit toward relevant credentials and, where possible, will receive wages that can help cover costs of attendance.
3. Students will be provided the full array of student support services they need to successfully take advantage of this array of academic services. Such support services will be available to students in-person and through other means designed to meet the different needs of different types of students. These supports will include pre-enrollment career and financial planning to help students make informed decisions.
4. Programs that require hands-on instruction will be provided in communities throughout the state where:
   - Local employers can demonstrate a demand for program completers.
   - There is sufficient student demand to make the program economically viable. In cases where student demand is not sufficient to ensure economic viability, the program may still be offered if a local community or employers provide the necessary "bridge" funding.

- In providing such programs VSC will work with Adult CTE programs to deliver these programs in a cost-effective manner.

5. The VSC system will be much more student-centric in terms of assuring more seamless recognition of credit across all member institutions, as well as from UVM (and, ideally, other institutions).
6. Courses in the General Education core will be reengineered as hybrid courses and designed to:
   - Be delivered across the System either in person, online, or a combination of the two.
   - In ways proven to deliver superior learning outcomes at substantially reduced costs.
   - Improve quality through the incorporation of faculty development activities aligned with the needs of such delivery.
7. Back-office functions will be centrally coordinated but with access to generalist service providers to link users (students and employees) to these services as required.
8. Staff with deep functional expertise will be shared among the institutions, whereas staff who require expertise and deep relationships with end users will be assigned to specific institutions.

Achieving the Goals Related to State Needs

1. The VSC system and its institutions will be understood as critical state assets and resources for the pursuit of state goals; they are not to be treated as ends unto themselves, nor strictly as employment centers.
2. The VSC system will have a clear path toward sustained financial sustainability, including, at a minimum, reduced costs per student.
   - VSC institutions will have an employee complement that matches current and likely future enrollment.
   - VSC institutions' physical infrastructure will match the needs of current and likely future enrollment, in order to ensure that the carrying costs of operating/maintaining obsolete and unused space are minimized.
   - VSC institutions will develop the capacity to flexibly deliver academic programs to all parts of the state at a sustainable cost. This will require shared academic programming across the system and, where appropriate, in collaboration with UVM.
   - Restructuring of VSC institutions will recognize the realities of collecting bargaining agreements.
3. VSC institutions will provide accessible and affordable postsecondary institutions primarily for the benefit of Vermonters.
4. VSC institutions will have clear missions with appropriate areas of expertise/excellence, e.g., with lead responsibility assigned for clusters of programs (engineering, business, health, etc.), both online and face-to-face. The refined missions will inform decisions about how best to reduce costs and consolidate programs.
5. Graduates of the state's public institutions will be prepared to participate actively, in and contribute to, civil society.

6. VSC institutions will migrate toward offering more content that provides students with skills that are needed by Vermont employers and consistent with Vermont's economic development plans. In order to meet employer needs, VSC will work with employers by
   - Soliciting employer input in the development of programs for short-term certificate programs with clear labor market returns.
   - Developing non-credit programming to meet immediate employer needs, under the condition that resulting competencies can be converted to credits for students wishing to build on the skills acquired.
   - Providing a single point of contact for employers seeking further education for their employees. VSC will ensure a timely response from an individual who can respond to questions and address their interests.
   - Creatively seeding and nurturing entrepreneurship throughout the curricula and through development of specialized programs.
7. VSC institutions will contribute to the cultural vitality of the state and of their local communities.
8. Academic programs will be available to residents throughout the state through a mix of online and face-to-face instruction. The latter will require maintaining a presence in communities where campuses currently exist, even if that presence is somewhat diminished and the nature of that presence is changed.

Recommendations

The criteria for solutions described above have informed the following set of draft recommendations. Most of these will be addressed to the VSC system—either the Board, the Chancellor's Office, or the leadership of member institutions. But in recognition of the reality that the VSC system and its institutions do not find themselves in a precarious fiscal position entirely of their own making, some of the recommendations will be address to the Vermont legislature and to the governor.

At this stage, these recommendations are presented in draft form, and some include options still on the table for the Select Committee's consideration. The Select Committee and leadership at the VSC recognize that their respective efforts at reform should be complementary and mutually informative. Therefore, we have concentrated on adding specificity to those recommendations that are among the highest priorities given the need for the VSC system and its Board to move forward rapidly during this academic year.

The recommendations are presented in nine categories: recognizing the urgency of the challenge, articulating a clear expression of statewide goals by the legislature, structure and mission, coordination of administrative services, resource allocation, physical spaces, affordability, economic development, and accountability.

1. The Need for Urgency

The Select Committee urges that all parties recognize the seriousness of the problems facing the VSC System and work together to address these problems. It is commendable that the governor's office and the legislature stepped in with substantial funds for the current fiscal year to help address fiscal impacts related to the coronavirus pandemic and to encourage the VSC to undertake major changes. That this additional funding was made possible by federal stimulus package does not alter that fact, nor does the current uncertainty over additional stimulus funding obviate the need for the VSC System to receive additional help to continue its transformation initiatives.

The recommendations that have been advanced by various groups in Vermont that are looking into this problem have tended to focus on ways that VSC can reduce costs. There is no question that the VSC and its institutions must bring their costs down. But the scale of the cost reductions required and the haste in which they must be made will inevitably get in the way of deliberate approaches that are most needed. Add to this the facts that 1) the Vermont institutions (including UVM) are among the least well-supported public institutions in the country and consequently are among the least affordable to students, and 2) demographic trends will exacerbate competition within a postsecondary marketplace that has more institutions competing for students than most places in the country. These conditions make it nearly impossible for VSC institutions to deal with their financial issues by increasing tuition revenue. These realities suggest that cost reductions alone are not likely to be enough to address the long-term fiscal challenges facing the VSC.

Any workable solution will have to pair substantial cost reductions with new investment by the state. To ensure that the state gets the "biggest bang for its buck," the state should have strategic objectives in mind before making those investments. But there is no sign that the political leadership of the state has ever clearly specified those objectives as they relate to the VSC and its institutions. If the state is to invest more in VSC, and higher education more generally, it should do so with intentionality.

This is no longer a can that can be kicked further down the road, with hopes that the individual institutions and the Chancellor's Office will come up with cost reductions substantial enough to achieve long-term financial sustainability without help from the legislature working in partnership with the governor's office. After all, the VSC—or at least some of its institutions—are facing the very real prospect of insolvency. The former Chancellor's recommendation to close campuses was based on analyses that projected the VSC System's reserve balance would be fully depleted by FY2022, and the deficit would be in excess of $75M by FY2025. While Vermonters may not lament the dissolution of the System Office itself, these deficits acutely threaten the continued existence of the VSC institutions as well. Should the shuttering of any VSC institution become inevitable out of a failure to act decisively, the state will be responsible for substantial additional costs associated with funding teach outs for students, campus closures and shuttering or demolishing buildings, paying outstanding debt obligations, assuming the liabilities related to retirement and health care payouts of laid-off faculty and staff, and numerous other costs. An analysis associated with the

April 2020 recommendation to close NVU and the Randolph campus of VTC estimated closing costs approaching $19M over six fiscal years; that analysis optimistically assumed that the state would be able to divest itself of all the related real estate within a single year. None of these costs will be offset by tuition revenue (at least from any institutions forced to close), the source of revenue that currently covers the bulk of VSC's operational budget.

Because the VSC System is a single corporate entity, the costs of closing any individual institution (or campus) will be borne by the System as a whole. This will deepen the System's deficit in the short term. The costs of closure are sufficiently large—estimates as stated above are between one-sixth and one-quarter of VSC's total annual revenue—to imperil the fiscal health of the remaining institutions. Without financial support from the state in excess of current funding levels, these costs would need to be covered by increased tuition revenues from students attending the institutions that remain. This will worsen affordability for those students, likely triggering additional enrollment decreases that will further deepen the fiscal crisis for those institutions.

Further, the financial costs to the state of closing institutions will be incurred with no accompanying education benefits; to the contrary they will reduce capacity to serve the needs of Vermont and its citizens. Alumni of VSC institutions play critical roles in meeting the workforce needs of the state and its communities, particularly for jobs that are routinely in high demand such as health care workers, educators, and others. This diminution of educational capacity is especially problematic since graduates of the VSC institutions are likely to be Vermont natives who will remain in Vermont to live.[6]

Such an outcome will also be potentially devastating to the affected institutions' community and region. VSC institutions account for between roughly 2-5 percent of county employment, with jobs that pay among the highest median wages. Thus, a closure will have significant economic impacts on the affected communities and region in the short term, while also constraining the community's ability to fuel economic recovery. This is especially so if the closed institution was among the last remaining anchor institutions in the region. Finally, while harder to specifically quantify, an institutional closure will also impact the cultural and social quality of life in the host community and region.

Ultimately, it is crucial that the state's political leadership recognize that the fiscal problems within the VSC have roots that span many years. They are not the result of the coronavirus pandemic, though that has surely worsened the dilemmas and has served to intensify the need for a coordinated and comprehensive response. That recognition will need to be paired with funding support sufficient to help the VSC transform. That support will need to be sustained beginning with the state budget for FY2022 and continue for a number of years to follow.

[6] Data on the extent to which VSC alumni remain in state, in comparison to other colleges and universities, are limited. But data from EMSI, a company that scrapes online resumes and job postings, shows that over half of the resumes posted online by Vermont residents and updated since 2000 include attendance or a degree from at least one VSC institution.

Failure to do so risks hobbling the recommended efforts to transform the System and will cause a reversion to an unsustainable status quo.

2. Articulating Statewide Goals

In the enabling statutes for UVM and the VSC System, and in the language of recent appropriations bills, the Vermont legislature has been notably silent on what it expects out of its investments in the broader postsecondary education enterprise. In the VSC System's case, the only statement is that the VSC is to be "supported in whole or in substantial part with State funds."[7] This vague statement has provided weak guidance even for what affordability and access should mean, given that what "substantial part" means in practice is open to interpretation and given the reality that the State lags nearly all others in providing support to its public institutions.

The legislature should develop a clear set of strategic objectives for its investments in the VSC System and place these goals in statute. The list should be brief and include objectives that go beyond simply achieving financial viability and get to the heart of what the System and its institutions are expected to do.[8] This report provides several candidates for goals that might be considered—affordability, making access to a full range of academic programs available to students in all parts of the state, meeting workforce needs, etc. Such objectives would help set guidelines for how the VSC Board carries out its fiduciary and other duties and prioritizes its own investments and initiatives. Further, the legislature should act much more strategically in distributing available resources and in making policy regarding postsecondary education. If, for example, affordability is selected as a priority, then legislative action to increase scholarship funding or to increase funding to institutions as a quid pro quo for lowering tuition would be strategic policy responses in furtherance of this goal.

Strategic action at the state level should extend beyond decisions about allocation of funds set aside for use to support postsecondary education. Also important is ensuring that other funds can be utilized in ways that support multiple objectives. For example, using Education Fund resources to support more extensive dual credit instruction, especially instruction that leads to some level of workforce certification. Or using federal workforce and training funds (such as WIOA and Perkins) more intentionally to not only support workforce development but also to ensure that CCV and/or VTC are foundational service providers in an integrated system.

[7] 16 V.S.A. § 2171

[8] "Borrowing" goals that have been adopted by other states is generally unwise, as it will be critical for Vermont to adopt goals that are specific to its own needs and sensitive to characteristics of its own context. But by way of example and evidence of how selected states have incorporated goals into legislation, readers are directed to the goals expressed in statute by Utah (U.C.A. §53B-1-4-402, https://le.utah.gov/xcode/Title53B/Chapter1/53B-1-S402.html?v=C53B-1-S402_2020051220200701) and by Connecticut (Conn. Gen. Stat. Chapter 185 §10a-11c, https://www.cga.ct.gov/current/pub/chap_185.htm#sec_10a-11c).

3. Structure and Mission

The recent merger of Johnson State College and Lyndon State College into Northern Vermont University, the subsequent aborted attempt to close NVU and the Randolph campus of VTC, and the report from the Labor Task Force urging the consolidation of the four existing institutions into a single institution under a single accreditation and the elimination of the Chancellor's Office, have presented the VSC with a broad array of ideas for addressing its fiscal sustainability challenges through restructuring. The Select Committee has concluded that restructuring will be a necessary, but not sufficient, strategy. Further, any restructuring must be strategic and result in institutions that have clearly defined and distinct institutional missions. To help frame the recommendations, it is helpful to present a brief conceptual background regarding missions.

In Vermont, responsibility for defining institutional missions falls to the Board of the VSC for its member institutions; the enabling legislation is silent on the nature and purpose of the individual institutions, as well as of the system, except to expressly require the VSC to provide instruction in dental hygiene. The VSC Board policies regarding institutional missions are unclear. Neither the approved by-laws nor the adopted Policies and Procedures Manual discuss the process for approving and reviewing institutions missions. However, the manual does require academic programs to be consistent with the institutional mission and the Board evidently approves mission statements.

Effective system-wide governance begins with establishing and maintaining clear missions that deliberately specify:

- the array of programs by level and field to be offered at each institution, with attention to distinctive clusters of expertise—including the liberal arts and applied programs like business and education, and unique capacity like NVU's meteorology program—as well as differences in local needs.
- the audiences to be served by each institution—specified in terms of geographic location, level of academic preparation, age, race/ethnicity, income levels, attendance status (full- or part-time), employers and their employees, and any other characteristics worthy of special attention.
- features of the educational model(s) employed by the institution in terms of the curriculum and the co-curriculum; and
- other special or unique characteristics—such as NVU's on-line delivery expertise.

Applying this conceptual framework to the VSC context, it is evident that the VSC system should retain its capacity to deliver high-quality liberal arts programming and a coherent general education curriculum that can be accessible to students at all its campuses. Ensuring this requirement is met need not conflict with the need to also align programming more closely with the workforce needs of the state and of the local community, and with the post-graduation employment expectations of VSC students. It is also important to recognize the unique campus cultures or environments for teaching and learning. Doing so means

- ensuring that liberal arts programming is augmented in ways that deliver targeted workforce-relevant skills (e.g., by establishing a technical writing requirement for English majors).
- providing all majors with ready access to meaningful work-based learning opportunities.
- supporting the success of students, especially populations that are typically underserved.
- developing new sub-baccalaureate credentials specifically aligned to employer needs and which can show a clear return on investment; and
- offering non-credit programming that can be converted into stackable credits in response to employer needs.

With this as background, recommendations to restructure the VSC system should aim to create institutions that:

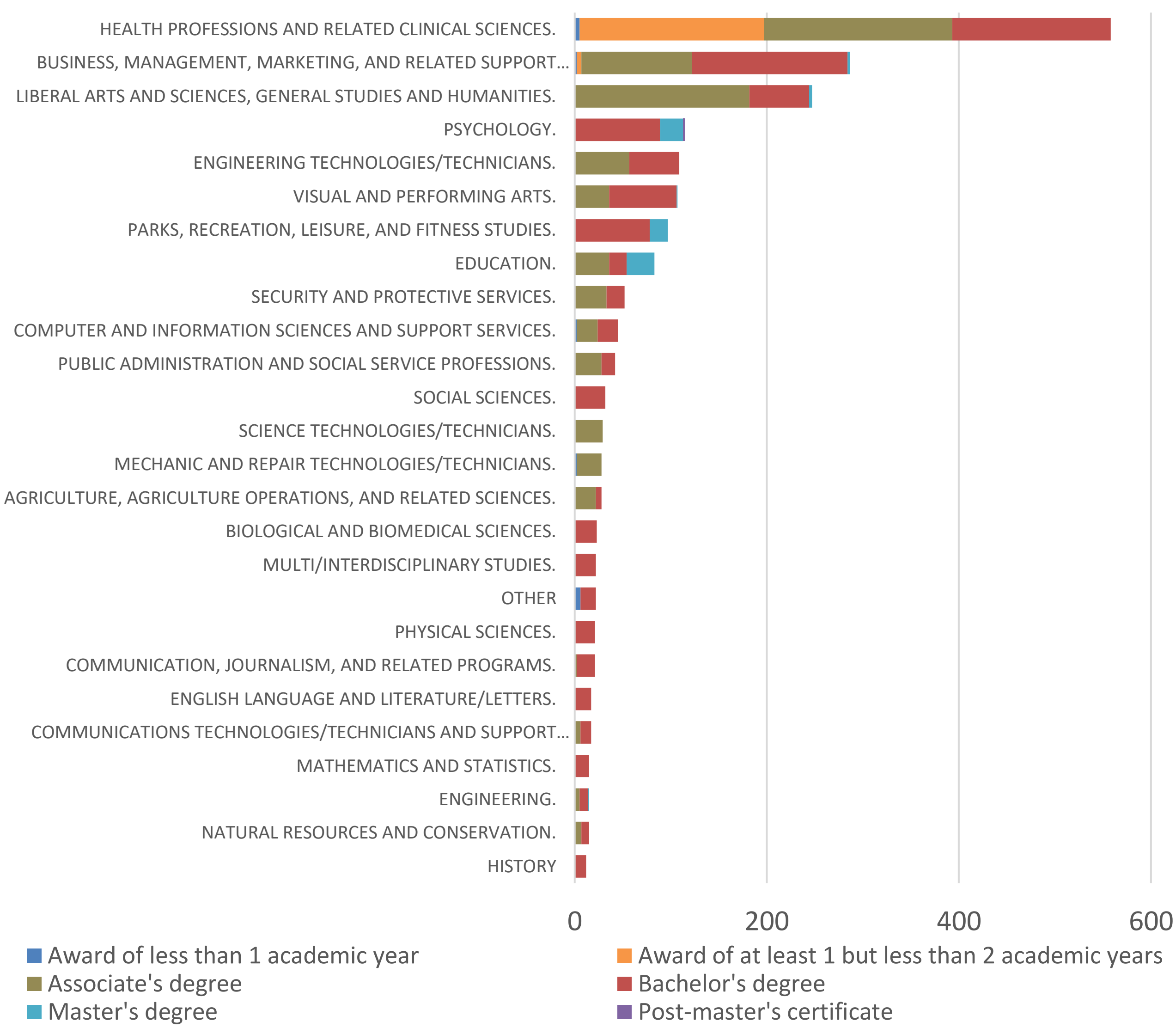
- have distinctive missions and cultures, including the preservation of elements of institutional history and traditions that make each place unique.
- can collectively deliver a standardized general education program.
- can collectively deliver shorter-term workforce-oriented programming in response to student and employer needs.
- can collectively offer courses and programs in multiple modalities and according to schedules that remove barriers to students' enrollment and success.
- have special competence in selected majors that can be delivered on-site and throughout the state—at other campuses and on-line.
- have a critical mass of faculty in each of their areas of special competence so that students get a variety of perspectives within their major and that small classes are avoided.
- can collectively provide the full range of System academic offerings to students in all parts of the state; and
- can serve the needs of adult students as well as recent high school graduates.

Available evidence suggests there exists considerable room to create greater efficiency. The data on staffing and expenditures previously presented show that institutions that are peers to VSC institutions—at least Castleton, NVU, and VTC—operate at lower costs relative to their enrollment levels. (Appendices provide details about the selection of peers as well as additional data concerning expenditures by function.)

In considering possibilities for restructuring the VSC System, the SC reviewed the complementarity and overlap of the VSC institutions and in the students they serve. Figure 44 shows the distribution of awards conferred by VSC institutions in 2017-18 by level and broad field of study. Awards in the health professions are the most common throughout the system and at all institutions except for CCV, where transfer-oriented awards rise to the top. Outside of the health professions, business and a variety of liberal arts programs are common, and excluding the large number of transfer-oriented associate degrees awarded by CCV, bachelor's degrees dominate. Moreover, programs in fields of study that prepare Vermonters for the in-demand jobs identified by the McClure Foundation report (e.g., careers in finance, information technology, manufacturing, marketing, computer programming, health care, and trades[9]) are in relatively short supply at VSC institutions or are under-enrolled.[10] Finally, VSC institutions—most notably Castleton and NVU—are heavily invested in serving students of traditional age (Figure 45).

These data highlight gaps in the provision of postsecondary education and training that meets the needs of students—especially adult learners—and the state.

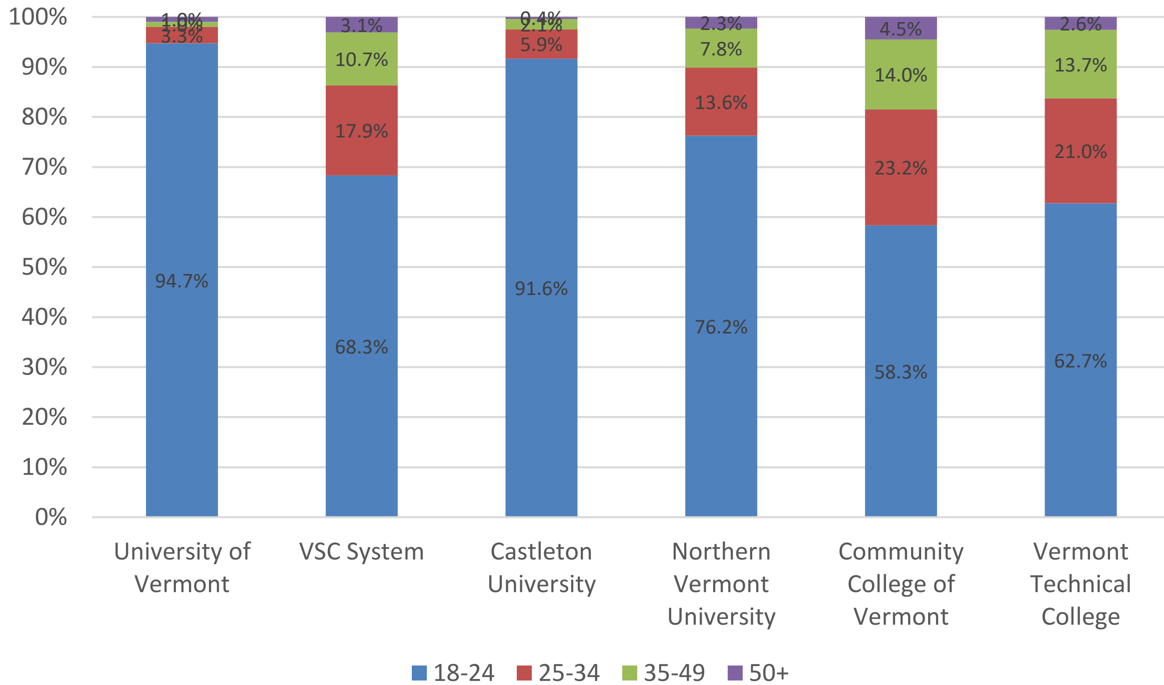
Figure 44. Awards by Level and Selected 2-Digit CIP, 2017-18



Source: NCES IPEDS.

[9] https://mcclurevt.org/assets/Website-Documents/2021_BestJobs.pdf
[10] McClure Foundation, *Pathways to Promising Careers & VSCS Programs: 2019*

Figure 45. Undergraduate Enrollment by Age, 2019



Source: NCES IPEDS.

To best assure that the criteria specified above were met, the Select Committee ~~should~~ developed recommendations regarding the most appropriate structure for the VSC System, as follows.

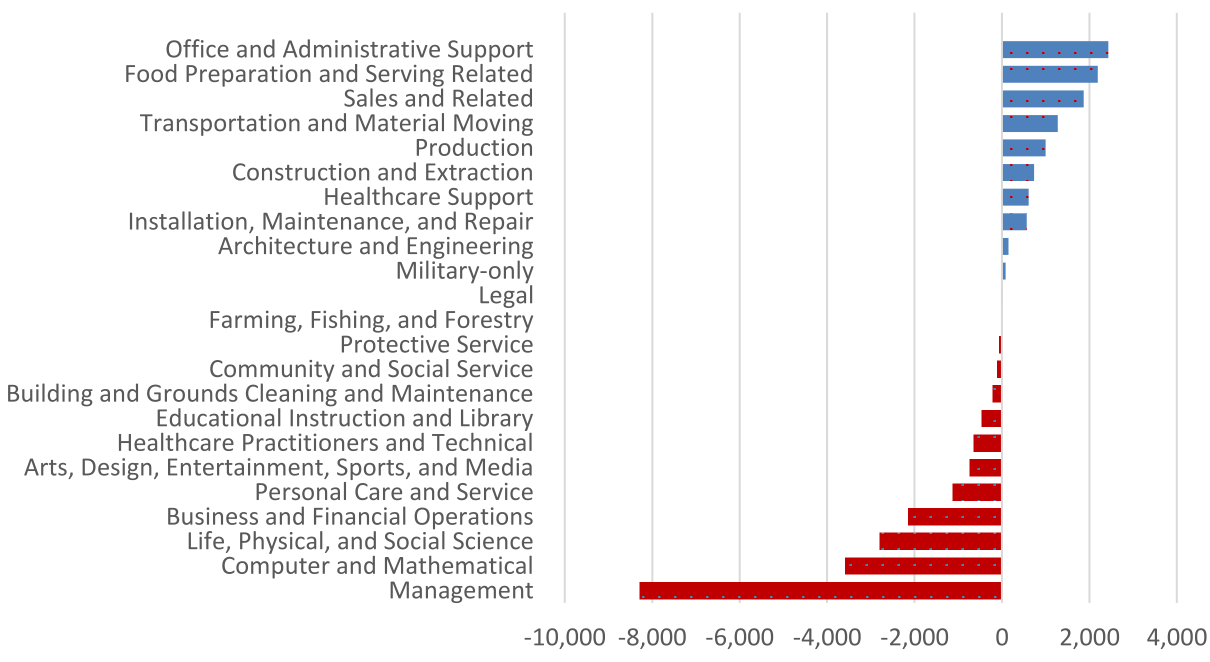
Restructuring VSC Institutions and Aligning Their Missions to State Needs

A. First, the Select Committee determined that CCV should remain a separate institution within the VSC System. As the only state institution focused exclusively on sub-baccalaureate programming, CCV fills a critical role in the provision of educational services and one that needs to grow to meet rising workforce needs for sub-baccalaureate education and training and to serve adult learners in larger numbers. Specifically:
   - CCV operates with a unique culture and business model that has made it the least expensive of the VSC institutions and made it relatively nimble in responding to statewide and local demand for programs.
   - CCV serves a relatively distinctive student population, especially working adults. Adult learners comprise a population that represents the only significant opportunity for growing enrollment among Vermonters, and they are likeliest to attend an institution that provides convenient access to programs and courses that lead directly to in-demand jobs.
   - There appears to be a growing opportunity to respond to employer needs with non-credit programming, and CCV is well positioned to meet that need.

- There is a considerable risk that combining CCV with the other VSC institutions could serve to limit its ability to flexibly and affordably provide ongoing or expanded sub-baccalaureate programming.
- CCV is the only institution in the system without a residential component. It also has campuses distributed throughout the state in locations selected to be convenient for its target student populations.

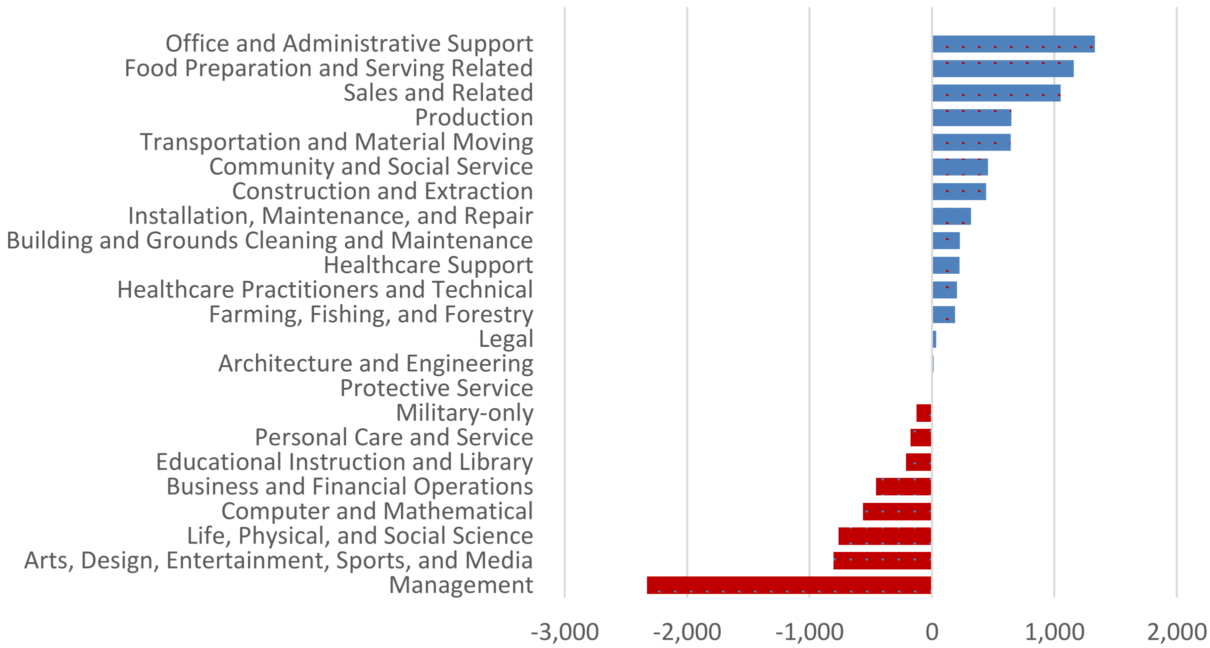
The State of Vermont should ensure that CCV continues to focus on its mission to provide Vermont residents with affordable access points to postsecondary education throughout the State, and to develop and deliver responsive workforce-relevant education and training programs. With respect to the latter goal, CCV should enhance and expand its efforts to develop and deliver short-term certificates and associate degrees with demonstrable labor market value, especially for adult learners seeking new skills and for employers seeking to train their employees. Preparation for employment in the fields identified by the McClure Foundation and the Department of Labor would be a good start in this regard, but there also appears to be evidence that regions have differential gaps in the demand for education and training programs and the local supply (as suggested by Figure 46-Figure 48).

Figure 46. Unmet Demand and Excess Supply (Annual Openings Less Regional Completions), Chittenden/Burlington MSA



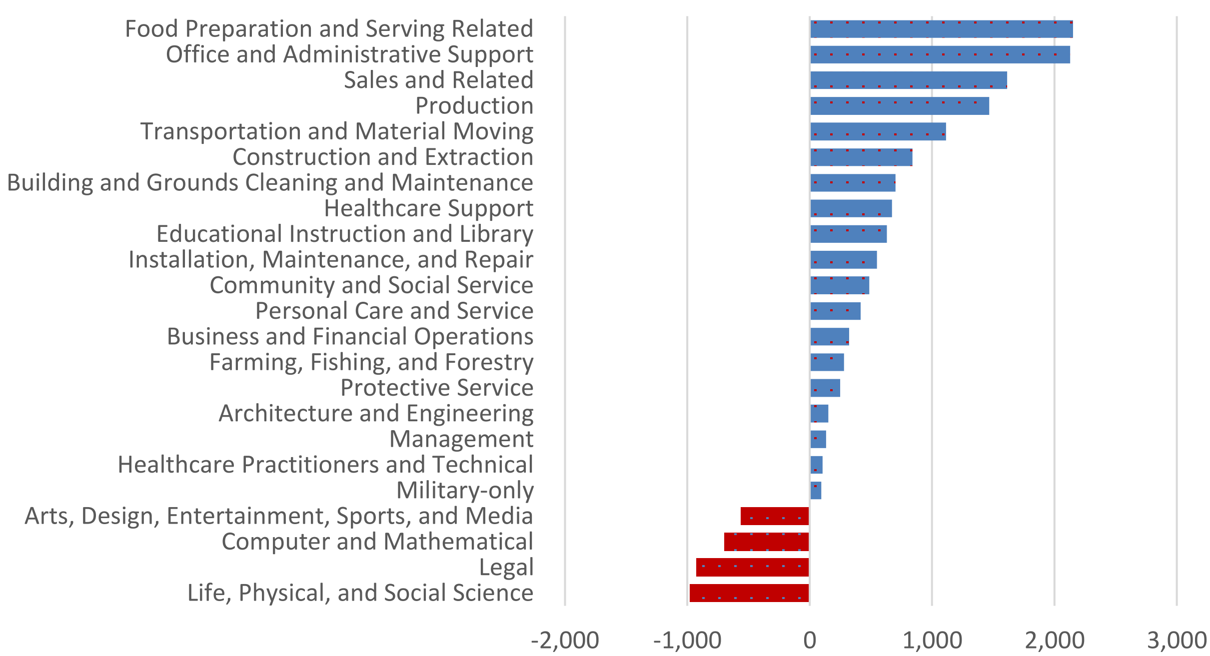
Source: EMSI

Figure 47. Unmet Demand and Excess Supply (Annual Openings Less Regional Completions), Northern Vermont



Source: EMSI

Figure 48. Unmet Demand and Excess Supply (Annual Openings Less Regional Completions), Southern Vermont



Source: EMSI

Current efforts to address these gaps rely heavily on localized Adult Education and Literacy (AEL) organizations, occupational training offered at Adult Career and Technical Education (CTE) centers, and local sub-baccalaureate programs through CCV and VTC. This balkanized approach results in limited capacity for marketing and outreach to adult learners and employers, less effective contributions to local and regional economic development, and an inability to measure how and if these efforts are meeting regional and statewide needs for trained workers. The Select Committee has explored how the VSC System should support a statewide system and work as seamlessly as possible with the regional technical centers and providers of AEL programs to ensure a more integrated, organized, and responsive delivery of Adult CTE and AEL services. The result of those explorations is the conclusion that a means should be found to integrate these programs with the educational missions of VSC institutions, particularly CCV and VTC. The fact that these programs are designed to serve adults regardless of education levels means that they serve an audience that is a priority for the Select Committee. They also focus on developing skills that prepare individuals for entry into or advancement within the workplace. Finally, these programs prepare individuals for entry into the kinds of programs provided by VSC institutions: they are another badly needed pipeline of students for institutions facing enrollment declines. However, beyond finding that Adult CTE and AEL services suffers from a lack of statewide coordination, the SC ultimately concluded that finding a workable approach to this integration was beyond the scope of its charge. The SC also acknowledged that in Act 80, passed during the 2019 session, the legislature sought a more in-depth review and report on this topic, a report that was tabled as the need to respond to the pandemic scrambled priorities within the Department of Labor.

B. The Select Committee reviewed ~~There wereare~~ multiple possible options regarding how best to structure the other three institutions. The first option was to combine all three of them into a single institution and seek single accreditation for the unified institution. The resulting institution would remain a part of the VSC system with its leadership reporting to the Chancellor's Office, retain campuses distributed throughout the state, operate under a single set of institutional leaders (e.g., President, Provost, etc.), and organize its academic content around a set of disciplinary focus areas that could be labeled as "colleges" (e.g., College of Arts and Sciences, College of Engineering and Technology, etc.) The colleges would oversee the delivery of related disciplinary content throughout the distributed sites, ensuring that students at any of the sites have access to the full program array available at the institution through a combination of instructional delivery modes. Models for this arrangement exist at the University of Connecticut and the University of Washington. While both institutions are nominally research universities that are not straightforward comparisons to the VSC system, they have multiple campuses that are each the primary hosts for certain academic specializations and concentrated expertise. Collectively, these campuses operate under the university's single accreditation and employ a single faculty.

The arguments in favor of ~~that~~ this approach are as follows:

- It combines all the baccalaureate and graduate programs in the system into one institution.
- They all share elements of a common business model, especially as shaped by a single set of collective bargaining agreements and by having a residential component. In addition, there is widespread overlap in the liberal arts offerings between NVU and Castleton, as well as some overlap in some of the more technical programs offered by NVU and VTC. With fewer institutional boundaries, students will experience fewer barriers in the recognition of credit, they will have more immediate and seamless access to programs and courses offered at another campus of the same institution than they currently experience trying to piece together courses and programs from multiple institutions.
- Collectively, the three institutions account for the operating deficit being run by the VSC system. Combining them creates a situation that ensures that solutions are addressed by all of them collectively, rather than creating a situation where avoiding the necessity of making painful decisions remains just one more way that the institutions compete with one another.
- The combination puts under one academic leadership and faculty governance arrangement the task of right-sizing the institution on a department-by-department basis. With a single faculty that has members distributed across campuses, this process will lead to the creation of larger academic departments that will be superior to the existing proliferation of small departments. The aggregation of a critical mass of faculty in key areas will both improve program quality and contribute to more fiscally sustainable departments through enhanced operational efficiencies resulting from larger course sections, adequately staffed and more attractive majors, etc. Program review activities by the combined institution will be less time-consuming as well since they will be focused on only one institution rather than three. This aspect of the unification also concentrates the authority necessary to mandate changes and decreases the likelihood that the reforms needed to address these structural gaps can be successfully resisted or substantially delayed by individual institutional factors. Concentrating authority in this way reduces the need to add capacity to the Chancellor's office that would otherwise be needed to design (in consultation with multiple institutions and their stakeholders), implement, and enforce changes.
- Bringing VTC's program array, with its more heavily technical and workforce orientation, and its related expertise together with the programs at NVU and Castleton may accelerate the incorporation of applied learning opportunities and work-based learning experiences into all programs. This has the potential of expanding the availability of technical courses and programs, hands-on experiences, and employer connections, which VTC specializes in, to students attending Castleton and NVU. It also may help to accelerate the integration of work-relevant skill-building content throughout the unified institution. Finally, it makes the sub-baccalaureate programs currently offered only by VTC more widely available, and potentially reduces friction in the development of stackable credentials within the unified institution and in collaboration with CCV.

- This arrangement will remove competition for students among the three constituent institutions, reduce the level of price discounting, and create an environment in which all components of the combined institutions share a common interest in attracting students of all types. If the combination leads to more robust programs supported by an adequate faculty complements, it may also aid the combined institution's ability to compete for other students through a more comprehensive and higher-quality array of programs. It also enhances marketing opportunities by making possible a more cohesive message about an accessible public institution in Vermont able to offer a wide range of programs.
- It will allow the provision of a more robust set of student support services.
- The combined institution will have a physical presence in key parts of the state. By forging closer ties with CCV, these locations will meet a Select Committee requirement that programs be available to residents throughout the state. Under a unified model, there is an opportunity to strategically focus the operations of existing campuses in new ways that capitalize on the availability of existing faculty and staff expertise, but above all using their distributed presence as a way to better ensure that students will have geographic face-to-face access to faculty and staff and to student support services in ways that promote their success even when they are taking courses online.
- It will foster building out the existing online delivery capacity at NVU Online in a strategic manner, enabling the expansion of that capacity to serve additional students with a broader array of programs. If the vision for VSC is to be fully realized most faculty will have to be able to able to teach their courses using a variety of modalities. In this context, the major contribution of NVU Online will be as a support mechanism that provides instructional design, faculty development and technical support rather than as a separate delivery arm of the university. It will also help address challenges related to broadband access for online courses by ensuring that campus locations with sufficient access are accessible to any student with limited access to adequate broadband capacity.
- Notwithstanding the challenges of seeking and obtaining the necessary change in accreditation, the single accreditation will resolve challenges that otherwise may imperil efforts to share academic programs across institutional boundaries in ways that accreditors will deem compliant.
- As is currently the case, UVM provides the great preponderance of graduate programs in Vermont. In contrast, the VSC System's graduate programming is more limited in size and scope and programs are much more closely tied to localized workforce demand in applied fields such as education and social services. This is an appropriate distribution of responsibility for graduate programs in the state, helps to limit unnecessary duplication and competition, and better assures quality and relevance. Any move toward unification within the VSC System should preserve these distinctions and not increase the scope of graduate program offerings currently offered by the VSC System, except as justified by clear local demand for applied professional programs. A move to single accreditation provides an opportunity to consolidate academic oversight for the VSC System's graduate programs in a single location and through online delivery. As with the other credentials, and consistent with the requirement that

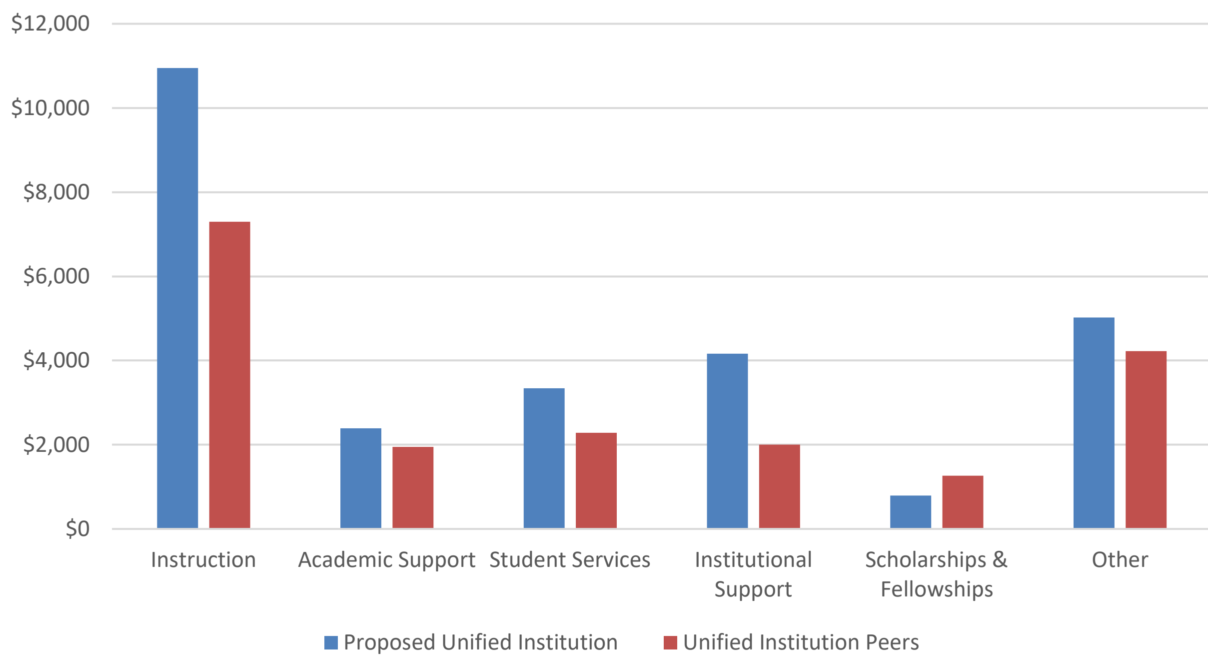
programs respond to clear local needs, students seeking graduate education should be able to complete their program through a combination of instructional modalities without being forced to relocate or attend full-time.

There are some significant limitations or tradeoffs associated with this option. Among them are:
- The challenge of combining disparate organizational cultures that is inevitable in a consolidation may be elevated with the inclusion of VTC. VTC's disciplinary mix is significantly different from what exists from NVU and Castleton, and it also offers a relatively larger proportion of sub-baccalaureate degrees.
- The danger that the hard work that is going on to integrate Lyndon and Johnson could be stalled or confused with yet another consolidation. It is important to sustain the momentum of the NVU consolidation while learning from that experience and applying the lessons learned to the larger consolidation.
- It complicates efforts underway by VTC's Transformation Task Force. VTC is actively seeking to reduce its residence hall capacity and adopt more low-residency delivery models, a strategy that is not being matched at the same level by Castleton, for example. But some of the strategies VTC is pursuing would be as relevant in a combined institution as they are for VTC individually.
- It would require a plan for how individual institutional brands, as well as the various symbols, would be honored in the combined institution in ways that are culturally relevant and fiscally reasonable.
- Challenges related to developing internal resource allocation strategies for reducing operating deficits and for sharing academic resources, and courses (though these must be addressed regardless of the structure selected).

A major reason for unifying institutions is to reduce costs through greater efficiency that leads to improved affordability for students or to reallocating resources that better support student success or other mission objectives. To estimate the potential for gains in efficiency that may be available if these three institutions were unified, NCHEMS built a set of peer institutions selected to be similar in size, program array, and other characteristics. (More details concerning the estimation method and the peer institutions selected for VSC institutions individually and in combination are discussed in Appendix A.) These comparison institutions reported total expenditures averaging about $19,000 per FTE student in FY 2018. This compares to an expenditure level per FTE student of approximately $26,600 at the combination of NVU, Castleton, and VTC.

Figure 49 illustrates the expenditure categories with the largest differences between the proposed combined institution and the average of a group of peers selected to be roughly similar in terms of their size and program array by level and field. Based on these data from FY 2018, the peer average expenditures per FTE are especially low relative to the proposed unified institution in the expense categories of instruction and institutional support (senior leaders and functions related to general administrative services like planning, space management, purchasing, public relations). (Figure A38-Figure A42 in Appendix B show similar comparisons for each of the VSC institutions individually in comparison to their separate peers.) These data support the conclusion that efficiencies can be found in an approach that creates much greater sharing of academic programming across the institutions, as well as administrative cost savings at the institutional level, both of which can be the result of a deliberate consolidation. It is worth noting that the differences in costs borne by VSC institutions and their peers are at least partially explained by a high benefits rate relative to salaries within the VSC institutions (other than CCV) in comparison to peers. Castleton, NVU, and VTC collectively paid out roughly 60 percent of their total salary levels in the form of benefits in FY 2018, compared to about 42 percent for institutions that were similar in nature to the proposed unified institution. These differences were evident looking at the institutions individually in comparison to their own separate peer institutions as well.

Figure 49. Expenditures per FTE by Function, 2017-18, Proposed Unified Institution (CU-NVU-VTC) vs. Peers



Note: The figures for the proposed unified institution represent the sum of the data for the constituent institutions. Peers are listed in Appendix A.
Source: NCES IPEDS.

Multiplying the $7,600 difference by the number of FTE students reported across the combined three institutions in FY 2018 suggests the total difference may be in excess of $40M. The actual amount of potential efficiency gains would likely be significantly lower, however, as enrollments have declined in the years since these data were reported and because it is not reasonable for the unified institution to achieve this level of cost reductions in the short term, or without deep engagement with stakeholders. But the comparison with peers provides relatively clear evidence that substantial improvements in efficiency are possible, because other institutions with similar structures are able to document much lower costs. Thus, within a reasonable timeframe, the evidence suggests that savings of $20-25M should be possible. Moreover, VSC can already identify substantial improvements in cost efficiencies equivalent to roughly $9M annually in the merger of Johnson State College and Lyndon State College into NVU.

It is important to note that these estimates do not reflect the impact of any substantial efforts undertaken by the three institutions since FY 2018 to reduce cost expenditures. That is because more recent data on comparable institutions that are necessary to create the estimates are not available. Efforts the institutions have taken to reduce costs are commendable, although to assure the ongoing financial viability and improve affordability, expenditure reductions beyond those necessitated by the gradual decline in net tuition revenue must be made.

~~B.~~C. Recognizing that VTC is unique within that group of three institutions, ~~the~~ a second option ~~investigated~~ considered by the Select Committee was to maintain~~ing~~ VTC as a separate institution and ~~consolidating~~ unify NVU and Castleton. This option would potentially reduce~~s~~ the challenges of integrating VTC's unique culture and disciplinary array with that of two larger institutions with deeply embedded cultures of their own. Maintaining VTC as a separate institution could also more directly ensure that ~~there remains a place in~~ Vermont maintains a place where priority is given to technical sub-baccalaureate and baccalaureate programs. The consolidation of NVU and Castleton would serve to have many of the same advantages as those enumerated above, especially in terms of reducing competition for students between them, promoting the mobility of credits and overcoming accreditation barriers to program sharing. A unified institution made up of NVU and Castleton would not have intra-institutional links to the kind of hands-on, technical pedagogy emphasized at VTC, without which the unified institution's students may find access to those options to be more limited.~~.~~

Using the same methodology as briefly outlined above, combining NVU and Castleton is also likely to yield opportunities for significant gains in efficiency, although the total estimated is less without VTC included in the unification. Nevertheless, the average of a set of peer institutions' total expenditures per FTE in FY 2018 was roughly $22,300, as compared to about $25,200 per FTE in expenditures aggregated for NVU and Castleton, roughly equivalent to savings of $14M. This would leave VTC to generate at least $10 million in cost reductions on its own and without the benefit of doing so within a larger framework. Again, these estimates do not account for efforts VTC and the other institutions have taken to reduce costs since FY 2018, since more recent data on comparable institutions that are needed to estimate the scale of potential cost reductions are not available.

~~C.~~D. A third option reviewed would simply retain each of the current baccalaureate-granting institutions as separate entities with separate accreditation. This option may be the least obviously disruptive in terms of generating headlines and stimulating distractive protests, but it can be a viable path forward only if there are clear mission distinctions among the institutions that create a similar set of conditions for transformative change that the other options do. These relate especially to creating more distinctiveness between

NVU and Castleton and to the needed cost reductions and efficiency gains made possible through the sharing of programs and courses, as well as greatly improved and seamless pathways for students to complete programs by combining credits at any of the other institutions via a combination of delivery modes (including in-person, online, prior learning assessment, etc.).

Done right, the assignment of mission characteristics could create as much upheaval as a formal consolidation, except to the degree that institutions would likely find it easier to preserve symbols of institutional pride, history and the like. And such assignments will require the VSC leadership to make extremely difficult and politically fraught decisions in order to achieve the level of clarity and differentiation needed between the campuses. It would be necessary to ask and answer questions about the degree to which each of the following characteristics, among others, would be assigned to each institution as primary features:

- A concentration in the liberal arts at the upper-division level (even if students at other institutions will retain access to the general education curriculum, as well as to select majors in fields of study where faculty expertise is concentrated).
- An emphasis on professional and pre-professional programs and on workplace-based learning experiences.
- Specific concentrations in key fields that shape institutional identity, such as environmental sciences, tourism/recreation/hospitality, and applied technology.
- The proportion of awards offered at each different level—certificates, associate's degrees, bachelor's degrees, and graduate degrees.
- A residential experience, with relatively rich intercollegiate athletics.
- A focus on service to traditional-aged students vs. adult learners.

In general, it would be exceedingly difficult to force very many programs to relocate to different institutions, so this option assumes that programs already in existence would remain where they are. This could continue to be a barrier to collaboration across institutional boundaries, in the process preserving some otherwise avoidable inefficiencies. As a result, it is unclear whether this option provides a realistic avenue to achieve the changes at the scale that is needed. In any case, it points to the need for the VSC System to play an active and engaged role in regularly and rigorously monitoring mission alignment and facilitating the delivery of programs across institutional boundaries. It would also need to guide a process whereby program area expertise is intentionally concentrated at and coordinated from a specific institution within the system. This option is likeliest to assure the preservation of unique institutional characteristics and cultures and may appear to be least disruptive or threatening to the communities and regions that host existing VSC campuses. But it must otherwise be just as transformative in nature; even if institutions themselves are not consolidated, their academic programs and administrative services must be. These would require important sacrifices by institutions and their communities as missions shift and become more clearly delineated and distinctive from one another.

<u>The Chancellor's Office</u>

Some of the recommendations being advanced by other groups have suggested the elimination of the VSC chancellor's office, with its duties distributed across the campuses within a single accredited institution (as per the Labor Task Force's recommendations) or simply eliminated. While language that suggests the need for a more integrated and systematic approach to program delivery is common in the reports produced, successfully taking a systems approach to the challenges will require an office that is dedicated to resolving issues that fall among and between institutions (as well as campuses newly unified into a single institution but long accustomed to operating independently) and are coordinated across campus sites. There are good reasons to maintain the Chancellor's Office and to expect it to play a key role in leading transformative change.

~~The specific roles that the system office needs to play will differ to some degree depending on the option selected.~~ Moreover, t~~T~~here are~~, however,~~ a set of functions the Chancellor's Office should perform regardless of the structure of the institutions within the system, among them being:

- Supporting the Board and ensuring implementation of Board and System policies and initiatives. Among the policies deserving particular attention are:
    - Setting and enforcing policies that establish a minimum level of institutional performance.
    - Implementing policies that ensure that course sections enroll a minimum number of students in order to operate, with the provision that minimum section sizes can be reached by enrolling students at multiple locations.
- Exercising policy leadership on behalf of the system. This requires the capacity to gather and analyze data and to develop and lead the execution of strategic plans. The policy leadership function also includes the role of keeping the state's political leadership informed and advocating on behalf of the System and its institutions.
- Working with other entities to ensure the smooth operation and alignment of those activities to functions within the VSC system. For example:
    - The Agency on Education regarding matters dealing with college and career readiness.
    - The Department of Labor on matters of workforce development.
    - The Agency of Commerce and Community Development on issues relating to the development and implementation of state and regional economic development strategies.
    - The institutions within the System and the University of Vermont to ensure seamless transfer pathways for academic credit.
    - Working with business and industry to ensure provision of the necessary training for current and future employees. A result of this relationship should include robust non-credit programming that meets the workforce needs of specific employers or targeted industry groups; such programming should be easily converted into credits that lead to stackable credentials.
    - VSAC and the legislature to ensure that students have funded opportunities for meaningful work through paid internships and apprenticeship programs, which

also receive academic credit toward a credential or degree. Engaging with VSAC should also enhance the mutual support of policy-relevant research and analysis regarding student access, success, and affordability.

- Exerting oversight in the implementation of institution/campus missions to ensure alignment while preserving distinctiveness. These tasks include program review and approval, as well as more proactive efforts to engage members of the employer community in identifying and addressing gaps in the supply of postsecondary programs to meet demand. In order to overcome the habits of history—the conditions that led Jim Page to describe the functioning of the VSC as "a confederation of institutions" (an accurate observation)—and move the VSC toward a model in which the constituent institutions operate like a system, there should be clearer reporting relationships (at least dotted-line) between institutional officers below the presidential level and the leaders of the respective functions at the Chancellor's Office.
- Maintenance of a robust institutional research/institutional effectiveness function that coordinates the submission of required federal and state reports and provides high-quality decision support for the System and its campuses. Given the rising importance of making evidence-based, data-informed decisions, it is essential that this function is sufficiently well resourced so that the former necessity does not overwhelm the latter, as is too often the case in American higher education especially among smaller, less wealthy institutions.
- Execution of systemwide strategies to promote quality and credit recognition, online learning, prior learning assessment, competency-based education, and a common general education curriculum. Recognizing that allowing each institution to independently develop and conduct such strategies sacrifices opportunities for scaling programs as well as for optimizing quality and student success, the system office should assign responsibility for developing and ensuring adherence to common policies and procedures to a specific unit. Its requirements will be to coordinate across institutions and departments to ensure that there exists:
    - The capacity to optimize VSC's investments in online learning, including: a centralized catalogue of courses across VSC available to be taken in an online format with full transferability within the system, the capacity to assist departments and faculty with high-quality instructional design for programs and courses, the provision of professional development opportunities (and associated policies) that ensure faculty are well prepared to adapt their pedagogy to an online setting, the availability of effective coaching and other student supports, and the establishment of conditions for integrating the regular full-time faculty and faculty assemblies into the design and delivery of online instruction.
    - Standard processes and procedures for awarding credit for prior learning, including communications strategies to academic advisors and students.
    - The capability to evaluate and share lessons from efforts to implement innovative academic delivery models.
    - Planning for the expansion of programs that ensure the needs of students (including new audiences) and the state are met in a cost-effective manner.

All of these activities are requirements of a well-functioning system, and even single institutions that operate outside the boundaries of a system must devote resources to the performance of these functions. It is not uncommon, however, for system offices to be under-resourced in the execution of these responsibilities because they can themselves claim no student enrollments, while institutional resources devoted to these assignments are not perceptibly separate from other core activities. That is not to say, however, that the need to attend to these policy leadership functions will necessitate substantial additional resources to be devoted on a permanent basis to the Chancellor's Office. In the short term, the Chancellor's Office will need sufficient capability to provide necessary support to the VSC Board in its efforts to make what will be a complicated and controversial set of decisions and to oversee the execution of the transformative changes required. But beyond the transformation timeframe, the need for effective policy leadership on behalf of the System will remain, as will the need to assure that administrative services are efficiently delivered, and the Chancellor's Office will be essential to fulfilling that role. The day-to-day tasks of delivering efficiencies through administrative services consolidation—which, it is worth noting, the Chancellor's Office already performs in some areas related to information technology services and legal services[11]—could be centralized in the Chancellor's Office or a separate services organization or be delegated to System institutions that have proven capacity.

The Select Committee has weighed these options and their associated tradeoffs and has concluded that the VSC continue to be organized as a system with a Chancellor's Office and that the System be comprised of two subordinate institutions—a unified institution (forged from Castleton, NVU, and VTC) and CCV. This combination is outlined above, and includes the expanded mission described for CCV.

The specific conditions in Vermont and the characteristics of the three institutions—especially VTC as an institution focused on technical programs at both the baccalaureate and sub-baccalaureate levels—are distinct in ways that make direct comparisons to prior cases of institutional consolidations difficult. But there are a few examples from which lessons may be drawn—both positive and negative—if Vermont elects to pursue consolidation of these three campuses.

First among the relevant cases is the experience still playing out at NVU, for which the Select Committee has little need for a lengthy description. Notwithstanding the inevitable bruises that have accompanied that effort, it is notable that there are documentable savings that have resulted. Reports are that there have been improvements in delivery in some disciplinary areas such as the integration of the business programs.

[11] Of 28 current listed employees in the Chancellor's Office, 12 help support the System's information technology needs, including its student information and learning management systems. Nine employees are in the finance department, which manages payroll processing on behalf of the entire System. Two employees are in the general counsel's office.

It is well known that over the past decade the University System of Georgia has been active in mandating institutional consolidations. There are a few important distinctions that differentiate those efforts from what is proposed in Vermont:

- Consolidations consisted of two institutions at a time.
- The USG System Office has considerably greater capacity to direct and support the mergers it required.
- The mergers were generally not motivated by a need to share academic programs and administrative services as part of a strategy for rightsizing institutions in response to declining demographic trends, though a clear goal of the mergers was to create savings and to redirect investment to drive improvements in student success.
- There is no collective bargaining in Georgia.
- Sub-baccalaureate technical programs are almost exclusively under the authority of a different system, the Georgia Technical College System, and are delivered by its constituent institutions.

Nevertheless, the Georgia mergers represent some of the most recent relevant efforts and offer some useful lessons. Each of the individual mergers faced different challenges and pursued different strategies for managing varying branding issues, administrative consolidations, policies, and processes. Perhaps the best case is the 2015 merger of Kennesaw State University (KSU) with Southern Polytechnic State University (SPSU) that yielded a single institution. The former SPSU delivered primarily bachelor's degree programs in science, engineering, and technology fields, while KSU's programs were a broader mix of primarily undergraduate programs in the liberal arts and sciences, education, and selected professional programs (e.g., nursing, criminal justice), along with limited graduate programs in professional fields. The consolidation sought to stimulate more production of workforce-oriented degrees and better service in support of regional economic and community needs, improve transfer pathways, bolster the student experience, and generate efficiency in program delivery and administrative operations.[12] The resulting single institution has seen its enrollment grow substantially (though it does not face the same demographic challenges in Georgia), and improvements in student outcomes. It has melded SPSU's technical programs into the new institution by organizing much of it into a distinctive college—the Southern Polytechnic College of Engineering and Engineering Technology—that operates primarily out of the former SPSU campus. An analysis by the University System of Georgia estimated that the merger of the two institutions yielded $6.7M in annual savings (which were reinvested in various strategic and student success related initiatives and activities). Additionally, retention and graduation rates reported by the system generally held steady or improved in the aftermath of the merger, though it should be noted that both KSU and SPSU's rates were relatively similar in the preceding years.[13]

Of the other Georgia consolidations, some merged institutions offering primarily two-year programs into four-year institutions. Of those, some elected to charge students a single

[12] University System of Georgia (2012), *Recommended Consolidations.* Powerpoint slides retrieved January 7, 2021 from https://www.usg.edu/assets/usg/docs/consolidations.pdf.
[13] University System of Georgia (2018, November 30). *Legislative Consolidation Report.*

tuition price regardless of whether they enrolled in a two-year program or a four-year program (as at Middle Georgia State University) and some elected to maintain separate pricing (as at the University of North Georgia).

The State of Utah offers several other potentially useful examples from which lessons may be drawn. Among them are the following:

- In 2008, Utah State University acquired the College of Eastern Utah. Located in Price, about 250 miles from USU's main campus in Logan, USU-Eastern (as the College of Eastern Utah was renamed) was a struggling institution offering primarily associate degrees to students in a relatively rural and isolated location. In addition to USU-Eastern, USU provides educational programming at other outposts scattered throughout the state, which it does partially in keeping with its Land-Grant mission. These activities are organized out of a "Statewide Colleges" office at USU's main campus in Logan. As with the other locations, USU-Eastern's program offerings continue to be well connected to regional workforce needs and include a heavy emphasis on CTE programs (for which tuition is assessed at varying rates by campus and program). Increasingly, USU is expanding its efforts to deliver programming in flexible formats through its distributed campuses, including at Eastern. One potential consideration of USU's approach is that faculty at USU-Eastern (and other statewide campuses) receive appointments in corresponding university-wide academic departments. While there are acknowledged differences in the roles of faculty who teach at the statewide campuses versus those at the research university campus in Logan, issues of hierarchy and compensation can create tension. It is notable that Utah faculty are not unionized.
- Utah is also home to several institutions that serve a "dual-mission." In a state with only one comprehensive community college, these institutions—Utah Valley University, Weber State University, and Dixie State University—partially fill that gap by offering an array of programs at both the sub-baccalaureate level and baccalaureate level. All three of these institutions are evolving in different ways, and their experiences really reflect the critical role leadership—in combination with a clear and shared sense of purpose—plays in how well they are able to maintain a balanced focus on technical and workforce-oriented programming and service to adult learners, while also delivering bachelor's degrees. Of these, Weber State has been particularly successful in keeping this balance relatively consistent over the years.
- Finally, Utah is also home to Snow College, which operates two campuses in relatively sparsely populated parts of the state. Its original campus in Ephraim includes residences and is focused on academic (transfer) programs, as well as a well-recognized music program. Its second campus in Richfield, about an hour's drive away, was originally the Sevier Valley Applied Technology Center, which was made part of Snow by an act of the legislature in 1998. The Richfield campus continues to focus on applied, often short-term, training. Integration between Snow's two campuses has continued to be limited.

Adoption of this recommendation and implementing a unified institution from among three disparate institutions must be sensitive to the challenges of branding and marketing the unique identities and traditions of each institution, as well as the need to deliberately integrate the academic programs. Nowhere is this more critical than in the treatment of VTC and its uniquely technical programs—many at the sub-baccalaureate level—as it becomes part of a larger institution that will inherit from NVU and Castleton a substantial number of liberal arts and science programs and professionally oriented graduate programs. Effectively balancing the program mix must be a priority in the integration. It is not the task of the Select Committee to delve deeply into the specific details of how to assure that this happens. But as reflected by some of these case studies (albeit imperfectly), one possible avenue is by creating colleges within the unified institution with a clear identity driven by a combination of location (in terms of where their activities are headquartered), elements of tradition, and disciplinary focus areas and programs. For example, VTC may become a College of Technology within the larger institution. While institution-wide policies will exist regarding personnel and the mobility of academic credit, the college will be the hub for developing and delivering programs and courses within its designated focus areas to students across the unified institution, and enjoy a measure of independence in how courses can be delivered according to reasonable pedagogical demands—for example, some courses or programs may require a hands-on practicum or laboratory experiences that require short-term residential enrollment at Randolph. Such a college may also coordinate key services in collaboration with staff located on other campuses to expand services that VTC already provides to its students and employers. This includes VTC's role in coordinating internship, apprenticeship, and other workforce-related programs, as well as its array of non-credit programming (the latter of which will likely benefit from a more intentional coordination across the VSC System and CCV especially). Finally, VTC is now serving as a fiscal agent for some externally funded projects due in part to its unique capacity for hands-on training. Its capacity to serve in this role need not be upset by being included in an integrated institution, particularly if key elements of that responsibility remain linked to a clearly identified college and if the implementation sequence and timeline deliberately accounts for how best to integrate such activities into the unified institution.

4. Coordination of Administrative Services

The VSC system should spare no effort to aggressively move to coordinate administrative service operations. This task should not wait for decisions on structure to be finalized, as the need to forge the path forward on achieving efficiencies in this area is a critical requirement for reducing costs over the long term. While the effective delivery of some administrative services may require an on-campus presence, what is missing is a standardized set of policies for those services across the System set in place and enforced by the VSC Board and supported by the Chancellor's Office. For example, the task of providing financial aid counseling will require students to have access to appropriate counseling and, even if such counseling can be done virtually, students are likely to continue to need in-person access to a financial aid office. The System should lead the development and implementation of a common policy for financial aid allocation, manage recordkeeping, and carry out compliance functions. It is not assumed, however, that consolidated services are managed by personnel working out of the Chancellor's Office. It may be more appropriate to situate the oversight and management role for each of the consolidated services at one of the member institutions where expertise is most concentrated or where it can most easily be created. These consolidated efforts may also engage UVM where existing differences in services provided do not create insurmountable barriers.[14] The array of functions that should be considered for consolidation include the following.

- Procurement
- Audit, budgeting, and accounting services[15]
- Facilities and construction management
- Human resources
- Business relationships (by which the VSC system will mount a coordinated effort to develop and manage work-based learning opportunities, identify and respond to employer workforce development needs, etc.)
- Information technology (major aspects of IT service delivery and policy development and implementation are centralized within the Chancellor's Office already)
- Institutional research and effectiveness
- Student success tracking and coordination
- Risk management – perhaps in collaboration with UVM
- Cyber security and related insurance – perhaps in collaboration with UVM
- Research oversight and compliance – perhaps in collaboration with UVM
- Compliance with federal regulations – perhaps in collaboration with UVM
- Grant-writing and grants management – perhaps in collaboration with UVM
- Book stores and food services – perhaps in collaboration with UVM
- Student services functions such as admissions and financial aid

There is some history of consolidated services within the VSC—the Chancellor's Office has assumed a role in providing oversight of systemwide student information system, data center, and network operations, for example. In addition, the Chancellor's Office provides legal services and conducts the payroll function for the System. Transitioning to a more consolidated structure for administrative services will be a major assignment that the system cannot fail to get right. By all accounts, a recent effort to consolidate payroll processing at the Chancellor's Office did not proceed smoothly. That experience highlights the need for a deliberate, disciplined, and highly professionalized project management approach, one which demands experience and a skill set that is not commonly available, as well as a dedicated focus. Accordingly, it will be essential that the VSC system move rapidly to prioritize the administrative services to be consolidated and to hire an experienced project manager (or firm) for the task of leading the necessary change efforts.

[14] Analyses already conducted have convincingly demonstrated that a consolidation of health benefits programs are likely to yield limited savings to VSC institutions (or to UVM). There may be a better opportunity to reassess this in the future as a component of the negotiations over the renewal of collective bargaining agreements.
[15] The VSC System has already consolidated, or is in the process of consolidating, functions related to Audit, Budgeting, Accounting, Accounts Payable, and Accounts Receivable.

Ultimately, the VSC System must choose how it will manage consolidated administrative services over the long haul. For each function or service, it may opt to make the assignment for leading the management and delivery of each separate service to the Chancellor's Office or to the member institution where the capacity will reside. In either case, it should be evident that this organization clearly expresses a service orientation and mindset in its work with other components of the System. If it is not adding value through cost reductions, improved service, and workable solutions to common problems, it is not fulfilling its role. The individual responsible for leading each service will need to have a formal reporting relationship with the Chancellor's office, and he or she designs and leads the execution of a set of standard policies and procedures that are consistent across the system. In systems with robust system-level finance and administrative services functions, each campus has an officer who reports to the campus CEO for campus-level implementation and to the system chief finance and administration officer for system purposes. With a systemwide approach to administrative service delivery, campus-level staff concentrate on delivering those services to the campus—faculty, staff, and students.

For example, consolidating the delivery of financial aid requires a set of policies and procedures. Consolidating that service at the system level means that an individual, in consultation with colleagues on campus, develops and oversees a set of common policies and procedures around such matters as packaging institutional aid, recordkeeping and compliance, exercising professional judgment, and responding to student concerns, among other issues. Campus-level staff focus their activities on executing those policies and procedures—in other words, they are the front-line financial aid professionals with whom students will interact.

Any effort at consolidating these services faces the same or similar challenges and resource requirements, whether responsibility for delivering services is coordinated by the Chancellor's Office or by an institution. Each approach requires adequate leadership to develop and enforce policies and processes, along with human resources at a level sufficient to provide the actual services to students and employees. In other words, the need for system-level staffing is limited to fulfilling the leadership role for designing and overseeing policies and processes in a specific area or areas. The related campus-level staffing need is only as necessary to provide good "customer service" to the campus/faculty/staff/students.

Nesting the responsibility for either or both the system-level and campus-level staffing needs within the Chancellor's Office has at least two major drawbacks: First, it is difficult to shake perceptions of administrative bloat when employees carrying out necessary functions are attached to the Chancellor's Office, even if in their absence the separate campuses would have to employ as many (or more) individuals in order to perform a necessary function. Second, the need to oversee and execute day-to-day operational tasks can threaten to dominate the activities of the Chancellor's Office, crowding out attention to the policy leadership function that a system office is uniquely able to perform. But it potentially creates a more straightforward set of reporting relationships and a coherent leadership team.

Distributing assignments for the performance of day-to-day administrative services to the campuses requires an adaptive organizational structure, with dedicated leadership and dotted-line relationships to the Chancellor's Office and the VSC Board as appropriate. This approach may take greatest advantage of expertise already in place on campuses.

In either conception, the result must be the creation of a service-oriented organization within the System that is nimble, flexible, and recognized for its competency at conceiving and managing projects and at leading change.[16] In executing transitions from the current business models to a coordinated one will likely require a project and change management team to enjoy considerable latitude for accessing and deploying subject matter expertise as needed wherever it exists within the VSC System (and potentially UVM). Finally, a clear set of targets and milestones for the effort will be important.

Fortunately, there appears to be a broad consensus reflected in various reports and stakeholder perspectives that there exists need to reform the delivery of administrative services within the VSC in order to reduce costs, gain efficiencies, and improve performance. It would be helpful to pair that interest with realistic estimates of how much money may be saved.

5. Resource Allocation

A basic tenet of budgeting/resource allocation is that funding should reflect and support the primary objectives being sought by the funder. From the state's perspective, the primary objectives should be to ensure that 1) public higher education is affordable for the residents of

[16] An earlier draft of this report raised the possibility of creating a subsidiary service organization to oversee the delivery of consolidated administrative services. There are a few such examples in the postsecondary landscape, but most are voluntary consortia among private institutions. One such example is the Green Mountain Higher Education Consortium (GMHEC), which is a means for its members—Middlebury College, Champlain College, and St. Michael's College—to work on developing cross-institutional efficiencies in administrative services like joint purchasing, joint operation of important administrative data services, and similar efforts. GMHEC and similar consortia seek to convene and borrow needed expertise from their member institutions rather than to develop and maintain expertise of their own. Examples in the public sector are uncommon. A subsidiary corporation would likely need to be wholly owned by the state through the VSC System (alone or in a co-ownership agreement with another public entity) in order to ensure that its first responsibility would be to the VSC member institutions, their students and employees, and Vermont taxpayers. The potential value would be to provide some freedom or flexibility with respect to state regulations that constrain VSC System's ability to operate nimbly, including state personnel requirements that may apply (e.g., compensation schedules) that might limit its ability to attract and retain well-qualified and high-performing leaders and staff. Such an organization would have the benefits of creating an arm's-length relationship with the Chancellor's Office, allowing the latter to give priority to its policy leadership functions; potentially creating value for the VSC and similar institutions in the form of greater efficiencies, improved performance, and potentially added revenue (if it can extend successful delivery models and scale efficiencies for other institutions); and to enhance accountability for performance in the efficient delivery of administrative services. Ultimately, the start-up costs, aggressive timeline for the achievement of needed reforms, uncertainty over how such an entity would be legally incorporated, and the potential risks of such an undertaking by VSC alone were collectively hurdles too high to overcome to receive the Select Committee's endorsement.

Vermont and 2) public sector institutions are financially viable and can continue to serve the needs of the State of Vermont and its citizens.

Underlying the decisions in this arena are some basic facts that are relevant to maintenance of affordability and institutional viability, specifically:

- Tuition and required fees at VSC institutions are higher than at similar institutions elsewhere in New England, in most cases by a significant amount. For four-year institutions, only New Hampshire institutions have (slightly) higher tuition than VSC institutions. For other states, tuitions at their four-year institutions are generally $2.000 or more per year lower than VSC institutions. The tuition and fees at CCV are anywhere from $1,000 to $4,000 per year higher than their counterpart institutions elsewhere in New England. Perhaps more unsettling is the fact that tuition at VTC is approximately $15,000 per year and this tuition level applies to its associate level programs as well as its baccalaureate programs. This makes tuition for the technically oriented associate programs it offers more than twice the tuition levels for similar programs elsewhere in New England. Research indicates that there is a relationship between price to students and their likelihood of enrolling in college.[17] There is little doubt that there is a relationship between the high sticker price of Vermont public higher education and the low level of college participation.
- Students provide a greater share of institutional revenues at Vermont institutions (86.9 percent) than is the case in other New England states. Only in New Hampshire do students contribute a generally comparable share (78.3 percent). In all other states in the region the share is below 60 percent.
- Revenues from the combination of tuition and state appropriations, on a per-student basis, is higher in Vermont than in all other states in New England except for Connecticut. This can be partially be attributed to the mix of enrollments in Vermont; a smaller proportion of students are enrolled in (less expensive) community colleges in Vermont than is the case in the other states. Vermont's tuition revenue figures are also inflated by the high proportion of out-of-state students enrolled in Vermont. However, there is also evidence that the VSC institutions have higher than normal costs. As previously shown, NVU, Castleton, and VTC have expenditures that outpace their peers by 8.4 percent, 18.7 percent, and 21.5 percent, respectively, while CCV is less costly than its peers. The fiscal problems of the system can be attributed to both too little revenue and expenditure levels that are too high.
- The VCS institutions have consistently operated at a loss over the last several years. In the process the System has depleted its reserves. Pre-COVID the operating losses were approximately $11M.[18] The pandemic has created circumstances in which the anticipated operating deficit has ballooned to $28.4M for FY 2021 before the CRF and bridge funding supplied by the legislature (with those additional funds, VSC reports a $2M surplus) and to $45M in FY 2022. These deficits are fueled by a combination of

[17] Evidence from a meta-analysis of price sensitivity research has found that for every $1,000 change in net price, there is an inverse effect on enrollment of about 3-4 percent (Leslie & Brinkman, 1988; Heller, 1997) and that price sensitivity is greater for students from low-income backgrounds (Kane, 1999).

[18] VSC Financial Statement FY 2019

reduced revenues due to enrollment decreases, a growing reliance on tuition discounting, and COVID-induced extraordinary expenses.
- Institutions that offer different programs at different degree levels have different cost structures. Being highly technical and geographically dispersed, VTC's costs of delivering its programs will be higher than Castleton's costs for its more liberal arts focused offerings, all other things equal. These added costs are difficult to pass on to students through tuition. Assuring that institutions are equitably funded relative to their respective program arrays and other key characteristics will be key to ensuring that incentives to offer a full array of needed programming are aligned with the outcomes desired.

To ensure the viability of the VSC institutions, there needs to be a strategy for eliminating the large and growing operating deficit in the System's institutions, which VSC estimates to have reached $32-$45M for FY 2022. A portion of that estimated deficit is due to COVID-related costs, but there remains approximately $25M of an ongoing structural deficit. Both need to be addressed with assistance from the state, the former by an infusion of funding for as long as it takes to see out the pandemic's effects. For the latter, there should be a strategy covering 4-5 years during which the state provides funding support for the VSC System's efforts to create the changes necessary to eliminate its structural deficit. In the broadest possible terms, it is not unreasonable to think about reducing the operating deficit through the following combination of actions.

- As noted, the state should provide funding sufficient to overcome the extraordinary costs created by COVID.
- The state should also provide support equivalent to $15-20M for investments in change. Such support is needed over a multi-year timeframe during which transformation is underway at the VSC System. It may be that this state investment will be consistent over the full transformation period, or it may choose to provide a larger amount in the first year and gradually reduce its investments each year as the VSC System makes progress toward sustainability.
- Additionally, the state should provide $10-15M in additional ongoing state institutional appropriations in order to ensure they have the capacity to continually adapt to changing conditions and to student and state needs.
- By the end of the specified time frame for transformation, the VSC System may be expected to close its structural deficit through a combination of reduced operating costs across the System and increased enrollments among currently underserved populations.
- Finally, the state should provide $5M in on-going state appropriations designed to improve affordability for Vermont residents attending Vermont institutions, either through tuition reductions or through improvements in state grant aid for needy students.

The tables below outline the timing and purposes of the needed state investments (in millions). Failure to act on this scale will have substantial costs for the state, in both the short and long term. The VSC System was on a path to insolvency prior to the coronavirus pandemic, and it is unrealistic to expect the System to be able to execute the transformative change it needs to make by relying mainly on student payments. Without dedicated state investments in change, the best the System can likely do is delay a decline that ultimately leads to the closure of one or more institutions. Along the way there will be a gradual erosion of program quality (that potentially raises accreditation-related issues) and reduced services to Vermont residents who most stand to benefit from postsecondary education provided by VSC institutions.

Even though the closures put forward in the April 2020 plan did not materialize, it required substantial state investments to help stave them off. Absent sweeping changes, staving off closures will only be temporary. All the VSC institutions remain at great risk of facing closure; Vermont (and New England) confronts the continuation of a long-term decline in high school graduates and simultaneously try to prop up an imbalanced business model primarily with student tuition revenue. The cost of inaction by the state will be great: closing a campus is not without substantial immediate one-time direct costs—the $19M that the former Chancellor's plan had estimated it would cost to close NVU and VTC's Randolph campus assumed the state can rapidly divest itself from the associated real estate (land and buildings) so as to avoid having to maintain and secure those properties over a longer term.[19] A more conservative and detailed estimate of closing costs by Northern Vermont University in 2019 anticipated one-time costs of $13M to shutter just one of its campuses.[20] Longer-term costs are harder to measure but are sure to be significant as institutional closures stifle opportunities for state and regional economic development and for economic mobility of residents.

As illustrated by Figure 50, VSC's total operating deficit has swelled considerably due to COVID-19 related impacts. For reference, according to the VSC's audited financial statements, in FY 2019, the structural deficit was roughly $11M, and it hovered between that amount and about $8M in the several previous years. For the purposes of the Select Committee's recommendations concerning the state investment in transformation in the VSC system, it is necessary to distinguish the part of the VSC's deficit that is structural in nature from the part of it that reflects the extraordinary direct costs and atypical revenue losses that the pandemic has caused. The $20M estimate for COVID-19 mitigation costs refers to direct, unbudgeted expenses for safety measures like testing and deep cleaning of buildings, new hardware and software, as well as professional development, required by the abrupt transition to online instruction. The estimate also includes losses in revenue from reduced occupancy of residence halls, cancelled conferences and camps, and the like. It does not include losses in tuition revenue caused by enrollment declines; those impacts are incorporated into the structural deficit. It applies only to FY 2022, not any possible additional COVID-19 costs that may be incurred in future years. Although these COVID-19 related costs are real costs that the VSC System will have to address, they are extraordinary in nature and they can be addressed at least in part through stimulus funding provided by the federal government, although much

[19] Vermont State Colleges System (2020, April 20). *Transformation for the Future.* Slide presentation to the VSC Board. Retrieved November 11, 2020 from https://www.vsc.edu/wp-content/uploads/2020/04/BOT-April-20th-FINAL-Presentation-4-19-20-1830.pdf.
[20] Conversation with Sharron Scot, December 17, 2020.

remains uncertain about the eventual total size of federal stimulus funding and how flexible its use will be for the VSC System and its institutions. Given this ongoing uncertainty, as well as the unusual nature of these costs, the Select Committee has concentrated its recommendations for state investments that address the VSC's structural deficit only. As previously described, this structural deficit predated the pandemic and will remain after pandemic recedes unless transformative action is taken by the VSC System. But it should be acknowledged that, to the degree that stimulus funding falls short of covering the impact of COVID's direct impacts on the VSC's total deficit—or if the state chooses not to provide VSC with those additional funds, the System will have to make up the difference from discretionary revenues derived from the state appropriation and tuition.

Figure 50. Isolating the Structural Component of VSC's Total Operating Deficit from the Fiscal Impact of COVID-19

	FY 2022	FY 2023	FY 2024	FY2025	FY2026	FY2027 & Beyond
VSC Total Operating Deficit	**45**					
COVID Mitigation (Assumes additional fed stimulus)	20	?	?	?	?	?
Existing VSC Structural Deficit	**25**	**20**	**15**	**10**	**5**	**0**

Figure 51 presents a prospective schedule for eliminating VSC's structural deficit—the amount remaining after COVID mitigation—over the upcoming five fiscal years. This table begins with an estimate of the structural deficit that the VSC System must close to become minimally fiscally sustainable, expects that deficit reduction will occur based on annual reductions of $5M in each year, and indicates the cumulative progress that results. In the first year, aided in part by the bridge funding supplied by the legislature in FY2021, VSC should aim to reduce operational administrative costs by $3M and reductions in other spending categories of $2M. Beginning in FY 2023, the VSC System can anticipate seeing a reduction in the costs of operating some of the excess physical space that has been removed from its inventory of physical space (either through demolition, sales, or leasing arrangements under which lease payments cover those costs). The VSC System will also continue to find efficiencies in administrative cost savings and other reductions in expenses.

Figure 51. Schedule for Reducing VSC's Structural Deficit

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 & Beyond
Existing VSC Structural Deficit	**25**	**20**	**15**	**10**	**5**	**0**
Target Annual Reductions in VSC Structural Deficit (Applied in the subsequent fiscal year)	5	5	5	5	5	
Reductions in VSC Structural Deficit (Annual)	**5**	**5**	**5**	**5**	**5**	
Efficiency Gains	5	3	3	3	3	
Reduced Operational Costs for Physical Facilities		1.5	1.5	1	0	
Reduced Administrative Costs	3	1	1	1	2	
Reductions in Other Expenditure Categories	2	0.5	0.5	1	1	
Tuition Revenue		2	2	2	2	
Recapture of pre-COVID Enrollments		1.5	1.5	1.5	1.5	
Outreach to Underserved Populations		0.5	0.5	0.5	0.5	
Reductions in VSC Structural Deficit (Cumulative)	**5**	**10**	**15**	**20**	**25**	
Efficiency Gains	5	8	11	14	17	
Reduced Operational Costs for Physical Facilities		1.5	3	4	4	
Reduced Administrative Costs	3	4	5	6	8	
Reductions in Other Expenditure Categories	2	2.5	3	4	5	
Tuition Revenue		2	4	6	8	8
Recapture of pre-COVID Enrollments		1.5	3	4.5	6	6
Outreach to Underserved Populations		0.5	1	1.5	2	2

Note: As a reminder, not included in this table are COVID mitigation costs estimated at $20M that have deepened the VSC System's overall deficit. It is assumed that these costs will be covered by federal stimulus funding, but the exact amount and allowable use of federal stimulus dollars remains to be determined.

In addition to efficiency gains, this figure provides targets for increased revenues resulting from new and returning enrollments. Between FY 2021 and its FY 2022 budget, the VSC System has projected losses from tuition and fees and housing expenses of about $10M. This analysis assumes that some of those enrollments will return beginning in FY 2023, though not all at once as the loss of first-year students caused by the pandemic sequentially impacts second-year enrollments in FY 2024 and beyond. Assuming that enrollment patterns are likely to gradually return and, by FY 2026, stabilize at a level slightly below that reached in FY 2018 levels, it is not unreasonable to expect that this "COVID recapture" would see 130-150 students return to study at VSC institutions each year and yield roughly $1.5M in tuition revenue.[21]

[21] This assumes that students who opted not to enroll due in part to COVID-19 will not return all at once, but rather will come back in numbers roughly equivalent year over year until they stabilize around FY2026 at a level below the FY 2018 level. This set of estimates assumes this lower rate due in part to the unknown longer-term impact of the COVID-19 experience on college-going patterns generally and to VSC institutions specifically, as well as to the also-unknown impact that may accompany the proposed consolidation. While it is likely the case that rebranding and marketing a new institution will have a negative impact on student recruitment (at least temporarily), it is not at all clear how that impact may interact with the effects of COVID-19 and students' plans to reenroll. It may be

In addition to recapturing some of the students who elected not to enroll during the height of the pandemic, VSC's clear commitment to providing access to students of all types has the potential to bring in new students into its programs. Improvements in Vermont's lackluster college-going rates among high-school graduates and to serving adult learners more effectively are possible,[22] though likely to be modest given affordability challenges and projected declines in the number of Vermont high school graduates. An improvement in the recruitment of Vermont high school graduates by just two percent is enough to maintain a steady influx of new traditional age students at VSC institutions, despite anticipated declines in that population. While some years will yield relatively more or fewer students in any given year due to ebbs and flows in the pool of graduating high school seniors, this equates to about 18-20 more annual enrollees on average for the next several years.[23] Combined with better retention of traditional-aged students can generate about $250,000 in tuition revenue, if their payments (net of discounts) is roughly $7,800 each per year.[24] Additional revenues from traditional-age students are not anticipated beyond FY 2026 as demographic projections are expected to worsen in Vermont among high school graduates. An improvement of about three percent in the number of enrolled adults—or 80-120 more credit and non-credit students (depending on how intensely they enroll (in terms of credits or contact hours attempted)—is sufficient to account for an additional $250,000 in revenue. While many of these students may be expected to have weaker financial positions than the average student currently attending VSC institutions, VSC's efforts to engage the employer community in helping to support student tuition payments has the potential to tap a new source of funding. The figure's estimates for the potential of such revenue enhancements are modest, amounting to about $500,000 each year until it reaches $2M in new revenue by FY 2026.

Taking the average net tuition revenue generated by VSC students across its member institutions, the total additional revenue to be generated by FY 2026 means the VSC system would need to enroll (or reenroll) about 650-700 more students (in FTE terms) than the anticipated low point in FY 2021. Seeing enrollment rise by that magnitude would mean that

appropriate to plan for an alternative assumption that the return of students to a rebranding institution may lag patterns observable in other institutions not undergoing such a structural change, in which case the proposed recovery of tuition revenue may accelerate in the later years of the FY 2023-2026 period. This possibility is further evidence of the need for the state to protect its investment during the transformation process by providing funding adequate to the need.

[22] According to VSAC, the college-going rate of Vermont high school graduates is bifurcated, with rates of enrollment at four-year institutions outpacing the New England region while enrollment at two-year institutions lags the region. College-going (and eventual success) is also a function of multiple factors, of which affordability is an important one. But VSAC's analyses make clear that academic preparation is a stronger predictor of college-going behavior, which suggests that VSC may be able to boost its ability to recruit and retain Vermont residents by investing in dual enrollment programs and adopting reforms like co-requisite remediation.

[23] Western Interstate Commission for Higher Education (2020), *Knocking at the College Door.* www.knocking.wiche.edu. NCHEMS calculations.

[24] The revenue effects of improved retention in this case are assumed to compound as students progress beyond their second year through completion. Revenue per student is roughly estimated based on FY 2021 figures in Chart 1 and the table on p. 20 in Scott to VSCS Finance and Facilities Committee (October 29, 2020).

total FTE enrollment across the System would still fall five percent short of the level reached in FY 2018.[25]

It is worth noting that these estimates are subject to various assumptions and limitations, some of which are impossible to predict. Among them are how students will respond in the wake of the pandemic both with respect to whether they will reenroll and whether they will attend the same institutions in the same proportion. The National Student Clearinghouse reported that total undergraduate enrollment nationally fell by about four percent in Fall 2020, but that decline was greatest for students attending community colleges and among first-time students. Nationally, student enrollments directly from high school plummeted by 21.7 percent from the prior year. Given the increasingly tight relationship between a postsecondary credential and employment, it is reasonable to assume that students are likely to seek a college education when they feel safer to do so, but there is no comparable precedent to judge the reenrollment of students post-pandemic.[26] These estimates also assume that VSC's efforts to transform, including the efforts to build a brand for the unified institution, are broadly successful. In any event, not only are the required increases in enrollment relatively modest, but it is also not unreasonable for the state to expect that the substantial investments described below will fund a transformation that ultimately means that the VSC System is able to provide better access to currently underserved populations and to boost their chances at success.

To support the VSC System's efforts to reach fiscal sustainability by eliminating its structural deficit, the state will need to make significant one-time investments in transformation that are spread over multiple years, as shown in Figure 52. Operational funding will support the restructuring effort and the aggressive consolidation of administrative services and otherwise to implement changes that yield tangible progress toward eliminating its structural deficit. Funds invested in addressing the physical infrastructure of the System will enable it to save substantial carrying costs associated with maintaining and operating buildings that are unneeded or are obsolete, and to repurpose others to better support student learning and engagement with employers and the community. These investments are front-loaded in order to more quickly realize savings from buildings that are past their effective use in serving institutional missions effectively.

[25] FTE estimates for the Fall 2020 term were 8,230, according to the table on p. 27 of Scott to VSCS Finance and Facilities Committee (October 29, 2020).

[26] Perhaps the closest precedent is the enrollment shocks created by Hurricane Katrina on institutions located in the affected areas. In that case, it took several years for enrollments to return to their prior level, according to Koch (2020). But the devastation wrought by the hurricane included substantial damage to campus physical plants, uprooted families (many of whom relocated, at least temporarily), and had other effects on institutional operations that are distinctly different from the COVID-19 experience.

Figure 52. State Investments in Transformation and Ongoing Support at VSC to Address the Structural Deficit

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 & Beyond
Historic VSC State Appropriation	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**	**30.5**
Additional State Investments in VSC	**42.5**	**37.5**	**34.5**	**27.5**	**22.5**	**17.5**
State Investments in Transformation	25	20	17	10	5	
Operational	*20*	*15*	*15*	*10*	*5*	
Physical Facilities (eliminate underutilized space, renewal/refurbishments)	*5*	*5*	*2*			
State Ongoing Investments in Improved Capacity and Affordability at VSC	17.5	17.5	17.5	17.5	17.5	17.5
Total State Investments to VSC (excluding federal stimulus funding to address COVID-related fiscal impacts)	**73**	**68**	**65**	**58**	**53**	**48**
Additional State Ongoing Investments in Affordability through VSAC	5	5	5	5	5	5
Total State Investments to VSC & VSAC	**78**	**73**	**70**	**63**	**58**	**53**

Note: As a reminder, not included in this table are COVID mitigation costs estimated at $20M in FY 2022 that have deepened the VSC System's overall deficit. It is assumed that these costs will be covered by federal stimulus funding, but the exact amount and allowable use of federal stimulus dollars remains to be determined.

In addition, the Select Committee recommends that the state provide additional ongoing support to ensure that the VSC system has adequate capacity to evolve as needs change by developing and maintaining curricula that fit with local needs; ensuring that students learning in different formats have the supports they need to be successful; cultivating and nurturing deep engagement with employers, schools, and workforce development centers; and assuring high-quality programs. Ongoing support is also needed to keep pace with maintenance requirements of the physical assets owned by the VSC System. This includes realistic funding to better care for deferred maintenance obligations, keep buildings compliant with safety and accessibility requirements, and to address unanticipated major maintenance costs. Currently, when an expensive repair is suddenly required, the VSC System pays for it out of its limited discretionary funds, most of which comes from student tuition payments. It would be better if VSC had funding to address major maintenance issues that represent unbudgeted costs, any excess of which may be returned to the state if it turns out to be unneeded at the end of each fiscal year. Finally, this additional ongoing support is critical to begin to address affordability issues that have become serious barriers to student access and success, a growing problem for institutions which are expected to provide the most accessible and affordable postsecondary option for Vermont residents.

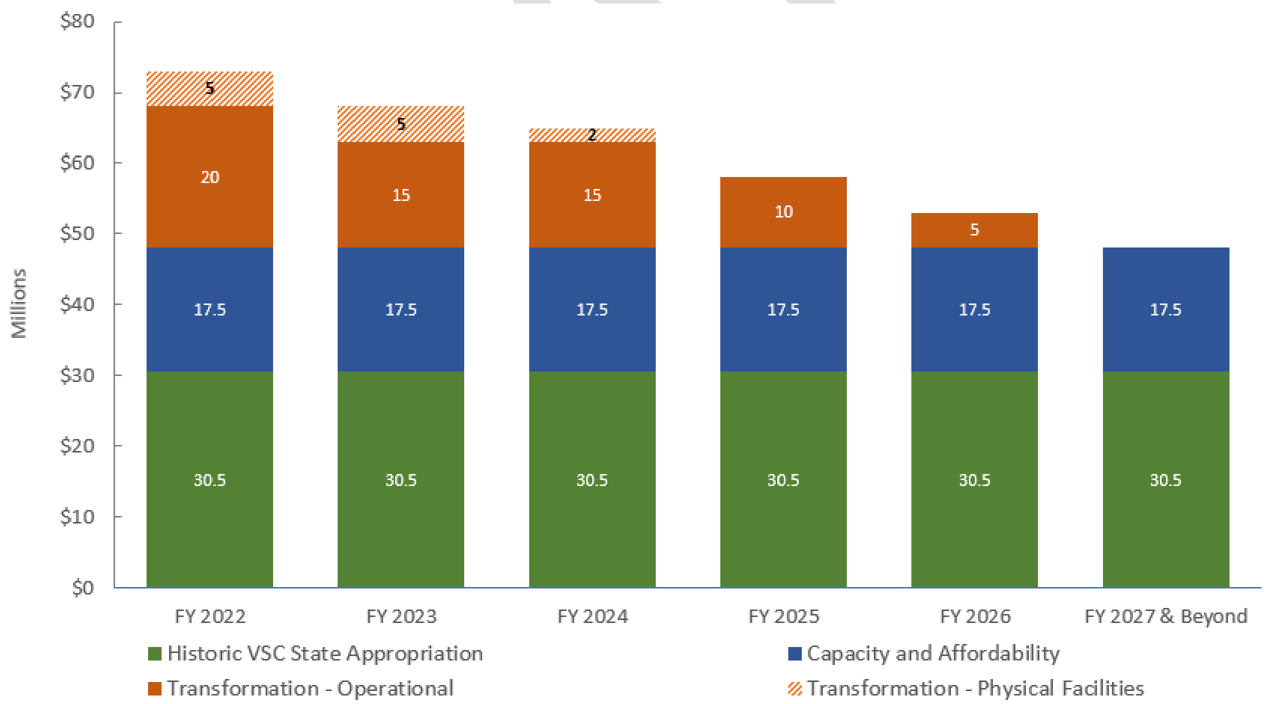
Figure 53 summarizes the previous three figures by showing the total state and federal investments in FY 2022 necessary to address the VSC's funding requirements in that year for covering COVID-19 related impacts and for funding the costs of transformation that will begin to reduce its structural deficit.

Figure 53. Summary of Total State and Federal Investments in VSC in FY 2022

	FY 2022
State and Federal Investments in COVID Mitigation	20
Historic VSC State Appropriation	30.5
Additional State Investments in VSC in Transformation and in Capacity and Affordability	42.5
Total State and Federal Investments in VSC	**93**

By way of illustration, the recommended state investments are depicted in Figure 54. At the bottom in green is the $30.5M that the state has historically provided to VSC. Above that are the state's investments in capacity and affordability. These are expected to be ongoing investments that will help the VSC System continuously revise curricula to adjust to changing demands from employers for new knowledge and skills, improve and preserve affordability for students, and address its needs for capital—both the maintenance requirements of the physical facilities, but also to ensure that the infrastructure necessary to deliver programs through various models (including online) remains functional, contemporary, and suited to the needs of students and faculty. Next are the state's investments in transformation in orange, investments that are expected to diminish as the VSC System realizes costs savings during the transformational period.

Figure 54. State Investments in Transformation and Ongoing Support at VSC



Note: Not included in this depiction are COVID mitigation costs that have deepened the VSC System's overall deficit. These costs will be covered at least in part by federal stimulus funding, but the exact amount and allowable use of federal stimulus dollars remains to be determined.

While state investments in one-time and ongoing funds appear to be needed on this scale, they can take multiple forms, including direct state appropriations and other approaches such as having the state assume responsibility for a portion of the VSC System's debt service obligations, retirement plan payouts, and its unemployment insurance coverage, etc.

Finally, it is clear from both data analyses and stakeholder input that affordability is an issue that deserves additional attention by the legislature. Even successful efforts by the VSC System to keep tuition increases in check, accomplished with the support of these state investments, should be complemented by additional state support targeted at closing gaps in the financial need of low-income Vermonters. Thus, Select Committee recommends an additional infusion of state funds for VSAC's budget for the purpose of providing need-based financial aid to full-time, part-time, and non-degree students attending the Vermont State Colleges. VSAC, in collaboration with the VSC System, should monitor and report to the Governor and the legislature on the impact of this investment on student affordability, enrollment, retention, and completion. This investment will be needed even if the VSC institutions are able to improve their own affordability through greater efficiency, all the more so if they are able to successfully transform in ways that reach new audiences of adult learners.

The details of these amounts are subject to refinement. However, it is unreasonable to expect that VSC will reach the targets for the first two of the categories suggested above overnight or, given demographic trends and structural imbalances related to labor and facilities costs, for it to do so acting alone. Instead, it will be necessary for the VSC System and the legislature to come to agreement over a reasonable multi-year period during which progress is being made toward the targets.

As a partial alternative to direct appropriation support, the State of Vermont could assume responsibility for paying certain ongoing obligations of the VCS System, obligations the state pays for on behalf of other state enterprises. Among such obligations could be unemployment insurance and annual debt payments on bonds issued for construction of academic facilities. Such actions could reduce overall costs since payments would be made on the basis of a larger pool of employees, in the former case, and by reducing the burden on tuition-paying students of debt payments being made for necessary facilities that are ultimately under state ownership.

There is widespread sentiment among those interviewed in the course of this project that the ability of the state to increase levels of ongoing support through the general fund will be limited. There is no appetite for raising taxes and the list of competing needs is long. As a result, the state should consider creating a dedicated source of revenues that is devoted to making one-time investments in educational innovation and change. There are a wide variety of expenditures that could fall into the category of investments including funding an early retirement program for full-time employees, paying for the demolition of physical facilities unsuitable for an alternative use, making a down payment on an effort to reduce the tuition VTC charges for its sub-baccalaureate programs, providing start-up funds for new programs that meet workforce needs of the state's employers, and expanding the System's capacity to deliver on-line programs. Some of these investments are needed to help the System reduce its operating costs. Others are needed to create conditions that will grow enrollments, particularly among adult residents who could benefit from further education, new skills, and a credential. These investments should be conditioned on requirements such as institutions not increasing tuition rates and providing evidence of cost reductions expanded services to underserved populations. (These may be elements of the state investment components outlined above.)

If the state is to more closely link its allocation of state resources to the priorities espoused by the Select Committee, it must creatively use available resources not only to promote the change and innovation necessary in VSC institutions, but ultimately to improve affordability. In the best of all worlds, Vermont would have sufficient resources to “buy down” tuition at its state institutions, substituting state resources for tuition revenue and decreasing the share of the burden borne by students. Failing that, the next best option is to invest additional resources in student financial aid. This investment could take different forms. The most straightforward would be to provide additional resources to VSAC to distribute to Vermont residents through its existing need-based grant program. This would allow a larger number of low-income students to enroll in (and complete) postsecondary education programs.

An approach that would promote a broader array of the Select Committee’s goals, including the linkage between education and workforce preparation, is the creation of a state program that integrates existing work immersion programs such as registered apprenticeships, internships, and co-ops, and infuses the program with sufficient financial resources. The Select Committee recommends the legislature commit $5M annually to such an effort. The resulting program would have the benefit of supporting earn-and-learn academic programs and would foster stronger relationships between higher education and employers. Further, it would bring revenues from the private sector into the mix of higher education funding. To be most effective, such a program should be designed around the following principles:

- Require the student participant to apply for a position with the participating employer and go through the employer’s normal hiring process. The institution should provide the student support services necessary to prepare the student for engaging in this experience—resume writing, interview skills, etc.
- The student should receive a regular paycheck with the pay scale in line with the going rate for the position. Half of the paycheck amount would be paid by the employer and half by the work immersion program.
- The student must receive academic credit for the work experience. This means there will have to be coordination between the employer and the institution regarding the nature of the position into which the student is placed. As part of this experience, the student should be required to create a portfolio of the work and the learning associated with that work—there needs to be a paper trail supporting the awarding of credit.
- Unresolved is whether or not the employer should receive a tax credit for their share of the wages paid to the student. Such a credit would serve as a further inducement for employers to participate in the program, but this is a decision that can only be made by the legislature.
- It will be important to ensure that any such program is adequately integrated with other existing state efforts to incentivize and grow “earn-and-learn” activities, such as registered apprenticeships. Doing so will maximize the benefits across all the similar investments by aligning marketing efforts with prospective students and employers

and assuring that compliance, oversight, and evaluation activities are smoothly aligned.

The need to modify resource allocation practices extends beyond the state level to the VSC System as well. In this regard, it is recommended that VSC:

- Continue to utilize a system-wide approach to resource allocation but change the mechanism employed in the distribution of resources received from the state in some key ways. The allocation mechanism historically used has been based heavily on the amount of tuition revenue generated by each of the institutions. This creates an incentive for institutions to increase tuition rates and seek to enroll non-residents rather than to minimize increases or decrease them. Equally important, this method of allocation does not recognize the cost differences faced by institutions with different types of programs and the associated differing costs of delivery, with different levels of deferred maintenance and other cost drivers. By failing to reflect these operating realities, the allocation model inadvertently creates incentives for institutions to offer low-cost programs and to avoid offering those with higher costs that may more directly and immediately align to workforce needs. This may help to explain why VSC institutions produce so few degrees and certificates in the skilled trades, repair, and manufacturing fields.

  The past approach to allocation of resources also comes up short regarding its failure to provide clear incentives for producing priority outcomes—completion of programs of study, successful passage of gateway courses, achievement of credit accumulation milestones (30 credits, 60 credits, etc.), and ensuring the success of students from priority populations (low income, adults, etc.). The approach being employed also fails to create incentives for institutional collaboration; to the contrary, it reinforces institutional competition through its incentives for increasing enrollments that yield additional revenues. In the interest of students, it would be better if the institutions were rewarded when they shared academic courses and programs, facilitated student transfers, and otherwise found ways to collaborate for greater efficiency.

  In short, it is recommended that the System proceed with the revamping of its resource allocation model in ways that more consciously reflect differences in costs of education delivery and reward institutions for achieving desired outcomes and exhibiting behaviors supportive of System goals.

- Develop a cost reduction plan designed to eliminate the System's structural deficit within a period of five years. This plan should identify those reductions that the System can make through its own decision-making processes and those that will require one-time assistance through use of state investment funds. The latter include such things as early retirement/separation incentives and the realignment and sharing of programs. At the end of this process, the ratio of FTE students to full-time employees should be roughly equivalent to the lowest level found within the last 10 years.

- Establish a Systemwide policy addressing the level of tuition discounting authorized for each institution and providing criteria for the types of students who should be prioritized to receive tuition waivers or discretionary institutional grants. This policy should prioritize the needs of low-income Vermont residents—both recent high school graduates and adults—and reduction of competition for students among System institutions. The policy should require review and approval of institutional aid budgets by the Chancellor's Office before implementation.

6. Physical Spaces

The VSC System should take steps to analyze its inventory of physical facilities for ongoing suitability to the needs of students, communities, and others including employers. Such steps may include repurposing spaces for use by firms or other organizations willing to enter into a partnership/leasing arrangement and for converting spaces into flexible "maker" spaces connected to new entrepreneurial centers capable of helping to fuel local economic development activities. In such cases, preferences should be given to uses that provide students with opportunities for experiential learning or are otherwise part of an intentional academic strategy to cultivate entrepreneurial initiatives. The existence of underutilized space that could be occupied by another institution in the System, e.g., CCV assuming a presence using available space on another campus, should only be considered if such an arrangement is in the best interests of students and provides them with greater access to courses and programs than they otherwise would have.

Underutilized buildings that cannot be safely refurbished or renovated for an imminent alternate use, or when doing so stretches the limits of fiscal responsibility, should be demolished. This may require one-time funding from the legislature. The costs of ongoing operation and maintenance of such structures will remain a burden on the VSC System without appropriate attention.

The VSC System should remain alert to consider alternative spaces that may be suitable for use where such spaces can help extend access to new student populations and promote their success, e.g., by forging a partnership with the CTE centers.

Given likely changes in the characteristics of the student body the VSC System will be serving in the years ahead—both due to demographic change and due to intentional policy choices to serve a larger population of adult learners as articulated in this report and elsewhere—one area for particular focus for reducing the VSC footprint is housing. The possible need to do so is far from a consensus matter. But reports from stakeholders suggest that some of the residence halls are among the buildings most in need of refurbishment and renovation, and those that do are not capable of attracting new students to enroll and may also be among the most expensive to renovate. Experience in other states suggests that housing costs—especially the need to carry stubbornly low-occupancy residences on the books—have a direct and meaningful impact on students' costs of attendance that feeds on itself and deters enrollment. For instance, in Pennsylvania a decision was made more than two decades ago, when the demographic picture was substantially brighter than it is now, to replace old and unsafe housing capacity with newer, more feature-rich options. The decision was justifiable on a number of fronts at the time, and one reason cited was to compete more effectively for students in a tightening marketplace. But in recent years, with far fewer students leading to housing occupancy substantially reduced, institutional policies requiring on-campus housing were necessary to prop up the auxiliary budgets and contributed to unnecessarily high costs of attendance.

Finally, the authorizing statute for the Vermont State Colleges is ambiguous with respect to how much authority the VSC Board has to exercise with respect to the physical facilities under its control. It currently states that the public corporation can own the real estate and must "protect, preserve, and improve and promote" the use of that property and that it may "acquire, hold and dispose of property." This last clause is allowable only insofar as the statute also provides that the VSC Board may not "abandon, lease, sell or dispose of any of the institutions under its control unless specifically authorized by the general assembly."[27] These provisions are sufficiently ambiguous with respect to the real estate property operated by the VSC Board as to potentially hinder its flexibility in addressing the need to reduce the overall physical footprint of the System as described above. In setting forth the policy objectives for the VSC System as called for in the second recommendation above, the legislature should also clarify the extent of the VSC Board's authority to "abandon, sell, or dispose" of physical facilities operated by the VSC System, ideally to give the VSC Board maximum flexibility to make use of physical spaces it oversees in the manner most consistent with its mission.

7. Affordability

In keeping with the Select Committee's charge to address affordability as part of an integrated vision for public higher education in Vermont, it is imperative that its recommendations explicitly balance the financial challenges facing students with the financial challenges facing VSC institutions. Moreover, there is strong consensus among members of the Select Committee and the external constituents consulted during the development of the Committee's report that the opportunity to enroll in, and complete, programs of study at Vermont's public institutions should be affordable to all residents of the state. Yet the discussions made clear that the term "affordability" means very different things to different people. For some it means keeping tuition low—at the very least, no higher than other states in New England. For others it means ensuring that students can graduate with no (or "reasonable" levels of) debt. In the latter case there was considerable variation in the definition of the word "reasonable." In any case, Vermont's public institutions are among the least affordable in the nation by any measure, and as is the case in other states, affordability challenges are greatest for low- and middle-income students.

To promote meaningful discussion and policymaking about affordability, a commonly accepted definition of the term is required—what might become accepted as an Affordability Standard—the purpose of which is to provide a basis for establishing quantitative evidence regarding the extent to which affordability is being achieved at Vermont's public institutions.

[27] 16 V.S.A. § 2171b-d.

One approach to defining and measuring affordability is represented by the Shared Responsibility Model.[28] This model has the following elements and is depicted in Figure 55.

The Shared Responsibility Model is used by several states (among them, Oregon and Minnesota) to distribute state grant aid and to ration scarce resources within a deliberate framework that put students' needs at its core. But for Vermont's purposes, borrowing from the Shared Responsibility Model is intended solely to provide the elements of a definition for the Affordability Standard that addresses policymakers' needs for a consistent and commonly understood way to assess affordability and monitor it over time. The Shared Responsibility model is explicitly not being recommended as a mechanism for allocating student aid by the state (through VSAC) or by institutions. In other words, it is not intended to specify how individual students' financial aid packages should be constructed.

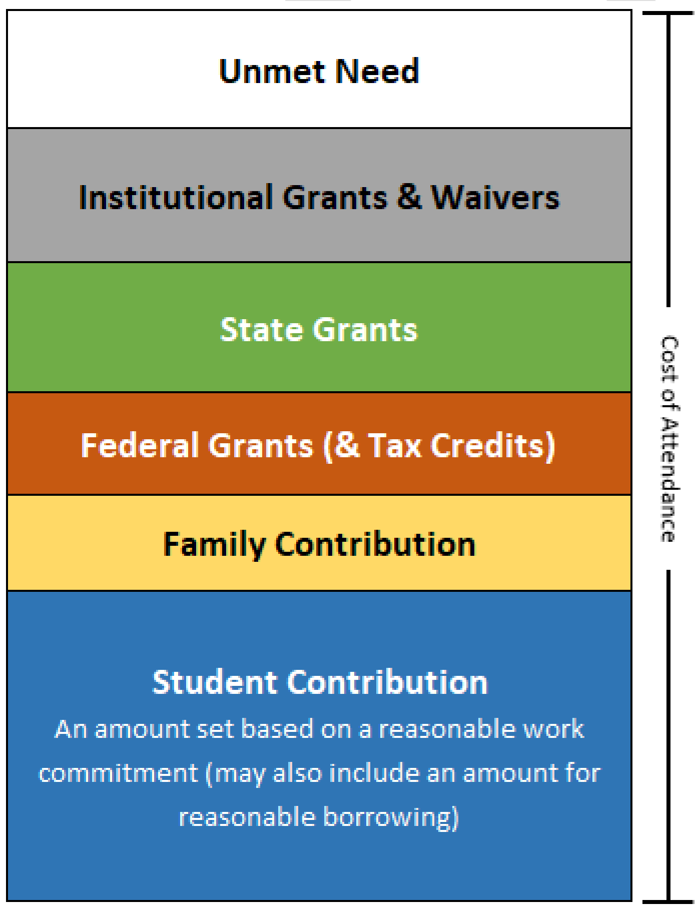
Using this approach, the Affordability Standard is defined and measured as the difference between the cost of attendance (tuition and fees plus books and supplies, as well as necessary living expenses) and the following sources of financial support available to students:

1. A work commitment applied equally to students from all income backgrounds, such as the state minimum wage x 15 hours/week x 48 weeks/year. The purpose of setting the student contribution component in this way is to set the level of a student's contribution in reference to an amount that corresponds to a reasonable level of work—an amount that is not so great that it requires students to sustain work commitments that interfere with their academic progress. This amount's explicit linkage to a work commitment not to exceed a certain number of hours is the conceptual core of the Affordability Standard. It is not a directive for how individual students actually behave. Many current students with unmet need find it necessary to work beyond this defined level in order to pay for their costs of attendance. Others take out larger loans in order to avoid more work. Those that are fortunate to be wealthy enough can rely on family resources to avoid working or loans altogether. And some others are able to secure gift aid awards from the institution or private scholarships that are large enough to avoid having to work. The point is not to specify *how* students should meet their student contribution, but rather to help define an Affordability Standard by using an evidence-based expectation for what a student can reasonably contribute through working and attending college simultaneously.
2. Available family contributions (generally specified by the parents' portion of the EFC but adjusted for independent students). As family income rises, so too does this component, and for students from sufficiently wealthy families, this contribution will fill the remaining gap between the work commitment and the cost of attendance.
3. Gift aid from Pell Grants, state grants, and institutional grants and waivers. Federal tax credits are also a source of funds worth considering for inclusion in the Affordability Standard, although the credits are not available to students at the time tuition bills are due.

[28] A fuller discussion of this framework is available in Prescott, B.T. & Longanecker, D.A. (2014), *States in the Driver's Seat: Leveraging State Aid to Align Policies and Promote Access, Success, and Affordability.* Available at https://www.wiche.edu/resources/states-in-the-drivers-seat-leveraging-state-aid-to-align-policies-and-promote-access-success-and-affordability/

4. The Affordability Standard may include an explicit borrowing level that is established based on an annual amount that leads to a total debt level that is reasonable for graduates to pay off. If so, it could be included in the Affordability Standard definition as part of the student's contribution in addition to the amount set based on reasonable work. Or it may simply be assumed that borrowing is one way that students address their unmet need. In either case, establishing the amount of annual borrowing that leads to a reasonable level of debt should be a policy judgment made by the legislature with recommendations from VSAC. One possibility is that it be set according to evidence about early-career earnings in occupations that are oriented to public service, such as teachers, social workers, and the like (equivalent to roughly $3,000 of annual borrowing over four years). Comparisons to actual borrowing levels of graduates—perhaps supplemented with information about earnings—may be used to complement the Affordability Standard with one measure for assessing affordability in practice.

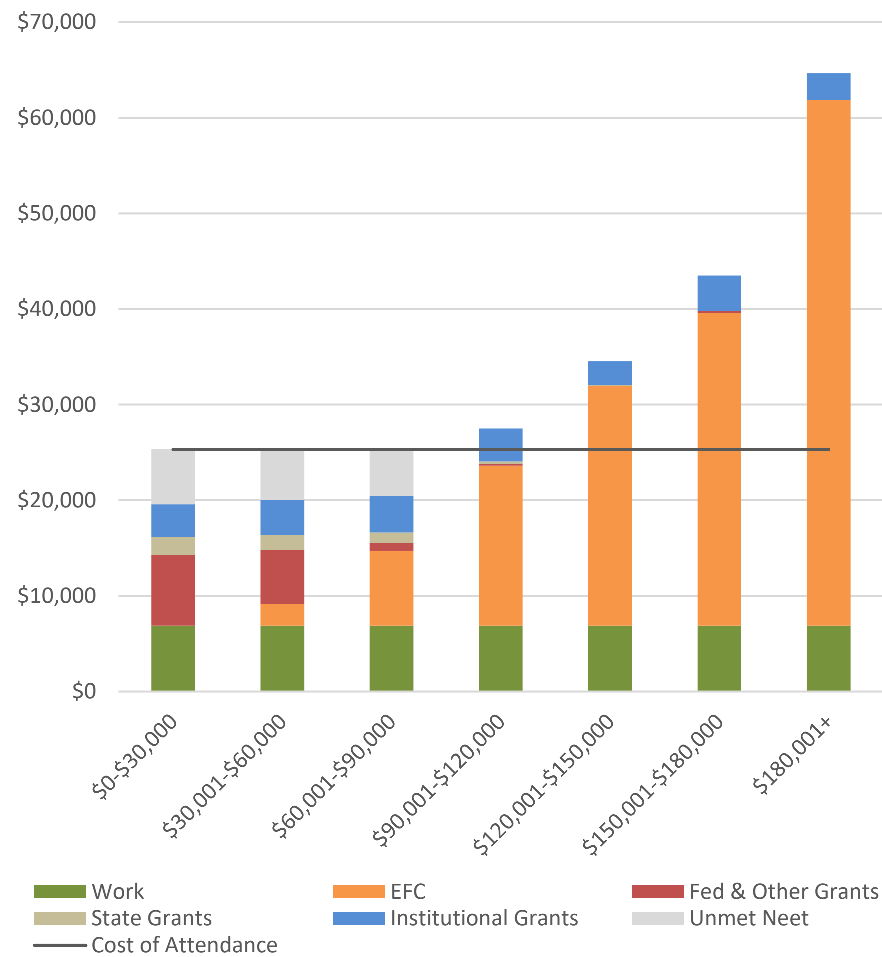
Figure 55. Shared Responsibility Model



The evidence that Vermont could benefit from an Affordability Standard to inform policy is strong. As demonstrated by exhibits in the data analysis section above, Vermont's public institutions are expensive for students relative to prices at peer institutions in other states.

The impacts of high tuition prices on affordability for students in low- and middle-income ranges are clear. Assessing students' ability to pay the costs of attendance at Vermont's public institutions shows large gaps, even for students who are working part-time while enrolled. For example, Figure 56 illustrates an "affordability profile" using the Shared Responsibility framework described above for first-time, full-time, in-state students attending Castleton.

Figure 56. Affordability Profile for Castleton University, Fall 2018



Source: VSC Chancellor's Office.

Even after accounting for a reasonable level of students' contributions from work and gift aid from all sources, students from families with incomes below $90,000 faced a gap of $5,000 or more to attend Castleton that year. As shown by the unmet need amounts in the table below, estimates are worse for lowest-income students attending other VSC institutions, especially VTC, and substantial gaps remained even for students from families with incomes reaching as high as $90,000.

Figure 57. Unmet Need by Income Level, VSC Institutions, 2018

	Cost of Attendance	Unmet Need				
		$0-$30,000	$30,000-$60,000	$60,001-$90,000	$90,001-$120,000	$120,001+
Castleton	$25,316	$5,749	$5,292	$4,873	$0	$0
Northern Vermont	$26,192	$6,124	$5,230	$3,982	$0	$0
Vermont Tech	$28,356	$8,564	$8,305	$7,899	$666	$0
CCV (off-campus without family)	$19,202	$5,874	$3,978	$,1839	$0	$0

Source: VSC Chancellor's Office, NCES IPEDS.

Not only do these large gaps help explain why college participation rates among Vermont residents are poor relative to other states, they also help explain why student debt loads are high—nearly 6 in 10 graduates of public institutions in the state take out loans and accumulate an average of $31,684 in debt before they graduate, the 11th highest average among all states. These data on student debt levels do not take into account the debt of students who drop out before graduating because of affordability concerns, nor do they account for prospective students who chose not to enroll at all as a consequence of the high prices they would face. If these students were included, it is likely that the picture would be even more dire.

Even with substantial additional investments by the state directly in public higher education, institutional aid will continue to play a major role in supporting student affordability. But it is possible for decisionmakers to take steps to better monitor and address the affordability challenges in Vermont by making it more transparent. As has been argued, this requires that there first must be an agreed-upon, working definition of the term "affordability." Having such a definition will allow more informed deliberations in the legislature about state investments in postsecondary education that give priority to addressing the affordability needs of students along with the needs for funding support of public institutions. Without evidence and a clear standard, crafting policy solutions that address the topic is likely to yield ineffective and unnecessarily expensive solutions.

To avoid that outcome, the Select Committee recommends that the legislature:

1. Adopt an Affordability Standard (the Shared Responsibility Model is one approach) and use it to annually monitor the extent to which the combination of institutional pricing and gift aid from the federal government, the state, and institutions combine to help Vermont residents of different income levels afford the costs of attendance.

2. Encourage VSC and UVM to provide data on financial aid packages for all full-time in-state undergraduate students, including those without any known aid, to VSAC. VSAC should be charged with annually producing a report to the legislature showing gift aid by source for all income levels. Using these data VSAC should also report to the legislature the level of unmet need for student financial aid—the amount of aid that would be needed to make going to college in Vermont affordable given the mutually agreed-upon standard. This could entail submitting a minimum amount of aggregated data to VSAC for first-time, full-time, in-state students, such as through the template depicted in Figure 58. Apart from requiring data for students from a wider range of income backgrounds, this data request is consistent with federally mandated IPEDS reporting. IPEDS reporting is required only for

recipients of federal financial aid and aggregates the results for all students with incomes above $110,000. That is a relatively low level of income for which to truncate reporting, especially in a state that is so reliant on grant aid and discounting practices in the public sector.

Figure 58. Data Request Template to Support Calculations of Affordability Standard

	Adjusted Gross Income[29]							
	$0-$30,000	$30,001-$60,000	$60,001-$90,000	$90,001-$120,000	$120,001-$150,000	$150,001-$180,000	$180,001+	Unknown
Pell Grants								
Total Funds								
Count of Recipients								
Other Federal Grants								
Total Funds								
Count of Recipients								
State Grants								
Total Funds								
Count of Recipients								
Institutional Grants/Waivers								
Total Funds								
Count of Recipients								
Overall Count of Students (With or Without Grant Aid)								

Restricting the reporting to first-time, full-time students aligns the request with mandatory federal reporting as much as possible as a way to limit reporting burden and to construct affordability profiles (or other depictions) in a manner that is most readily comprehendible for policymakers. Such an approach will, however, obscure important differences in how students are supported financially by the state and its institutions, for students in their second year and beyond and for part-time students. Non-traditionally aged students are especially likely to be left out of the analysis in large numbers. This could lead to perverse incentives if institutions are encouraged to concentrate their aid budgets on first-time students direct from high school. To help counteract that possibility, the Select Committee encourages legislators to expect and VSAC to develop indicators, as part of the annual affordability report, which better account for part-time enrollment and for different dependency statuses. Although it is not the SC's role to specify in detail how these indicators should be constructed, VSAC already has sufficient data on state-funded students and the awards they receive to fulfill this assignment. These data can be disaggregated by attendance status and important student characteristics such as age.

[29] The specific income categories across the top of this template are consistent with data exhibits previously shown for VSC institutions (e.g., Figure 41), and constitute suggested categories only. Alternatives should be sure to reflect a wide range of the income spectrum, including high-income students.

Since institutional aid budgets are seldom used as a strategic recruitment tool for part-time or adult students of substantial wealth, as is more commonly the case with students recruited directly from high school, it is unlikely that requiring additional data from any institutions would yield significant additional insight beyond what VSAC could provide with its own data.

3. Express its intention that postsecondary institutions should take steps to ensure that students who receive state grant aid are successful in achieving their academic goals. Such an expression would reflect the special responsibility that public institutions have to low-income students that receive state taxpayer support—especially those attending public institutions who also benefit from the institution's state appropriation. In keeping with that expectation, VSAC should include in its regular reporting an analysis of appropriate metrics that track the academic progress and completion of students receiving state grant aid awards.

4. Increase its investment in state financial aid programs by at least $5M annually as described more fully in the set of recommendations in the Resource Allocation section.

5. No later than the 2022 session, state an intention that high school seniors be required to complete a Free Application for Federal Student Aid (FAFSA) as a condition of high school graduation. Evidence from other states shows that such a step can increase the college-going rates of low-income students. Moreover, changes recently passed by Congress will create a simplified FAFSA taking effect in 2023, making objections to imposing this requirement less compelling. Further, charge VSAC and the Agency of Education with consulting with the appropriate stakeholders and recommending an implementation strategy for action by the legislature during the following session.

Additionally, in order to specifically address the high costs to students enrolled in sub-baccalaureate programs offered at VTC, the VSC Board should set as an objective that tuition for VTC associate and certificate programs be differentiated at a level below its baccalaureate programs in order to increase access to sub-baccalaureate technical programming for targeted populations. This will result in a diminution of revenue per student generated by those programs in the short term. The funds necessary to replace these lost revenues—on a decreasing scale over time—should be considered as an investment to be made by the System to ensure access to needed technical programming while affording VTC the necessary time to adjust the cost structure for how it delivers affected programs.

Finally, one of the ways that the VSC Board can pursue the intent established above by the legislature is to implement a new resource allocation model among its institutions that includes a performance-based bonus to reward institutions for success in helping recipients of state-funded grant aid reach milestones of academic progress and completion.

8. Economic Development

The data presented clearly show that Vermont is plagued by a declining, aging population and a loss of jobs in some historically important industry sectors. If the state is to reverse these trends, it will be necessary for it to bring all available assets to bear on an intentional effort to create its future economy. The state's institutions of higher education can be critical partners with the state as it pursues its economic development strategies. In order to become a more valued contributor to the creation of the state's future, the VSC System and its constituent institutions should:

- Make a concerted effort to work more closely with the Agency of Commerce and Community Development to identify roles that VSC can play in implementing the state's economic development strategy.
- Develop town/gown task forces in each region of the state in order to facilitate the development of a clear strategy for local economic development. In this context, VSC can serve a critical convening and supporting role in the identification and development of solutions to local problems.
- Place a premium on providing students with academic programs and related experiences that prepare them for pursuing entrepreneurial endeavors. Vermont is a state of small employers. Economic development strategies should be designed to foster the seeding of such enterprises in various regions of the state. As part of this focus the VCS institutions should strive to devote a portion of their underutilized physical space to use as makerspaces or other types of spaces that brings entrepreneurs and employers onto the campuses in ways that let them interact with students in academically fruitful ways. This may include providing incubator space for start-up companies.
- As indicated previously, build a work component into as many academic programs as possible.
- Seek ways to collaborate with the new UVM Office of Engagement where VSC can add value to efforts to link higher education with community and regional needs.
- Engage with state and regional organizations and industry associations to work with employers—especially small- to mid-size employers—to develop and support programs that stimulate and cultivate individual entrepreneurship, local economic development, and the achievement of state and regional industry objectives.

9. Accountability

Ultimately, the long-term sustainability of VSC will hinge on its ability to commit to a set of goals aligned with the needs of the State of Vermont, to build consensus about the importance of these goals within the system, to persistently pursue implementation actions designed to achieve these goals and to demonstrate effectiveness in accomplishing the desired ends. To these ends the VSC Board of Trustees must more deliberately and effectively exercise its leadership and oversight roles. The leadership role will require first, and foremost, that the Board make clear the priority goals to be pursued and the behaviors to be exhibited by System institutions—behaviors such as collaboration in delivery of academic programs and minimization of tuition increases. To ensure that there is no misunderstanding of Board intentions and expectations, the metrics by which progress will be monitored should be made explicit and broadly communicated from the outset. Data tied to these metrics should become the basis of annual accountability report that can be used to demonstrate the contributions of the System to the State and its citizens. These data can yield greater benefits in that they:

- Can promote a culture of information use within the System.
- Help identify areas where mid-course corrections may be needed.
- Can provide the basis for holding all elements of the System accountable for the collective success of the enterprise.

The Board must not only exhibit leadership in the ways suggested above, but it must also play a much more active oversight role than it has in the past. A review of legislation establishing the Board indicates that it has all the authorities it needs to direct the changes that need to be made. Yet the Board has been hesitant to exercise those powers in ways that might have prevented mounting fiscal challenges from reaching the current crisis state. As first steps in reasserting the oversight role appropriate to current circumstances, it is recommended that the Board:

- Quickly establish an expectation that the Chancellor's Office develop, in consultation with institutional leadership, a revised resource allocation model, one that creates strong incentives for goal attainment, collaboration in the delivery of academic programs, and improving affordability for Vermont residents. This allocation model should be reviewed and approved by the Board before its implementation.
- Provide input during the process of renegotiating the System's collective bargaining agreements and, once negotiated by the Chancellor's Office, formally ratify those agreements.
- Ensure that the Board directive regarding the development and implementation of a common core general education requirement is put in place in a timely fashion.
- Monitor the enforcement of Board policy regarding under-enrolled course sections and determine if additional actions are necessary.
- Review/develop policies regarding streamlining curricula, policies designed to ensure efficiency in educational delivery.
- Quickly formulate a policy that requires the Chancellor to develop a strategic finance plan for the System, indicating the strategy for enhancing revenues and controlling costs in ways that ensure continued fiscal viability of the System. Approve the plan annually as the basis for budget formulation for the coming year.

These recommendations will likely take the Board outside its comfort zone. As a result, it is recommended that the Board instigate a robust Board development program that will better prepare the Board to perform its necessarily expanded role with confidence and a common understanding of its authority (and the limits of that authority). An enhanced orientation program should be developed so that all new Board members are effectively informed of the circumstances facing the System and the oversight role that Board members must play. In this vein, Board development should also encompass training to ensure that Board committees are capable of fulfilling their responsibilities—analyzing data relevant to functions under their supervision and advancing bold, carefully considered recommendations for action by the full Board.

For the Board to fulfill its oversight functions in the ways recommended, the Chancellor's Office must also develop an enhanced set of capabilities. Some of these enhancements involve improving the capacity of the System Office to develop the information needed to support Board decision-making. Among the list of data requirements are:

- The set of performance metrics identified in the context of communicating the Board's goals. These include information about student access and success, supporting the workforce and economic development needs of the state, extent to which affordability is being achieved/maintained, and efficiency of institutional operations, both academic and administrative. As an extension of these metrics, the VCS System should develop the capacity to report on the employment outcomes of graduates and non-graduate of VCS institutions who work in Vermont. This will require forging a data-sharing agreement with the Vermont Department of Labor. There are numerous examples of such agreements in other states.[30]
- The data needed to create a strategic finance plan for the System.
- Those required to allow monitoring adherence to Board policies regarding efficient delivery of academic programs and collaboration in academic delivery.

10. Adult Career and Technical Education (CTE) and Adult Education and Literacy (AEL)

Providing postsecondary education opportunities for adults is key to both the institutions in the VSC System and to meeting the workforce needs of the state's employers. Adult CTE programs offered through the 17 Technical Centers in the state, the four regional AEL providers, CCV, and VTC are all potential (and necessary) contributors to the delivery of programs designed to meet the needs of this audience. These diverse entities currently operate in a completely uncoordinated fashion with different oversight bodies, funding mechanisms, and operating procedures. While there is some collaboration among these entities, that collaboration is a function of individual initiatives and happenstance more than design. Sorting out all of the issues associated with creating a more coherent plan for organizing and utilizing the capacities of these various entities involved is outside the charge of the Select Committee. However, this is a task that is badly in need of attention. In recognition of this need the Committee recommends that a study be undertaken to determine the best approach to integrating the services delivered by these providers and to articulate the roles to be played by VSC institutions. Such a study was included in Act 80 passed during the 2019 legislative session but was set aside in order to prioritize resources on responding to the pandemic. When it is taken up again, the study should expressly define the appropriate roles and responsibilities that the VSC System should bear in providing Adult CTE and AEL services, as well as the funding support required to do so effectively.

[30] Florida and Texas use these data as part of their performance-funding models. Other states create consumer information tools to help prospective students consider institutions and programs; several states are partnering with the U.S. Census Bureau to report on employment outcomes of graduates, including out-of-state employment (see https://lehd.ces.census.gov/data/pseo_explorer.html?type=earnings&compare=postgrad&specificity=2&state=08&institution=00137000&degreelevel=05&gradcohort=0000-3&filter=50&program=52,45). These data can also be informative to curriculum development and alignment to workforce needs.

Implementation Steps

This report outlines an aggressive agenda for reforming the Vermont State Colleges in ways that will both ensure the future viability of the institutions and enhance the level of services provided by these institutions to the state and its citizens. Implementing this agenda will require the concerted efforts of numerous policymaking groups and other entities in the state. Actions of the leadership of the VSC–the Board, the Chancellor's Office, and institutional leaders—will be critical to achieving success. But their actions will be insufficient to the tasks that lie ahead without the support of the state legislature, the Governor's Office, and employers in the state. This section of the report outlines the actions required of each party, in generally priority order.

For several of the implementation steps assigned to the VSC System, the Select Committee ~~has~~ advances~~d~~ a prospective timeline~~, which isare presented in reference to the submission of the Select Committee's final reportreport., currently scheduled for April 16, 2021. This timeline is~~ intended to lay a foundation of achievable milestones that can help to demonstrate for the legislature that its funding support for the transformation is making progress. Its targets are aggressive in reflection of the urgency necessary. Yet in specifying a timeline, the Select Committee cautions the legislature against using these as immutable in ways that may hinder the VSC System from taking actions in a sequence that would best achieve the goals of transformation. Refinements and adaptions of this initial timeline are likely to be necessary as events unfold. Furthermore, the Select Committee also notes that sustainable progress depends on the legislature maintaining its commitment throughout the transformation, as well as on the ongoing impact of the pandemic on enrollment and funding patterns—especially the availability and allowable uses of federal stimulus funding.

In addition to a prospective timeline, the implementation steps for the Board also include a set of metrics. Most of these metrics signify progress against milestones in the process of transformation. Ongoing funding support over multiple years will be crucial to the successful implementation of the recommendations contained in this report. But it is not assured. To help ensure that the state has confidence in the commitments it is being asked to make in future years, these metrics are intended to provide assurance to the governor and the legislature that the System is making meaningful and rapid progress toward transformation. As is true of the timeline, the metrics must be flexible enough to adapt to changing conditions and evolution in the transformation plan. To ensure that this objective is met this initial set of proposed metrics should also be carefully reviewed, modified as necessary and be mutually agreed upon by appropriate representatives of the legislature, the governor's office, the VSC Board, and System leadership.

The VSC Board of Trustees

The important implementation activities for the Board of Trustees include:

1. Taking steps to prepare the Board for the leadership role it must perform. This will likely mean acquiring the services of an individual or group that can provide development services to the Board. The recommendations in the report will require the Board to assume roles beyond those which it has historically performed and to exercise authorities it

already has but has been reluctant to use. Formal Board development activities to help prepare the Board members to successfully carry out this broader set of responsibilities will pay both short- and long-term benefits. This individual/group might also be engaged to serve as a "coach" for the first year or so to help ensure that the Board works through the inevitably difficult issues of implementation in an effective manner. The substance of this assistance should include:

- Defining the roles of the Board versus those of the Chancellor.
- Establishing system-wide goals.
- Clarifying the role of the Board in the budgeting/resource allocation process.
- Assessing both academic and fiscal performance through the adoption of a limited number of key metrics.
- Developing policies and procedures for ensuring accountability at both institutional and system levels.
- Defining a process by which the board can more actively and appropriately fulfill its fiduciary duties in reaching agreements with collective bargaining units.

2. Providing the Chancellor's office with a list of assignments to be addressed in the short term. These assignments should include such items as:
   - Recommending individuals to fill the leadership positions for the unified institution and for the unit responsible for centralizing administrative services. If these individuals are not currently employed within VSC, developing a search/recruitment process.
   - Developing a detailed plan, budget, and timeline for the implementation activities.
   - Developing a communications/marketing plan that ensures that the strengths of the constituent institutions are made continually visible and that potential students and the general public understand the benefits to them of the changes being made.

   Timeline: Within six months.

3. Formally adopting a set of strategic priorities for the VSC System that will guide the System and provide a basis for decision-making. This work is already underway. It should be carried to its logical conclusion. As a corollary to this action, also adopting a set of metrics to be used in measuring progress toward achieving the stated goals. The clear articulation of metrics will serve the added purpose of making clear the intent of the stated goals and remove ambiguity about the meaning of goal statements.

   Timeline: Within four months.

4. Adopting a strategic finance approach to budgeting and resource allocation for the VSC institutions—a task which is also already underway. A strategic finance approach requires creating budgets that protect institutional assets, not just covering annual operating expenses. It means that budgets incorporate funding for facilities renewal and renovation at levels that prevent further accumulation of deferred maintenance, provide for intentional professional development for faculty and staff, and funds review and revision of curricula on a regular cycle in order to ensure currency. In allocating resources to cover

annual operating expenses, consideration should be given to basing a portion of the allocation on production of outcomes that serve to further attainment of the Board's priority goals.

Prospective metrics that may appropriately signal progress against the transformation plan include the following:

- Progress in reducing the VSC System's structural deficit by $5M annually.
- Completion by January 2023 of the substantive change proposal draft provided to NECHE, with feedback received. Formal submission of a substantive change proposal made in time for single accreditation to be in effect by the beginning of the 2022-23 academic year.
- Completion of a draft plan, by January 2022, identifying which academic programs will be led from which campus sites, along with how student supports will evolve to assure the success of students studying from other locations in the state, with a final plan approved by June 2022, as well as a draft transition plan to be ready for implementing these changes beginning in the 2022-23 academic year. These milestone achievements may be accompanied by evidence that students from all parts of the state are enrolled in programs led by each of the campus sites.
- Evidence within the first year of growth in the workforce development focus at the VSC System and its institutions, such as the establishment of a dedicated function under the VSC System's coordination, documented growth in employer outreach, new sub-baccalaureate and non-credit offerings in development (all such programs should be able to document good payoffs for students or be directly linked to further education and training).
- Completion of a plan for prioritizing the coordination/consolidation of administrative services in place by January 2022, with documented progress being made in at least one functional area.
- Completion of a marketing strategy in time for initial rollout to prospective student populations during the recruitment cycle for the fall 2022 entering class. This strategy should show evidence of having included planning and outreach concerning the preservation of high-value elements of the brands of the institutions to be unified. Initial plans for targeted marketing to adult learners and employers will also be in draft by the beginning of the 2022-23 academic year.
- Evidence by the end of Year 2 that each of the VSC institutions is becoming at least somewhat more affordable for low-income students from Vermont, as measured by VSAC using the Accountability Standard adopted for their annual report. In establishing this target, the Select Committee acknowledges that there are factors beyond the control of the VSC System in reaching it, including but not limited to the legislature's provision of ongoing funding support as called for in this report, as well as economic conditions that may affect the enrollment decisions of low-income student populations. Furthermore, heightened enrollment of low-income students, especially adults responding to economic conditions or to a more workforce-relevant set of programs, may simultaneously generate greater demand for available financial aid

resources. Assessment of progress against this metric should take these factors into account.

- Additional evidence consistent with the VSC Board's transformation plan and timeline addressing topics such as reducing the physical footprint and operational costs of unneeded or obsolete buildings, implementing more flexible delivery (e.g., academic calendars, credit accumulation), policies to reduce inefficiencies (e.g., section sizes).

Chancellor's Office

1. Developing an implementation plan, budget, and timeline for carrying out the activities required for successful transition. It should be recognized that this is likely to change as implementation activities progress.

   Timeline: Within four months.

2. Putting in place the process to hire the leadership team that will be charged with implementing the major recommendations of this report. Of highest priority should be the hiring/selection of:
   - The President and other cabinet officers of the new, unified institution.
   - The individual responsible for managing the centralized coordination of administrative services.

   Timeline: Process in place within four months, hiring completed within eight months.

3. Participating, along with VSAC and UVM as well as executive agencies like the Agency on Education, the Department of Labor and the Agency on Community and Economic Development, in developing a proposed set of priority postsecondary education goals for Vermont.

   Timeline: Goals advanced to the legislature for its consideration by August 2021.

4. Developing pricing strategies and policies regarding the institutional financial aid for the Board's approval.

   Timeline: Within six months.

5. In addition, the system may want to hire/select someone who has responsibility for leading a unit responsible for coordinating workforce development/employer relations for the system. While all units in the system should be expected to conduct their own efforts in this arena, a system-wide focal point helping to make the necessary linkages will assure that such efforts are coordinated effectively across institutions and in collaboration with other components of state government, including the Department of Labor, the Agency for Commerce and Community Development, the Agency of Education, and UVM.

   Timeline: Within six months.

6. Implementing the plan for centralizing administrative services. A priority for this effort should be to build capacity for system-wide data analysis and decision support that aids in the transition and drives improvements in student outreach and success.

Timeline: Identification of priority services to coordinate and plan to begin coordination within eight months.

7. Creating a plan for delivering enhanced and coordinated student services across the system. Such a plan will likely involve reorienting the activities of faculty advisors and student services professionals such that they become generalists who serve as a single point-of-contact to help students identify and access the specific supports they require from specialized staff members that may be physically located elsewhere. Support services will also need to adjust in ways that assure success for students as they experience shared academic programming delivered from multiple sites within the system through online programming and more intentionally incorporate workforce learning opportunities that are eligible for academic credit.

   Timeline: Initial plan for assuring coordinated student services within eight months.

8. Actively communicating information to students and the public. Such efforts should emphasize the fact that students in all parts of the state will have access to all programs offered by the system without having to leave their communities.

   Timeline: Adoption of a communications plan within eight months.

9. Overseeing the integration of academic programs at the unified institution.
   - In consultation with faculty and campus leadership, identify disciplinary areas to inform the organizational structure and culture and develop a transition plan for unifying academic programs, departments, and disciplinary faculty across the unified institution.
   - Identify the experiential hands-on learning currently at VTC and how it will be supported at the unified institution.

   Timeline: Identifying an initial set of disciplinary focus areas within six months. Developing the set of steps to execute the integration within 12 months.

<u>The VSC Institutions</u>

1. Implementing the recommendations of the Select Committee as interpreted and refined by the System's Board of Trustees. In summary this means:
   - Proceeding with the creation of the unified university including putting in place the leadership structure of the institution as determined by the Board and Chancellor, combining academic departments, creating curricula that reflect a single institution, creating delivery capacity (building on NVU Online) that will allow these programs to be delivered to students in all parts of the state, and seeking accreditation as a single institution.
   - Right-sizing the staffing pattern of the new institution so that staffing levels are roughly comparable to similar institutions of like size.
   - Identifying facilities that are no longer needed and can be disposed of through sale, demolition, or other means.

- Developing programs designed to meet the needs of adult learners, both in terms of content and in terms of accessibility, scheduling, and adoption of alternative delivery modes such as limited residency and fully online programs.
- Proactively working with employers to identify skills needed by potential employees and to develop paid internship opportunities.

2. In the process of creating the unified institution, working with the Chancellor's Office to develop a plan that reflects a singularly memorable brand and institutional identity while simultaneously preserving and honoring the most positive aspects of each institution's heritage, symbols, and traditions.

3. Using institutional student aid in keeping with System-level policy and guidance and in ways that best maintain affordability of access for Vermont residents.

The Vermont Legislature

1. Providing VCS with the bridge investment funding necessary to underwrite the transition. An estimate of the transition costs is presented in the report. As a matter of good public policy, the amount of this bridge funding should decrease over time and be conditioned on VSC reducing expenditures in amounts generally commensurate with the amount of the additional funding over a five-year period.

~~1.~~2. Charging VSC, UVM, and VSAC, working together, with proposing a set of statewide postsecondary education goals for Vermont. Background work has been done by the Select Committee; and the institutions have done their own planning. The task is to create a statement of goals (along with targets and related performance metrics) that reflect the needs of the state. This charge should be accompanied by a requirement that an annual report indicating the status/progress on each of these metrics be prepared. VSAC may be best entity to be assigned responsibility for preparation of this report.

3. Acting to clarify the powers of the VSC Board regarding the disposal of buildings and other property and closing institutions.

4. No later than the 2022 session, state the intention that all high school students complete a FAFSA as a condition of graduation and charge VSAC and the Agency of Education with consulting with appropriate stakeholders and developing implementation recommendations for the legislature to act on during the following session. (Ideally, the legislature might find some means by which to encourage this consultative activity to occur in time for implementation recommendations to be presented to the legislature to act on in its 2022 session.)

~~2.~~5. Adopting the definition of affordability recommended by the Select Committee and charge VSAC with preparing an annual report indicating the affordability to Vermont residents of each of the public institutions in the state.

~~3.~~6. Calling for a study to recommend how best to organize and finance the delivery of Adult Career and Technical Education and Adult Education and Literacy programs in the state. This essentially means reinstituting the study called for in Act 80 that was abandoned because of the press of issues surrounding COVID-19.

The Governor

1. Using the "bully pulpit" uniquely available to the Governor to deliver a message about the importance of VSC institutions to the future of the state and support the transition efforts being recommended by the Select Committee.

2. Including transition funding for VSC in budget requests. Such funding should be recommended according to a plan that is implemented over a period of years.

3. Creating a cabinet-level working group comprised of representatives of the Department of Labor, the Agency of Commerce and Community Development, VSC, and UVM to coordinate efforts regarding economic development (particularly in rural areas), determining workforce demands, and creating a coordinated strategy for workforce preparation. One aspect of the work of this group should be to explore ways in which labor and economic development funding can be utilized to fund specific workforce preparation activities at the state's public postsecondary education institutions.

4. Supporting the utilization of the proposed affordability standard and efforts to make public postsecondary education in the state more affordable to the residents of the state.

VSAC

1. Adopting the affordability standard recommended by the Select Committee and promoting its use with the legislature and other stakeholders as it carries out its mission to help students pay for college and to support effective postsecondary policymaking through its role as a source of impartial research and analysis.

2. Preparing the annual affordability report called for in the Select Committee's report.

3. Participating, along with VSC and UVM as well as executive agencies like the Agency on Education, the Department of Labor and the Agency on Community and Economic Development, in developing a proposed set of priority postsecondary education goals for Vermont. Once this set of goals is agreed upon, they should be forwarded to the Governor and Legislature for affirmation.

4. Collaborating with the Agency on Education in developing a plan for implementing the legislature's stated intent of requiring completion of a FAFSA as a condition of high school graduation.

~~3.~~5. Preparing an annual report regarding progress toward achieving attainment of the state goals.

University of Vermont

1. Participating, along with VSC and VSAC as well as executive agencies like the Agency on Education, the Department of Labor and the Agency on Community and Economic Development, in developing a proposed set of priority postsecondary education goals for Vermont.

2. Collaborating with VSAC and VSC in developing the annual affordability report.

3. Continue to build partnerships with the VSC System that contribute to talent-pipeline development, economic development, and other joint efforts to identify and address regional and state needs.

Employers

In order to achieve the objectives stated in the authorizing legislation for the Select Committee, employers, either individually or through their trade/industry associations, are asked to:

1. Assist VSC in specifying competencies required of individuals being sought as potential hires—or of individuals seeking promotions within the company.

2. Participate in earn-and-learn programs developed by VSC. Such participation would include:
   - Providing paid internships for students participating in the program.
   - Providing evaluations of student participants in the program as the basis for award of academic credit.

It is important to note that nothing about these “assignments” takes any of the actors outside the realm of their normal activities. They call for intentionality around a common purpose. As important is recognizing that the changes required and recommended by the Select Committee will not be accomplished in a single year or a single legislative session. Persistent consistency in action over time will be vital to success.

APPENDICES

A. Peer Selection Methodology
B. Data Exhibits
C. Overview of Reports and Recommendations Issued by Stakeholder Groups

Appendix A. Peer Selection Methodology

To assess the extent to which VSC institutions might be able to achieve cost reductions, individually or through a consolidation, NCHEMS analyzed finance data in comparison to institutional peers. NCHEMS first created a separate set of institutional peers for each institution and each combination of VSC institutions based on characteristics such as enrollment size (including the relationship between headcount and FTEs), location, size of faculty complement, control, Carnegie classification, program mix in terms as revealed by award levels and fields of study, and other characteristics. After specifying the relative importance of key characteristics (e.g., a heavy concentration of high cost programs), NCHEMS calculates distance scores for institutions that meet the identified criteria. From that list, NCHEMS selects a group of 8-15 of the most similar institutions. With the peers identified, NCHEMS then gathers data on revenues and expenditures and staffing.

To develop the peers for hypothetical combination of VSC institutions, NCHEMS first summed the counts of enrollments, employees, and awards at each level and field, and then used that aggregated institution to build a set of comparable peers.

All data are based on NCES IPEDS and use the most recently available data, which at this time is FY2018.

This process resulted in the following lists of institutional peers.

Castleton University

Institution	State
University of Maine at Farmington	ME
Lander University	SC
University of South Carolina-Beaufort	SC
Mayville State University	ND
University of South Carolina-Aiken	SC
Pennsylvania State University-Penn State Lehigh Valley	PA
Indiana University-Kokomo	IN
Pennsylvania State University-Penn State Scranton	PA
West Liberty University	WV
Dickinson State University	ND
University of Minnesota-Crookston	MN
Missouri Western State University	MO

Northern Vermont University

Institution	State
Concord University	WV
Eastern Connecticut State University	CT
SUNY College at Old Westbury	NY
University of South Florida-Sarasota-Manatee	FL
Western State Colorado University	CO
Christopher Newport University	VA
Indiana University-East	IN
Northwestern Oklahoma State University	OK
Mansfield University of Pennsylvania	PA
Mississippi Valley State University	MS
Savannah State University	GA

Vermont Technical College

Institution	State
Chipola College	FL
Abraham Baldwin Agricultural College	GA
Oklahoma State University Institute of Technology	OK
Great Basin College	NV
Northern New Mexico College	NM
SUNY College of Technology at Alfred	NY
SUNY College of Agriculture and Technology at Cobleskill	NY
SUNY College of Technology at Canton	NY
SUNY College of Technology at Delhi	NY
Montana Tech of the University of Montana	MT
South Dakota School of Mines and Technology	SD

Community College of Vermont

Institution	State
Norwalk Community College	CT
Atlantic Cape Community College	NJ
Mendocino College	CA
Massasoit Community College	MA
Mercer County Community College	NJ
Mott Community College	MI
Yuba College	CA
College of Southern Idaho	IA
Barton County Community College	KS
Chattanooga State Community College	TN
College of the Redwoods	CA
Del Mar College	TX
Hutchinson Community College	KS

Castleton University + Northern Vermont University

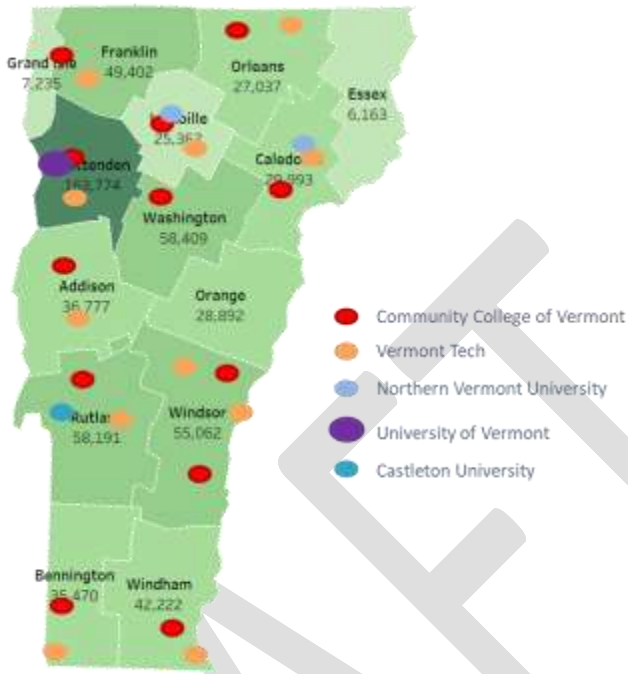
Institution	State
Clayton State University	GA
University of Wisconsin – Superior	WI
Western Connecticut State University	CT
University of Wisconsin – Green Bay	WI
Lander University	SC
Minnesota State University Moorhead	MN
University of Wisconsin – Parkside	WI
Keene State College	NH
Ramapo College of New Jersey	NJ
Indiana University – South Bend	IN
SUNY College at Plattsburgh	NY
Southern Oregon University	OR

Castleton University + Northern Vermont University + Vermont Technical College

Institution	State
Washburn University	KS
Northern Michigan University	MI
University of Arkansas-Fort Smith	AR
McNeese State University	LA
Missouri Southern State University	MO
Montana State University-Billings	MT
Austin Peay State University	TN
Nicholls State University	LA
Ferris State University	MI
Clarion University of Pennsylvania	PA
California University of Pennsylvania	PA
University of Maine at Augusta	ME

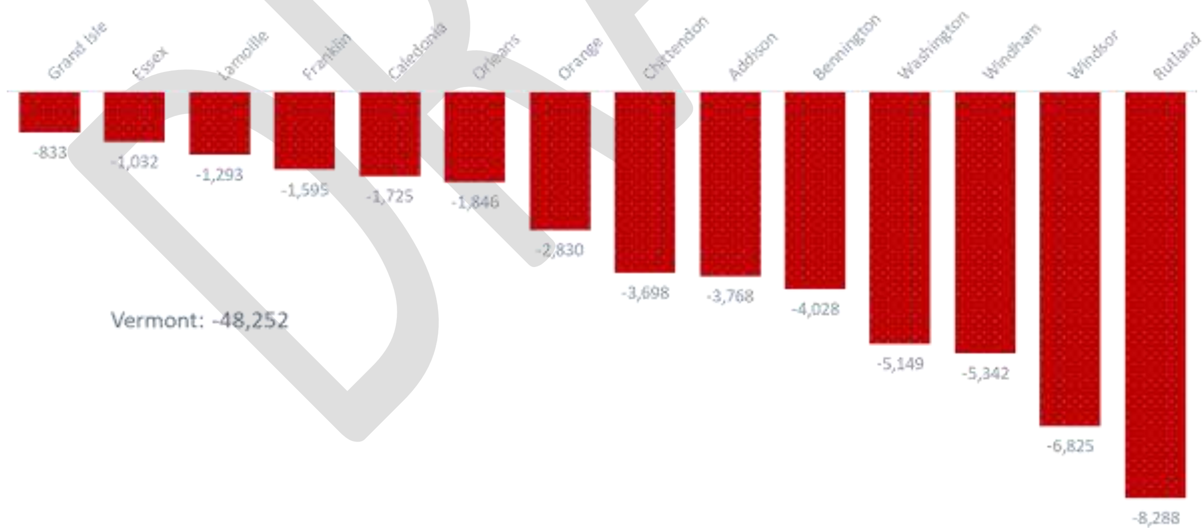
Appendix B. Data Exhibits

Figure A1. Vermont Population with Institutions



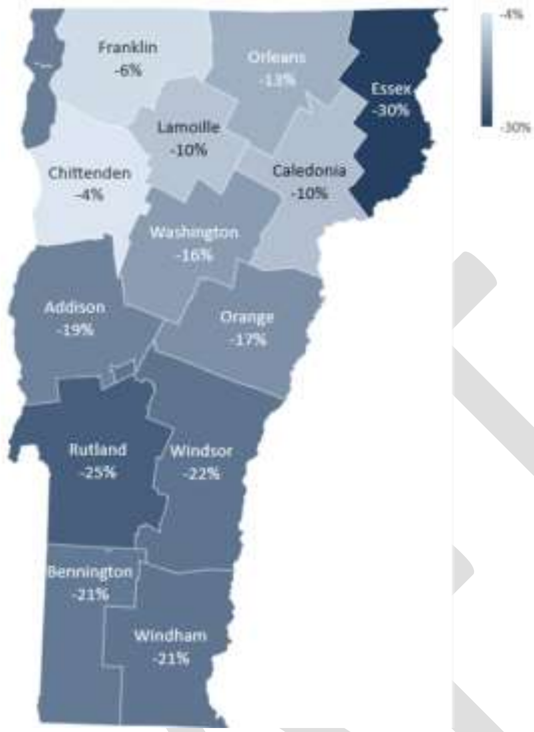
Source: https://www.vermont-demographics.com/counties_by_population

Figure A2. Projected Change in Population by County, Adults Aged 25-64, 2010-2030



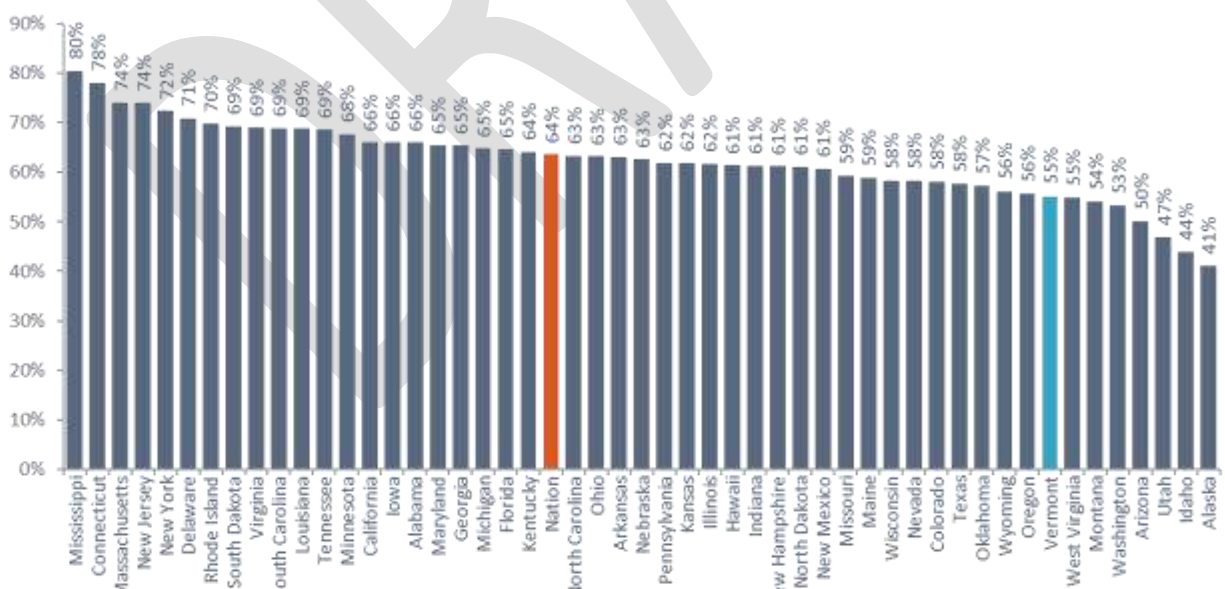
Source: State of Vermont, Vermont Population Projections – 2010 – 2030, August, 2013; Ken Jones, Ph.D., Economic Research Analyst

Figure A3. Projected Percent Change in Population, Adults Aged 25-64, 2010-2030



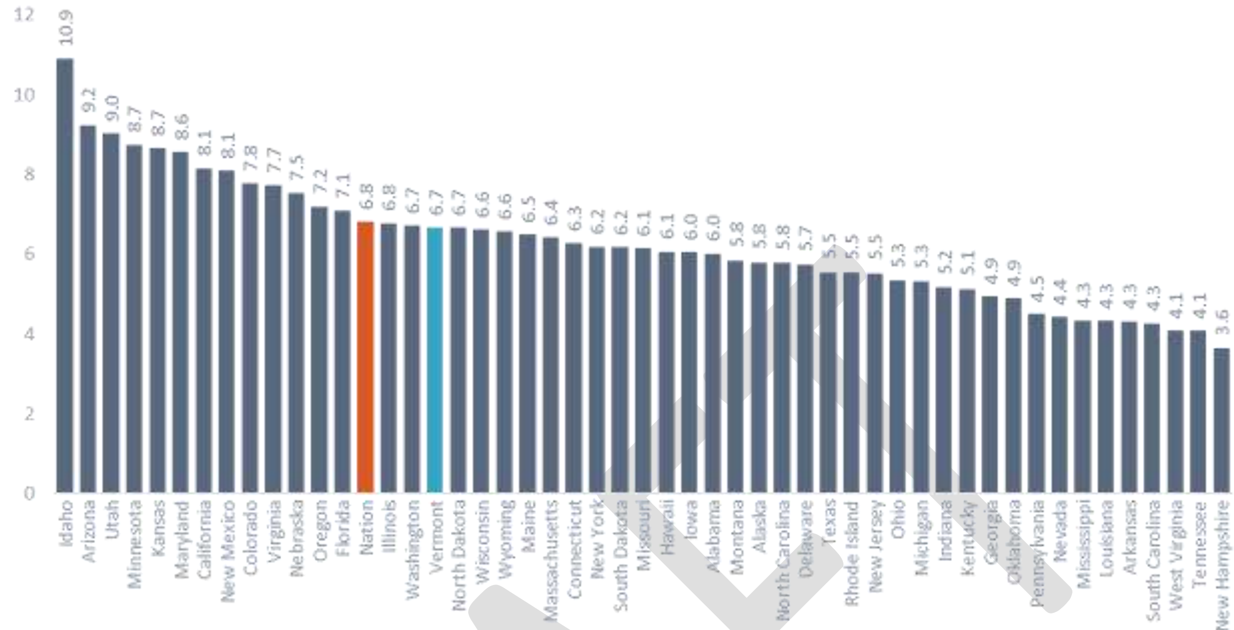
Source: State of Vermont, Vermont Population Projections – 2010 – 2030, August, 2013; Ken Jones, Ph.D., Economic Research Analyst

Figure A4. Percent of High School Graduates Directly Out of High School Going to College, 2018



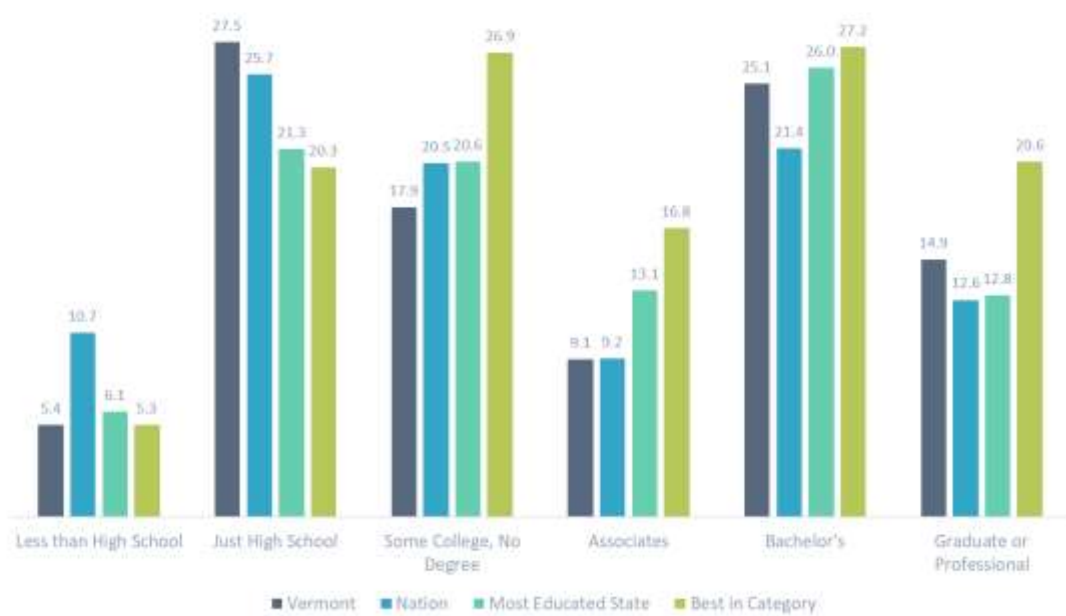
Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2016; NCES, IPEDS Fall 2018 Residency and Migration File; ef2018c Provisional Release Data File.

Figure A5. Undergraduate Enrollment Age 25-49 as a Percent of Population Age 25-49 with Less than an Associate's Degree, Fall 2017



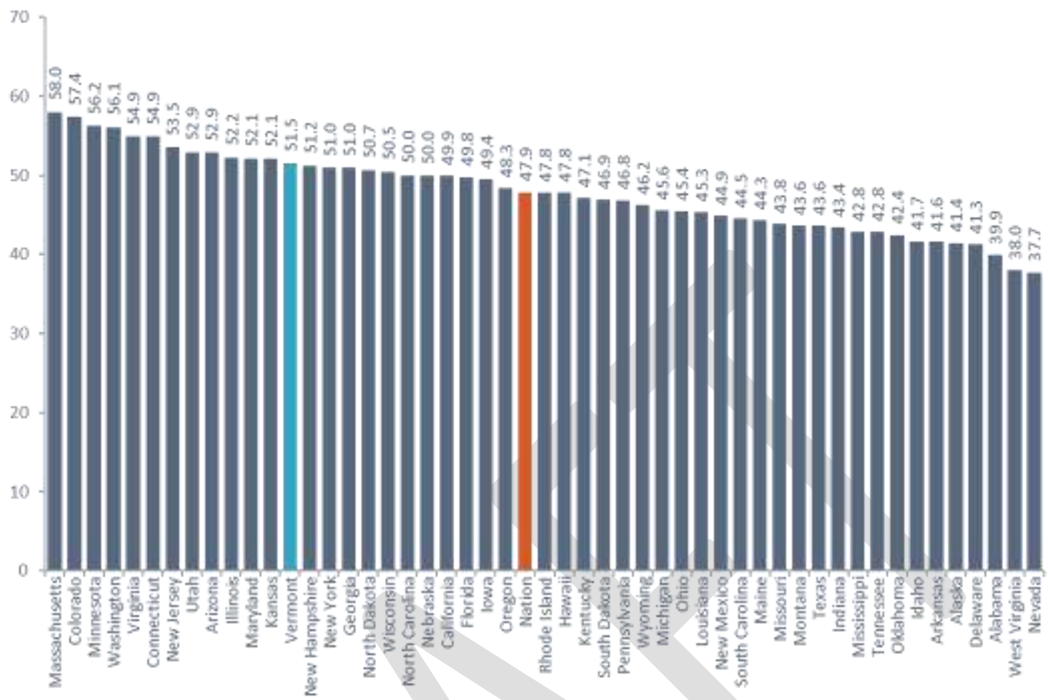
Sources: NCES, IPEDS Fall 2017 Enrollment File; ef2017b Provisional Release Data File; U.S. Census Bureau, 2017 American Community Survey One-Year Public Use Microdata Sample.

Figure A6. Educational Attainment of Working Aged Adults Aged 25 to 64 – Vermont, the US, and the Most Educated State (2018)



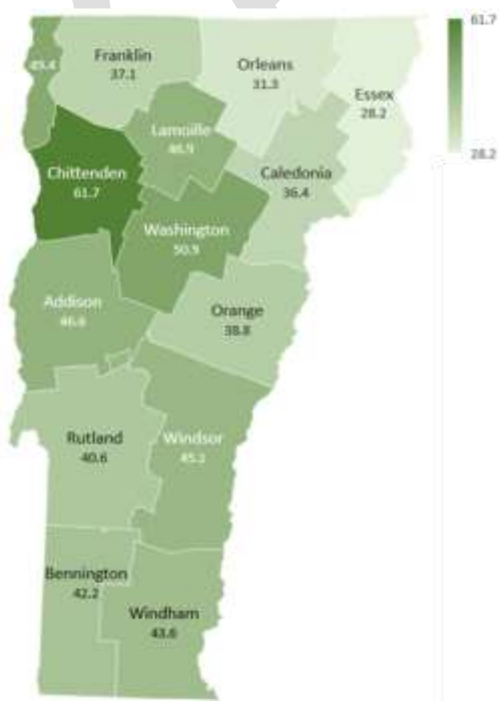
Source: U.S. Census Bureau, 2018 American Community Survey One-Year Estimates; Table B15001.

Figure A7. Percent of Residents Ages 25-64 With A High-Quality Certificate or Higher, 2018



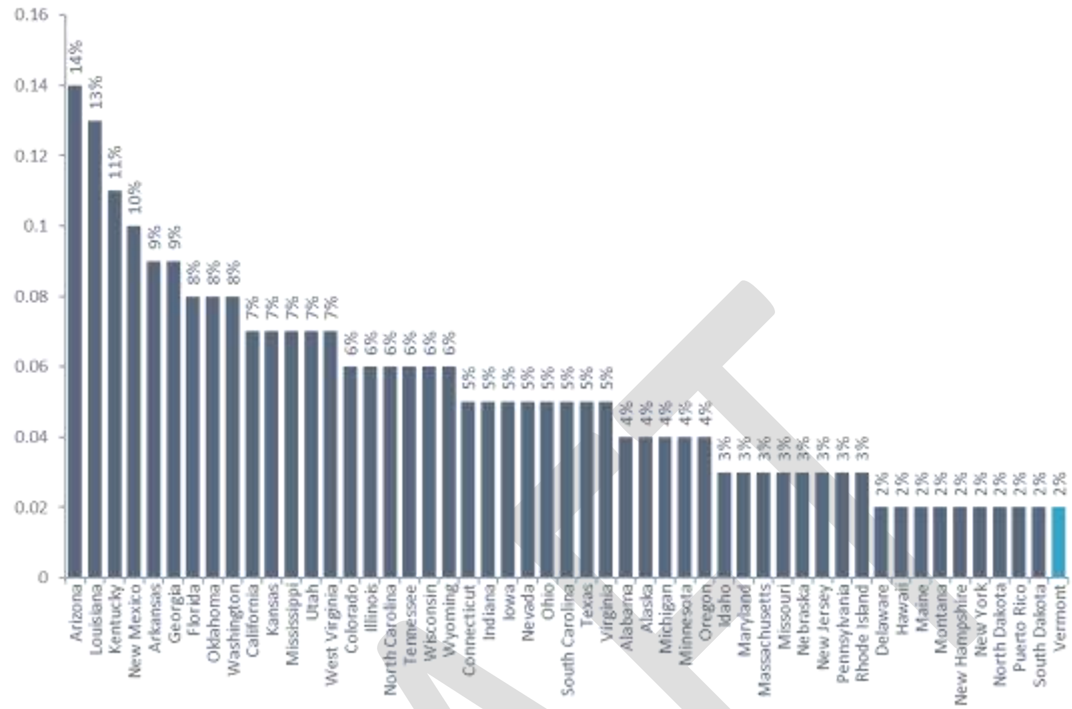
Source: U.S. Census Bureau, 2018 American Community Survey 1-Year Public Use Microdata Sample, Source: Lumina Stronger Nation Report 2020

Figure A8. Percent of Adults Aged 25-64 with an Associates or Higher by County, 2014-18



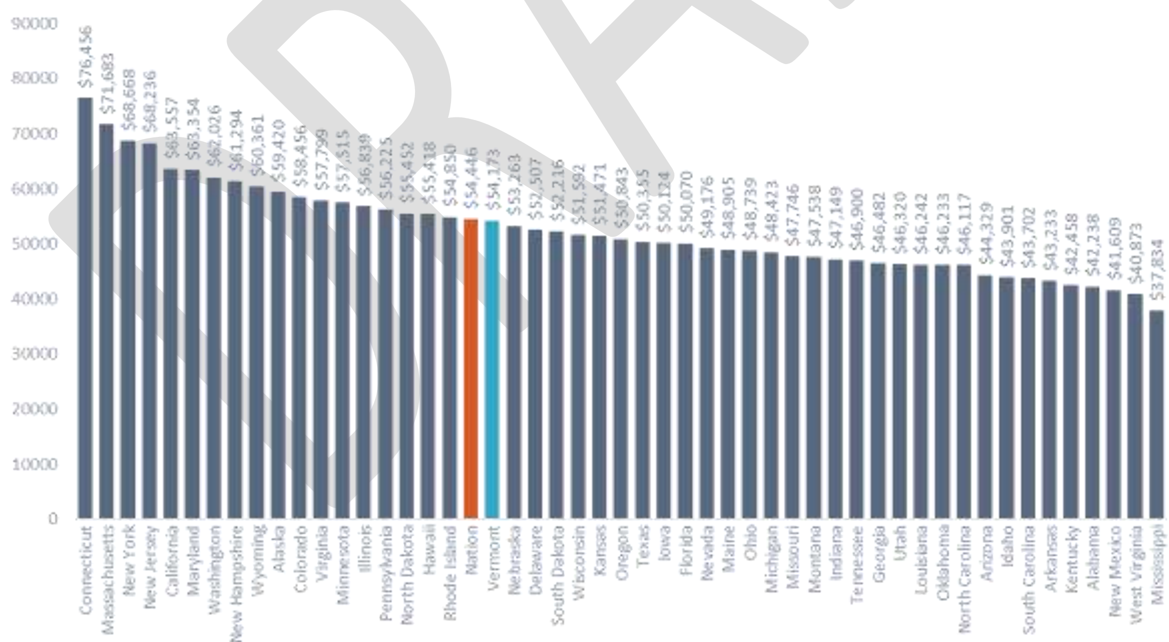
Source: U.S. Census Bureau, 2014-18 American Community Survey Five-Year Estimates; Table B15001.

Figure A9. Percent of Residents Ages 25-64 With A High-Quality Certificate



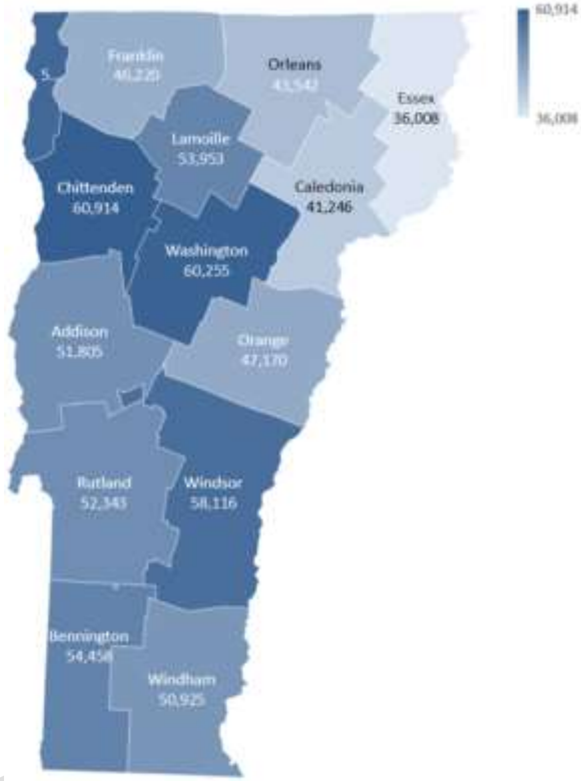
Source: Lumina Stronger Nation Report 2020

Figure A10. Per Capita Income by State, 2018



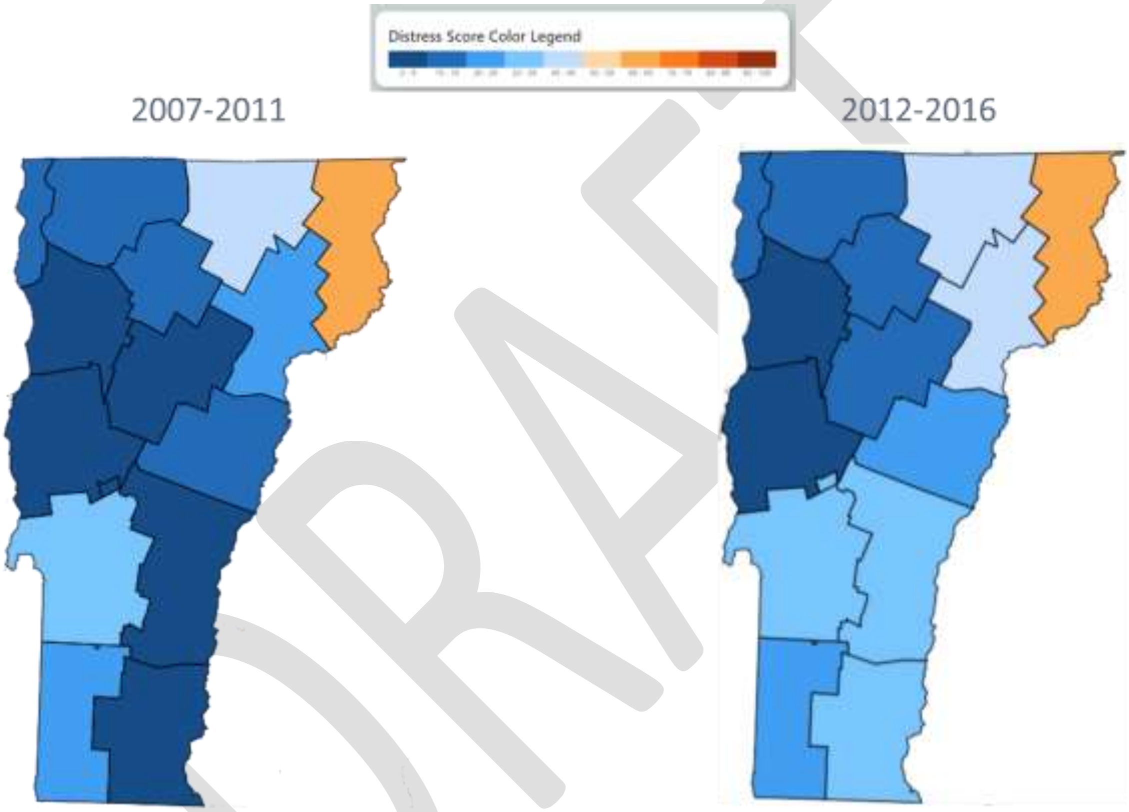
Source: Bureau of Economic Analysis

Figure A11. Per Capita Income by County, 2018



Source: U.S. Bureau of Economic Analysis

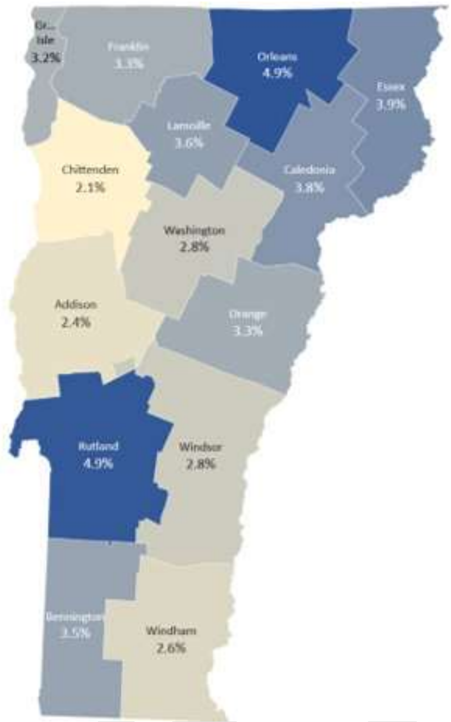
Figure A12. Distressed Communities Index[31]



Source: Economic Innovation Group.

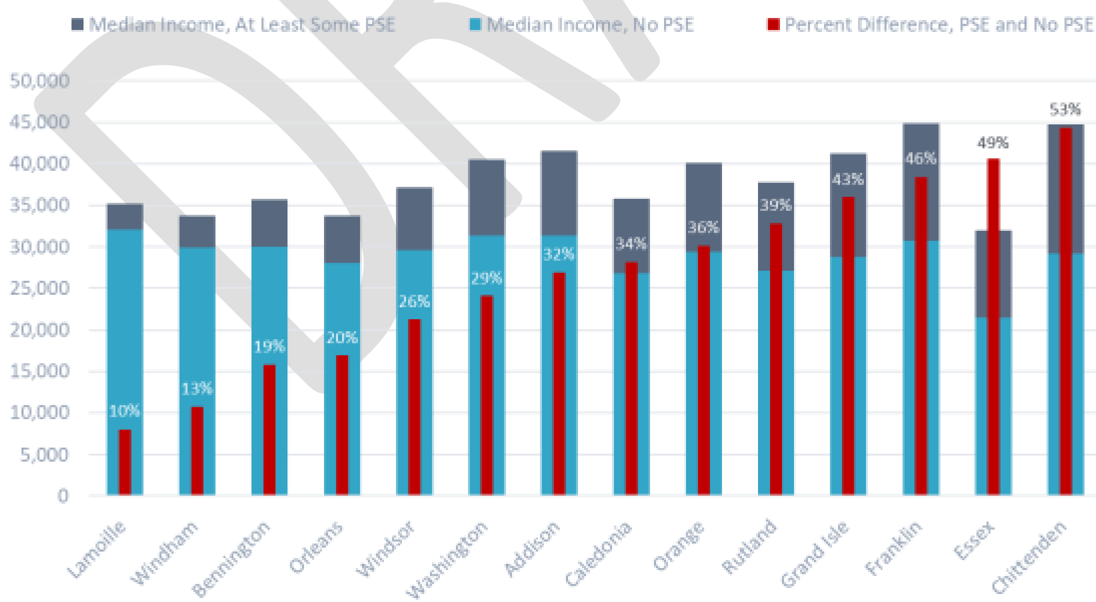
[31] The Distressed Communities Index (DCI) is a comparative measure of the vitality and wellbeing of U.S. communities, and combines seven complementary metrics into a holistic measure of comparative community economic well-being.
No high school diploma: Percent of the 25+ population without a high school diploma or equivalent
Housing vacancy rate: Percent of habitable housing that is unoccupied, excluding properties that are for seasonal, recreational, or occasional use
Adults not working: Percent of the prime-age (25-64) population not currently employed.
Poverty rate: Percent of the population living under the poverty line
Median income ratio: Median household income as a percent of the state's median household income (to adjust for cost of living differences)
Change in employment: Percent change in the number of jobs
Change in establishments: Percent change in the number of business establishments
Each component is weighted equally in the index, which is calculated by ranking communities on each of the seven metrics, taking the average of those ranks, and then normalizing the average to be equivalent to a percentile. Distress scores range from approaching zero to 100.0, such that the zip code with the average rank of 12,500 out of 25,000 will register a distress score of 50.0. Communities are then grouped into quintiles, or fifths. The best-performing quintile (with distress scores of 0 to 20.0) is considered "prosperous," the second-best "comfortable," the third "mid-tier," the fourth "at risk," and the fifth, or worst-performing (with distress scores of 80.0 to 100), "distressed."
For a full description of the methodology underlying the DCI, see eig.org/dci/methodology.

Figure A13. VCS Participation by County



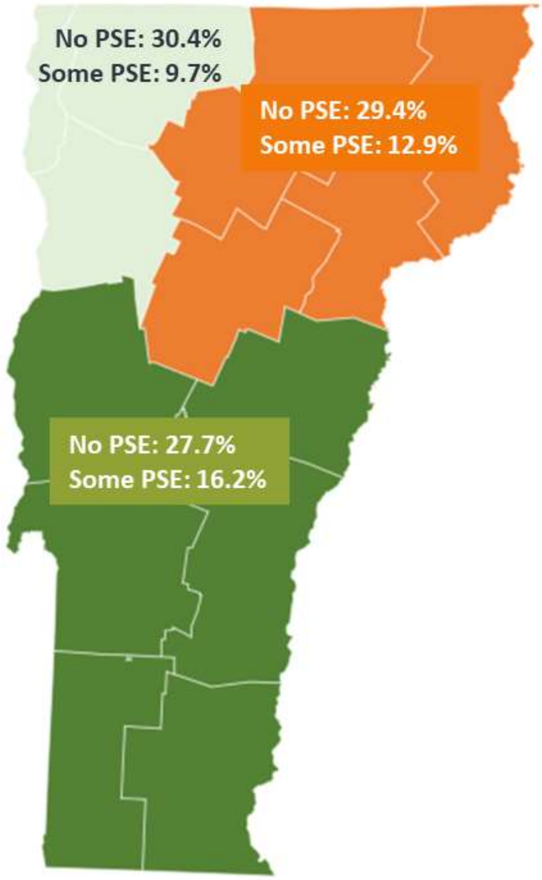
Source: Vermont State Colleges; U.S. Census Bureau, 2014-18 American Community Survey Five-Year Estimates; Table B15001

Figure A14. Median Income for Vermont Residents with No Postsecondary Education and Those with at Least Some Postsecondary Education, Adults Aged 25+ with Earnings, 2014-18



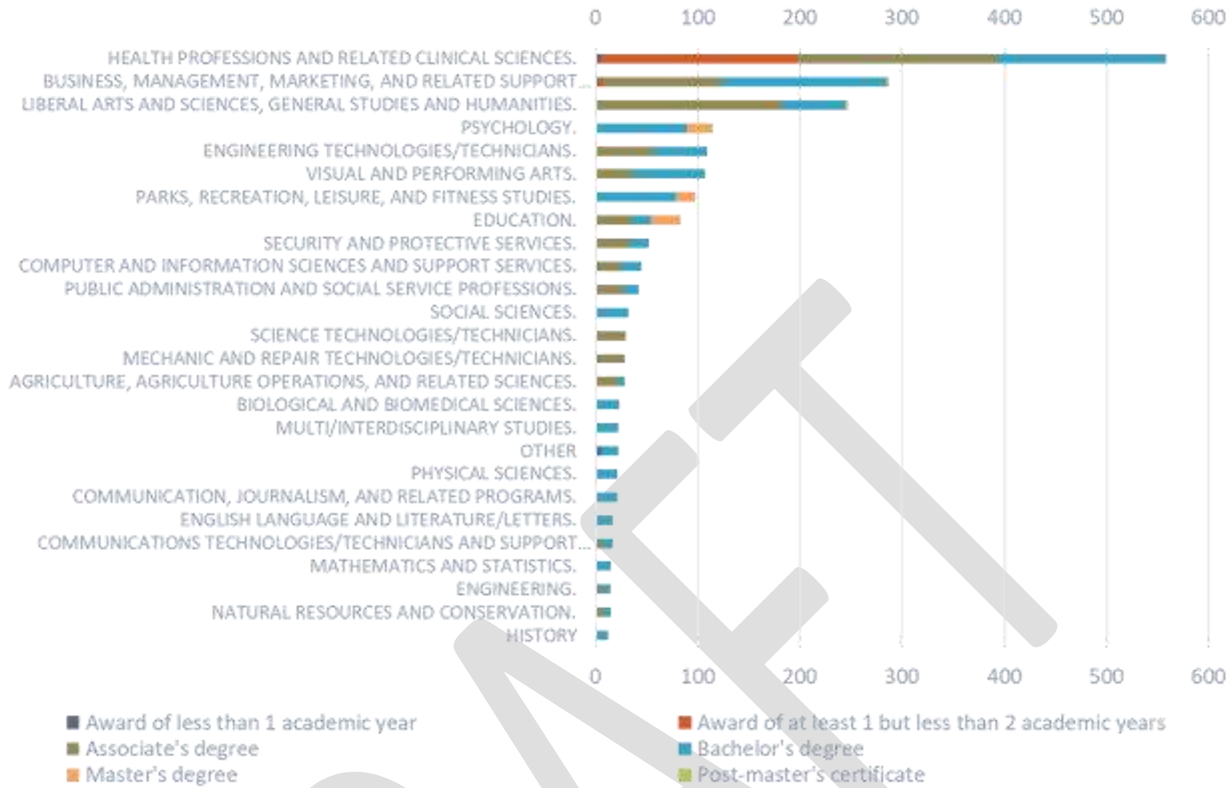
Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

Figure A15. Percent of Vermont Residents Not in the Workforce: Those with No Postsecondary Education and those with at Least Some Postsecondary Education, Adults Aged 25-64, 2019



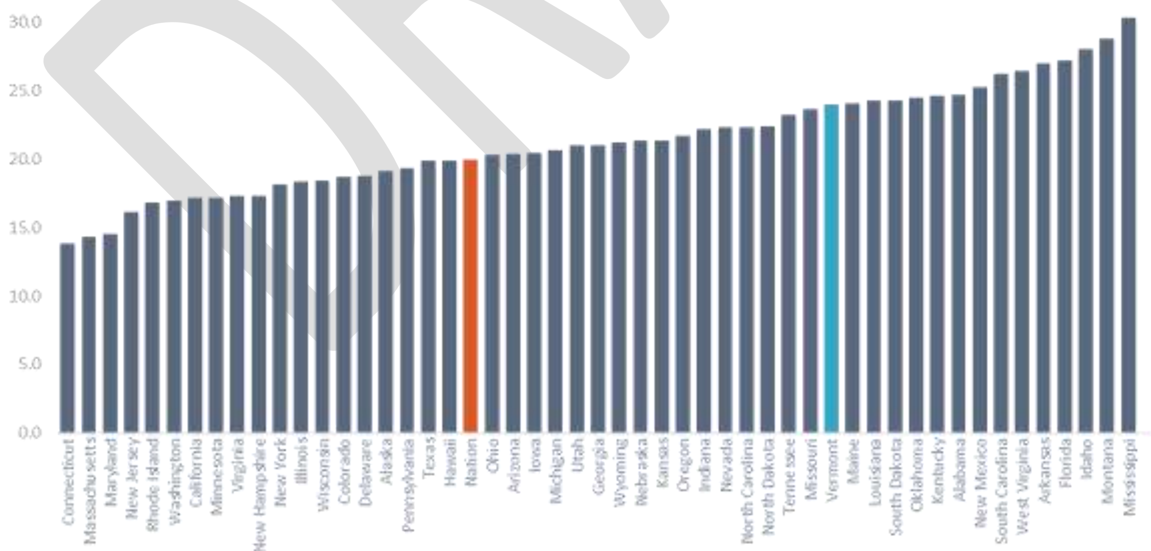
Source: U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates

Figure A16. Awards by Selected 2-Digit CIP, Vermont State Colleges, 2017-18



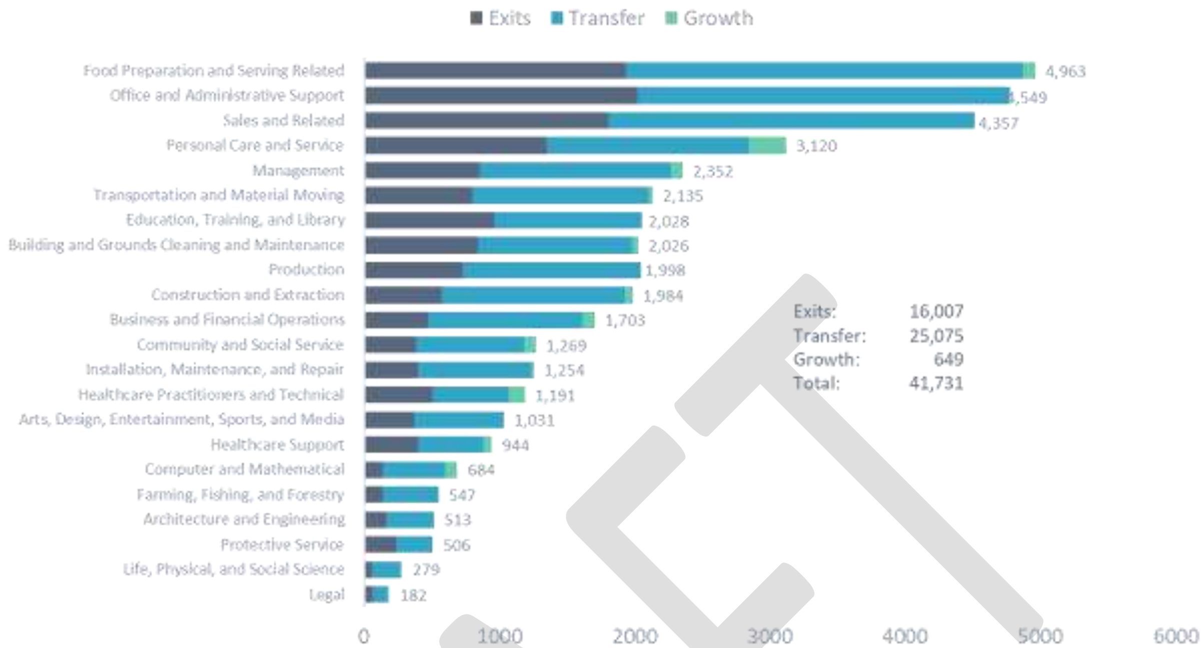
Source: NCES IPEDS IPEDS c2019_a

Figure A17. Percent of Workers Earning Low Wages, Associate and Above, 2017



Source: U.S. Census Bureau, 2017 American Community Survey One-Year Public Use Microdata Sample.

Figure A18. Projected Annual Job Openings by Occupation, 2018-2028

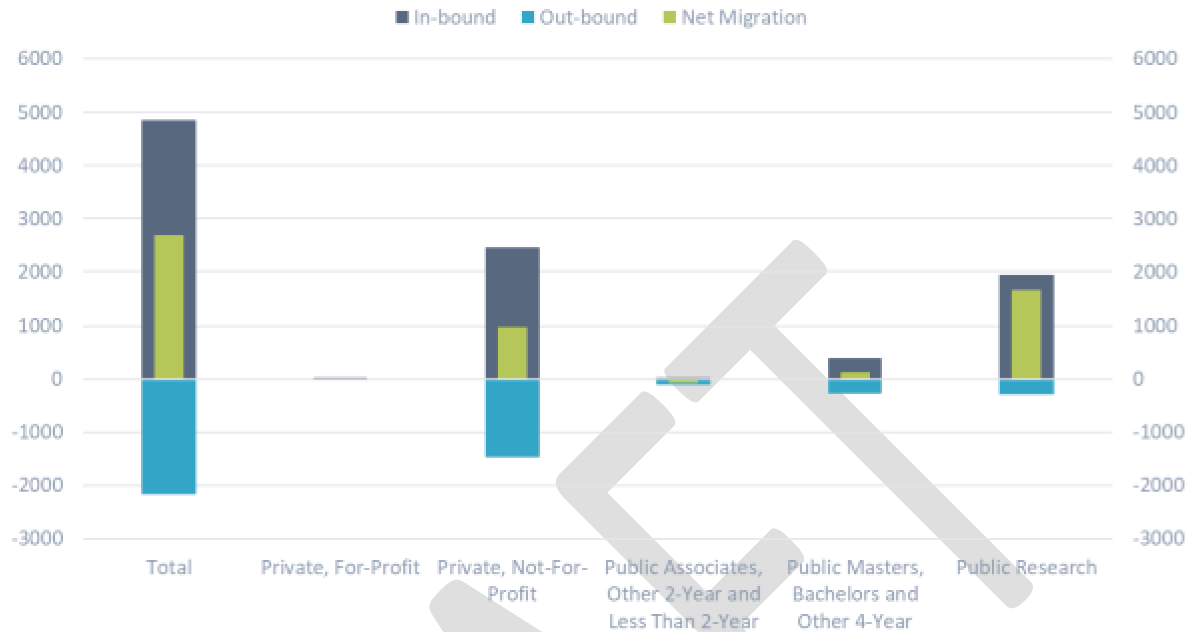


Source: Vermont Department of Labor

Figure A19. Average Annual Net Migration of 22 to 64-Year-Olds by Education Level, Vermont, 2013-18

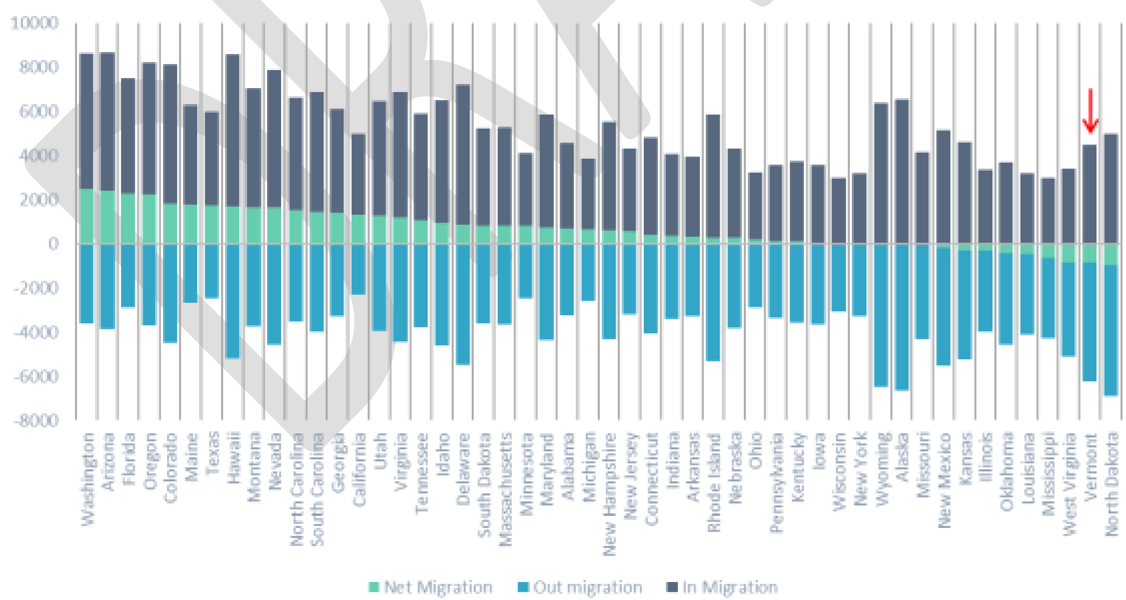
Source: U.S. Census Bureau, 2013-18 American Community Survey (ACS) Public Use Microdata Samples.
Note: * indicates statistically significant results

Figure A20. Student Migration, First-time Degree/Certificate-seeking Undergraduate Students, Fall 2018



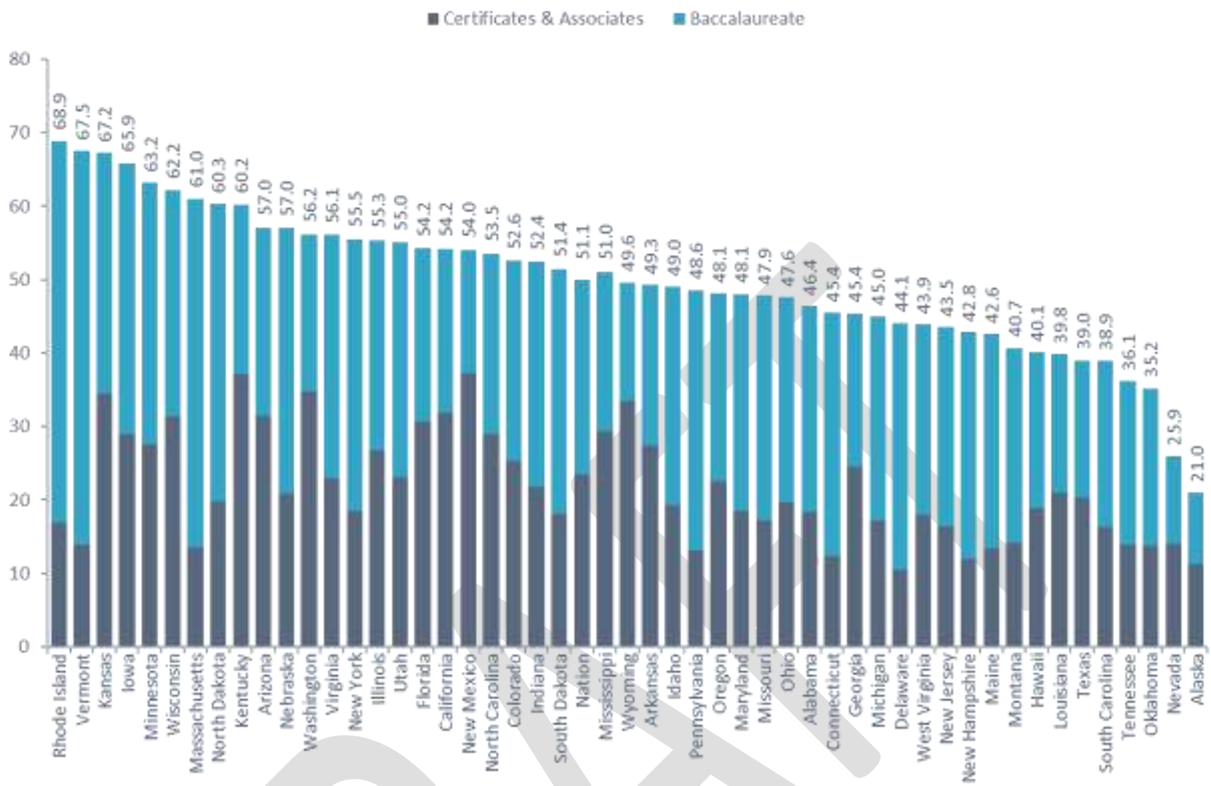
Source: NCES, IPEDS Fall 2018 Residency and Migration File; ef2018c Provisional Release Data File.
Note: Data restricted to Title IV degree granting institutions. Data reflect in-migrants from U.S. territories and foreign countries. Out-migrants to foreign countries cannot be accounted for.

Figure A21. Average Annual In-, Out- and Net-Migration per 100,000 22-64 Year-Olds With an Associate's Degree or Above, 2016-18



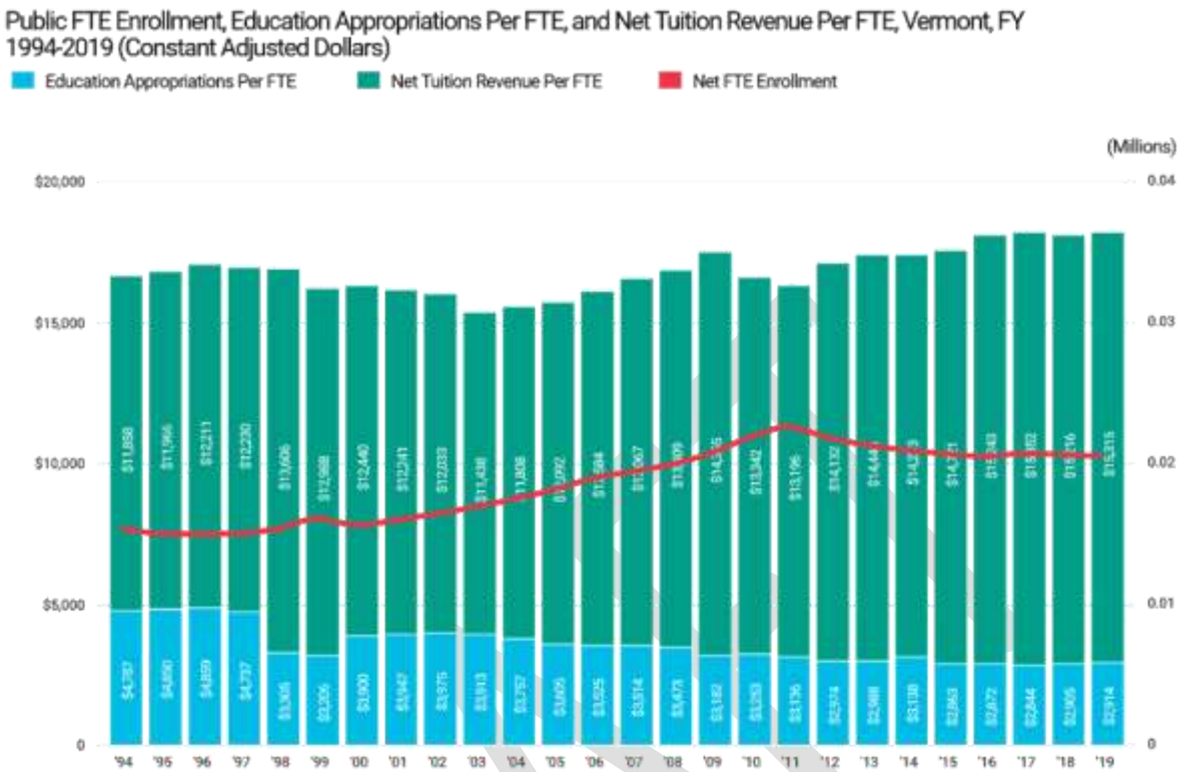
Source: U.S. Census Bureau, 2016, 2017, and 2018 American Community Survey (ACS) One-Year Public Use Microdata Samples.

Figure A22. Undergraduate Awards per 1,000 Population Age 18-44 with No College Degree, 2017-18



Sources: NCES, IPEDS 2017-18 Completions File; c2018_a Provisional Release Data File. U.S. Census Bureau, 2018 American Community Survey One-Year Estimates; Table B15001.
Note: Awards aggregated for Public and Private Postsecondary Title IV Degree-Granting Institutions in the 50 States and District of Columbia. Awards include first majors only.

Figure A23. Vermont's Heavy and Increasing Reliance on Tuition Revenue

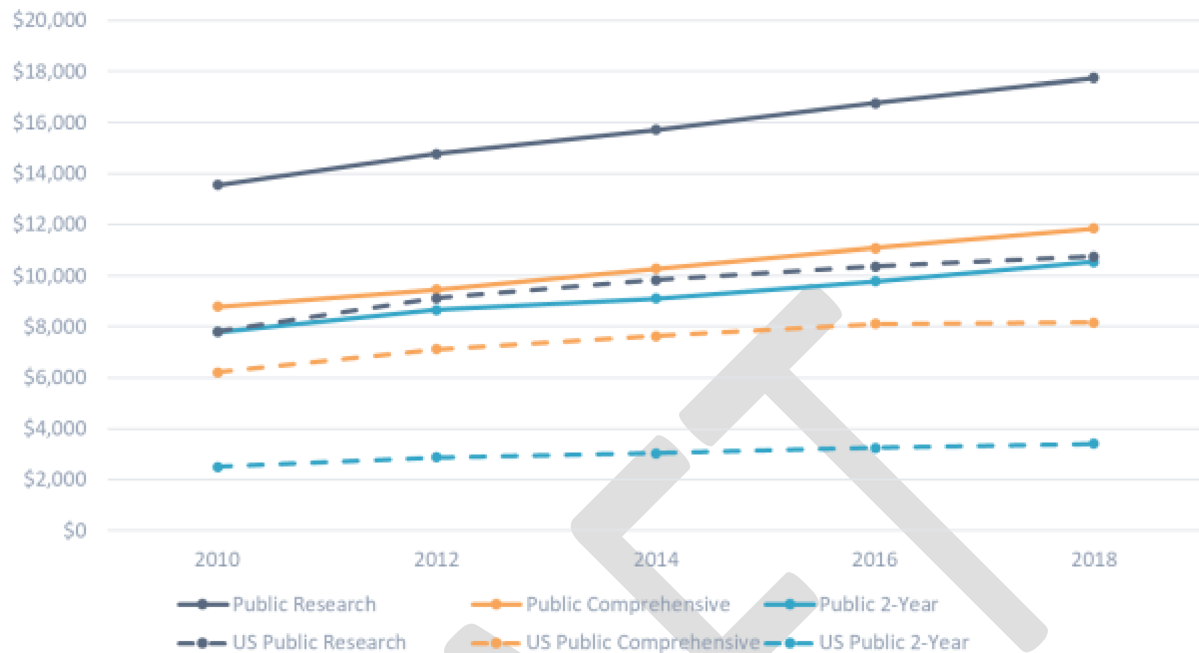


Notes:

1. Full-time equivalent enrollment converts student credit hours to full-time, academic year students, but excludes medical students.
2. Education appropriations are a measure of state and local support available for public higher education operating expenses, excluding appropriations for research, hospitals, and medical education.
3. Net tuition revenue is calculated by taking the gross amount of tuition and fees, less state and institutional financial aid, tuition waivers or discounts, and medical student tuition and fees.
4. Constant dollars adjusted by the Higher Education Cost Adjustment (HECA).
5. Adjusted to account for interstate differences using the Enrollment Mix Index (EMI).
6. Adjusted to account for interstate differences using the Cost of Living Index (COLI). The COLI is not a measure of inflation over time.

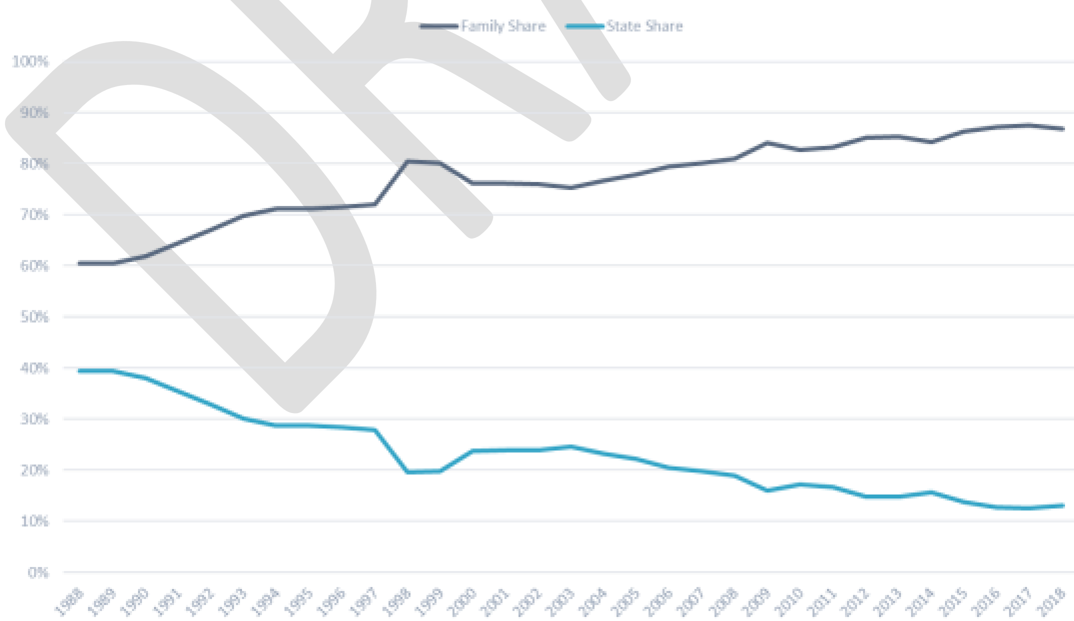
Source(s): State Higher Education Executive Officers Association

Figure A24. Tuition and Fees Over Time, Vermont and US Average



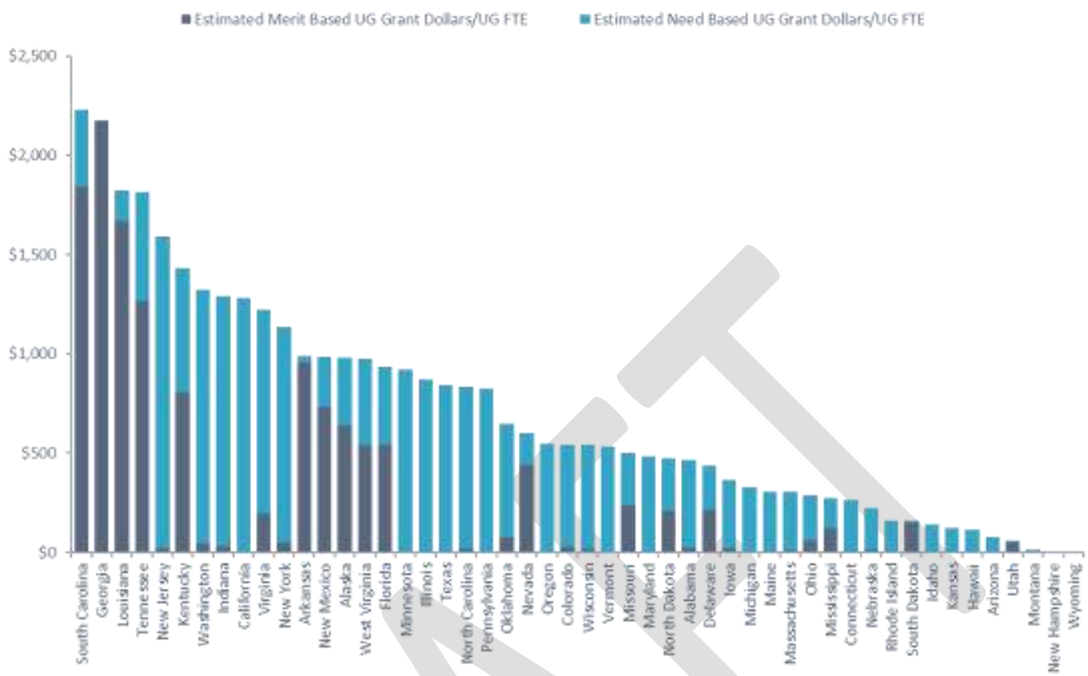
Source: NCHEMS Net Cost Files - NCES, IPEDS Institutional Characteristics Files; hd2008 through hd2018 and ic2008_ay through ic2018_ay Provisional Release Data Files.
Note: In-State Charges for 4-Year Institutions, In-District Charges for 2-Year Institutions. Tuition and Fee charges prior to 2017-18 for Northern Vermont University are a weighted average of Johnson and Lyndon using enrollment of first-time full-time undergraduates.

Figure A25. Family Share of Public Higher Education Operating Revenues, Vermont



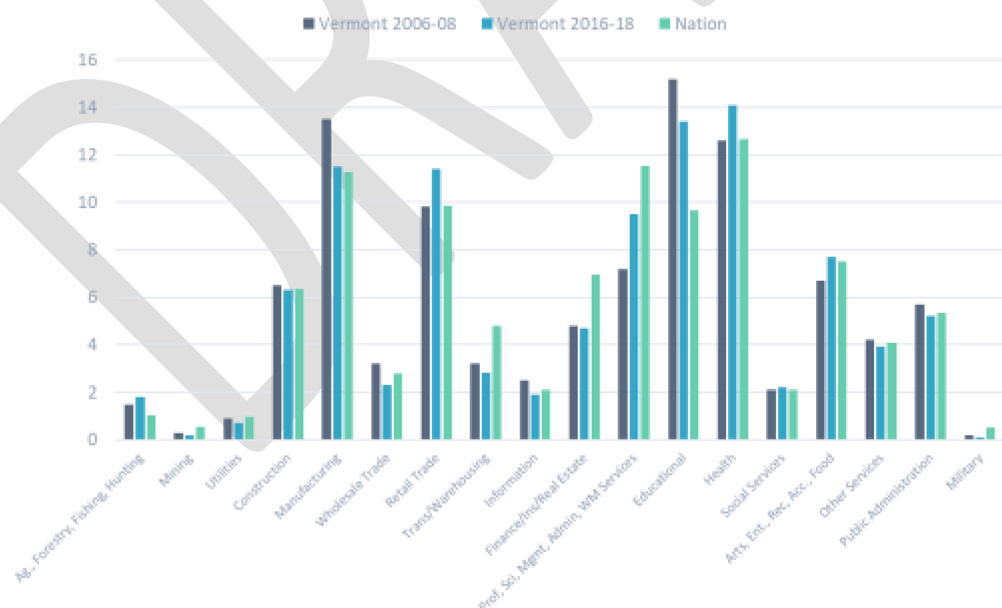
Source: SHEEO

Figure A26. Need- and Merit-Based State-Funded Grant Dollars per Undergraduate FTE, 2017-18 by State



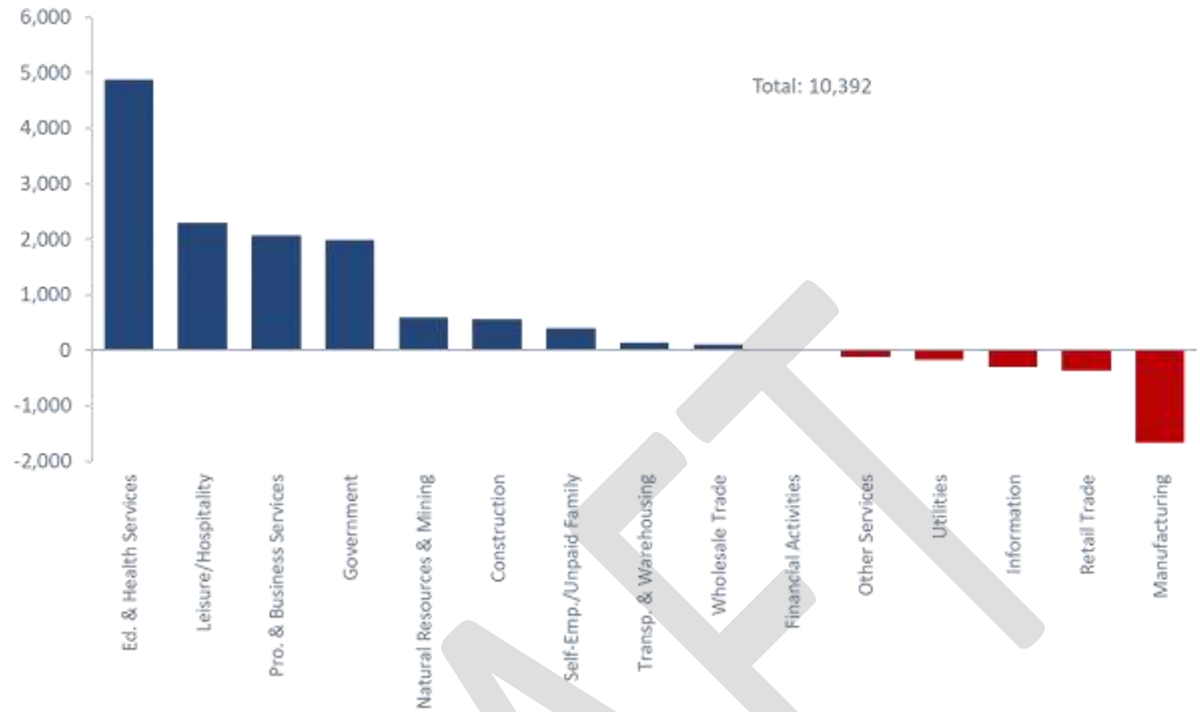
Source: NASSGAP 49th Annual Survey Report on State-Sponsored Student Financial Aid, 2017-18 Academic Year

Figure A27. Average Annual Employment by Industry, 2016-18



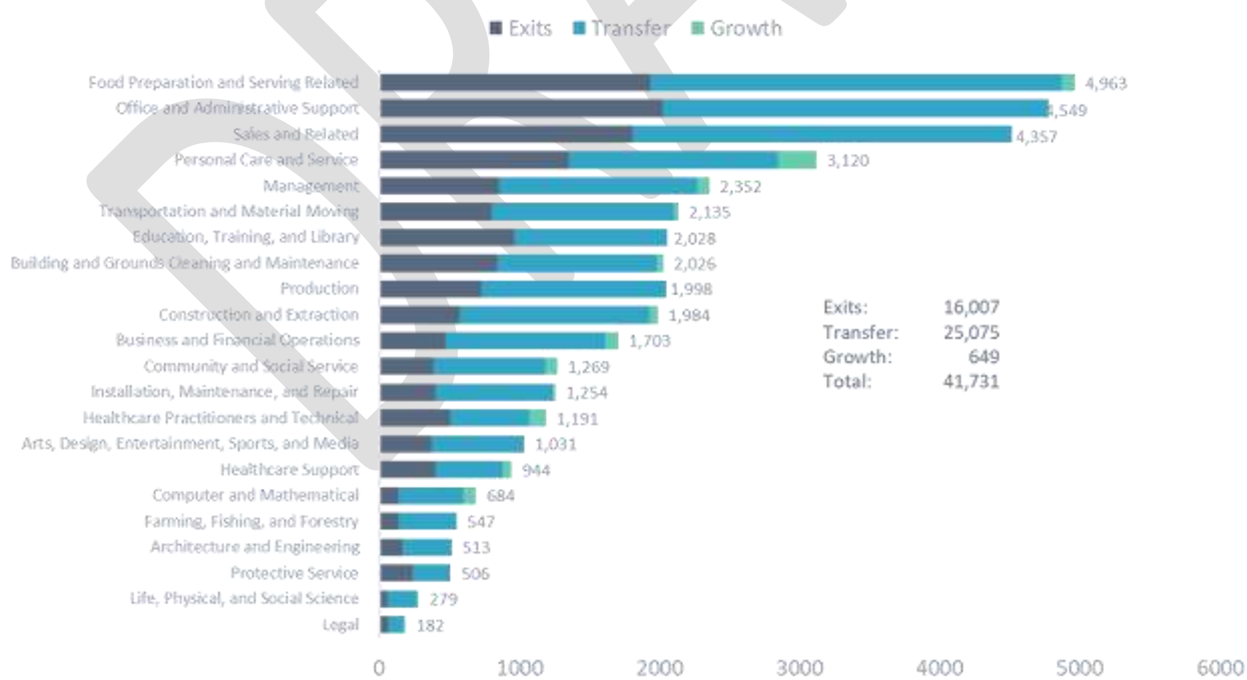
Source: U.S. Census Bureau, 2016, 2017, and 2018 American Community Survey One-Year Public Use Microdata Samples.
Note: Figures aggregated for employed persons age 25-64 with positive wage earnings.

Figure A28. Projected Change in Employment by Industry, 2018-28



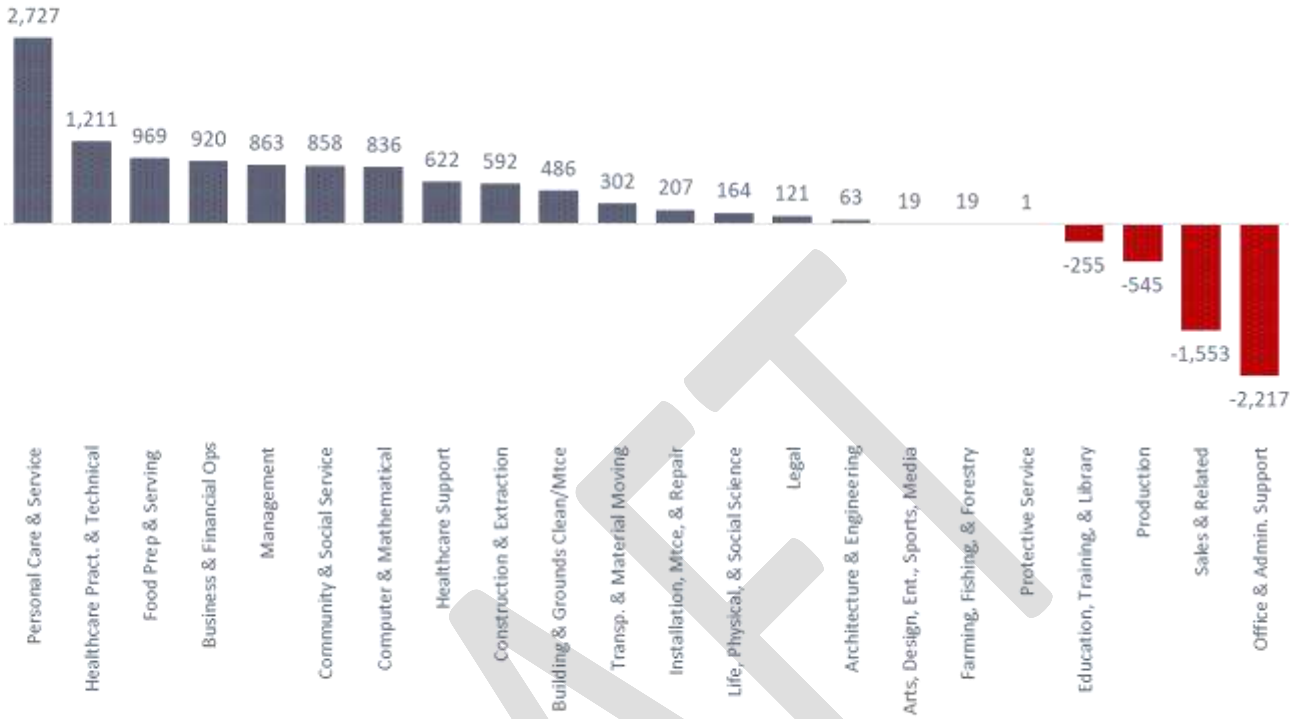
Source: Vermont Department of Labor.
Note: Deviation in published data and chart data due to data not meeting disclosure standards.

Figure A29. Projected Annual Job Openings by Occupation, 2018-2028



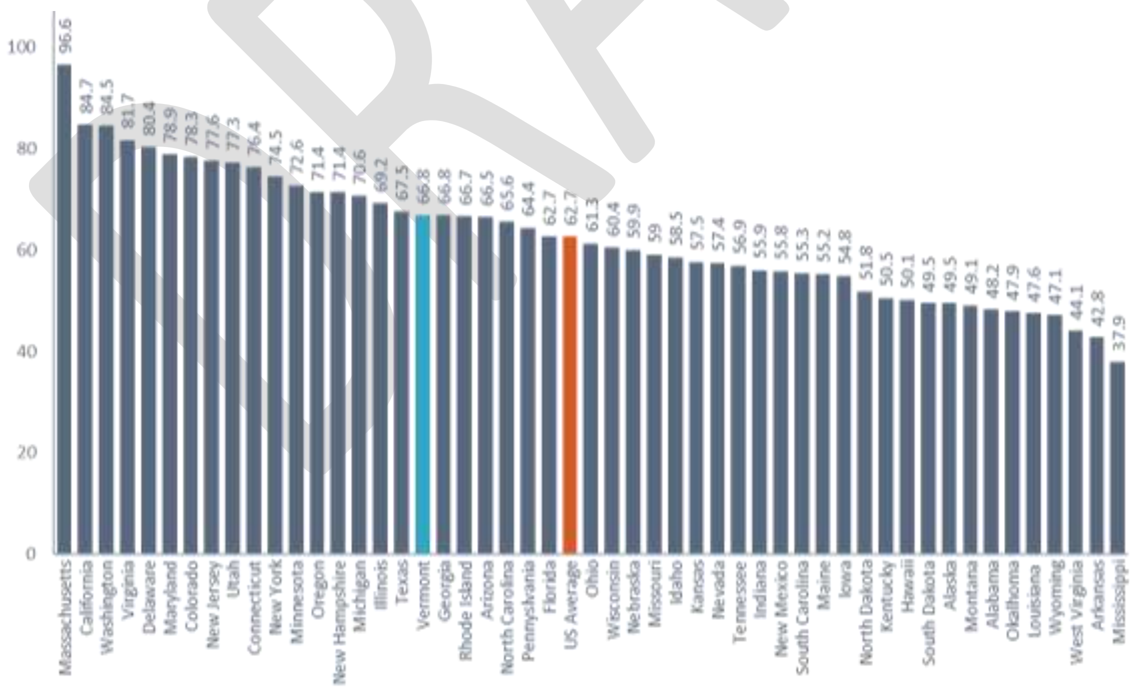
Source: Vermont Department of Labor

Figure A30. Employment Projections by Occupation, Vermont, Change 2018-2028 (Count)



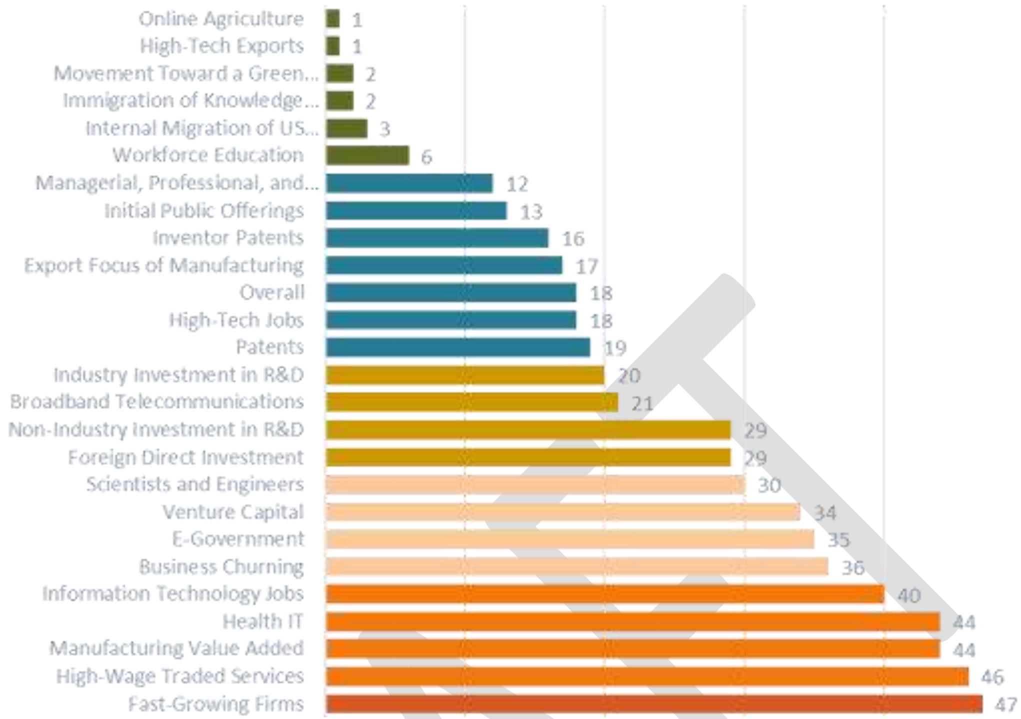
Source: Vermont Department of Labor

Figure A31. 2017 State New Economy Index – Overall Index Scores



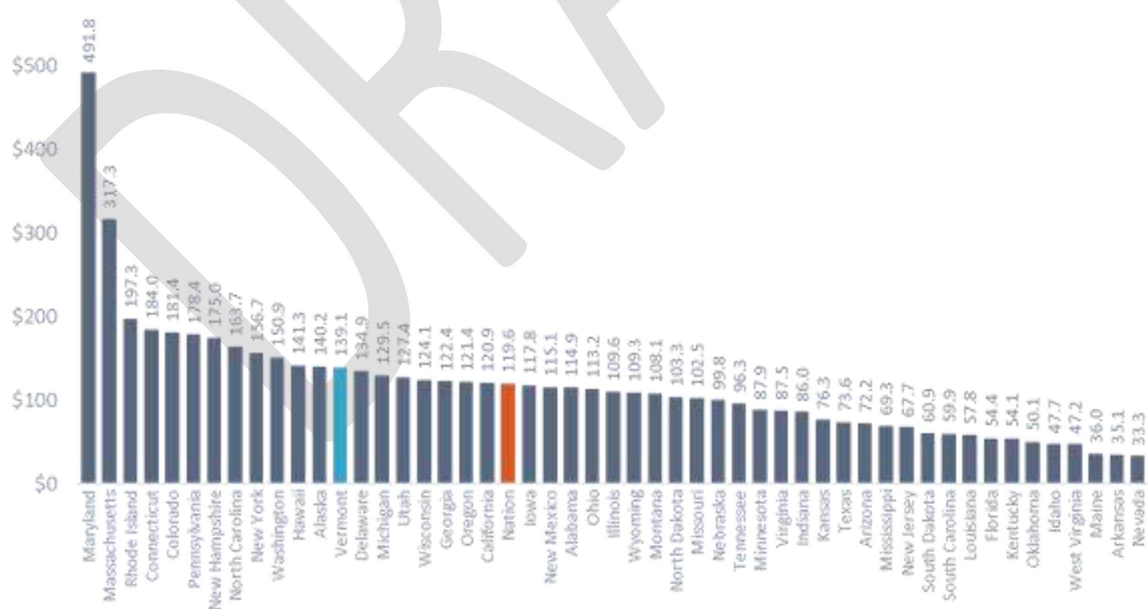
Source: ITIF 2017 States New Economy Index

Figure A32. Vermont Rankings in the New Economy Index, 2017



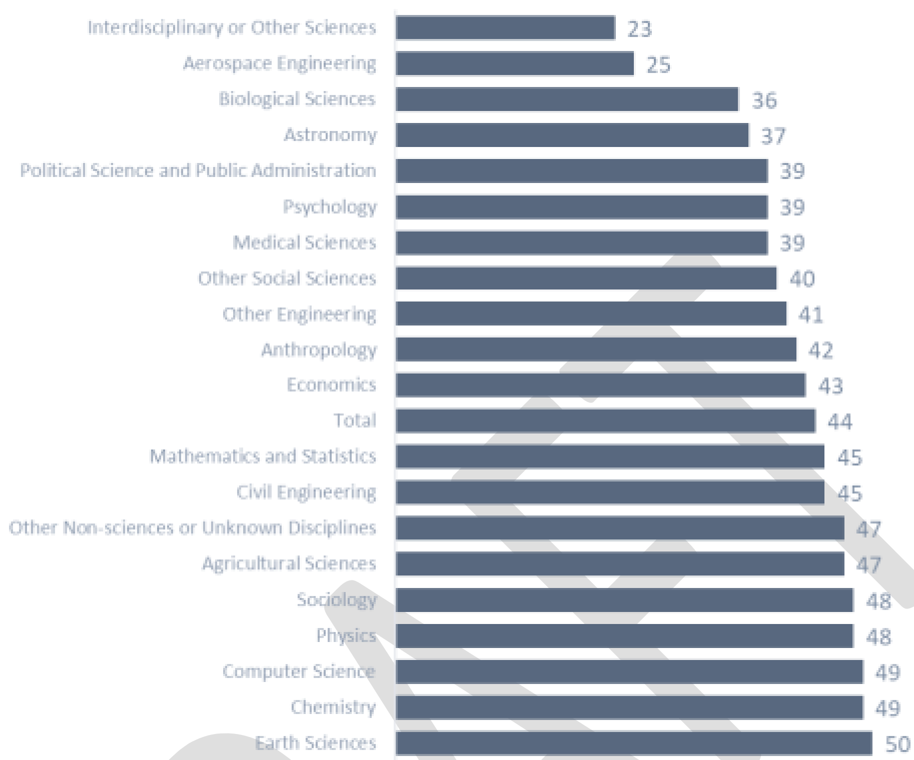
Source: ITIF, The 2017 State New Economy Index

Figure A33. Federally Financed R&D Expenditures Per Capita, State Totals, 2016



Source: National Science Foundation; WebCASPAR

Figure A34. R&D Expenditures at Universities and Colleges/Higher Education Institutions by Field, Vermont Rank (2016)

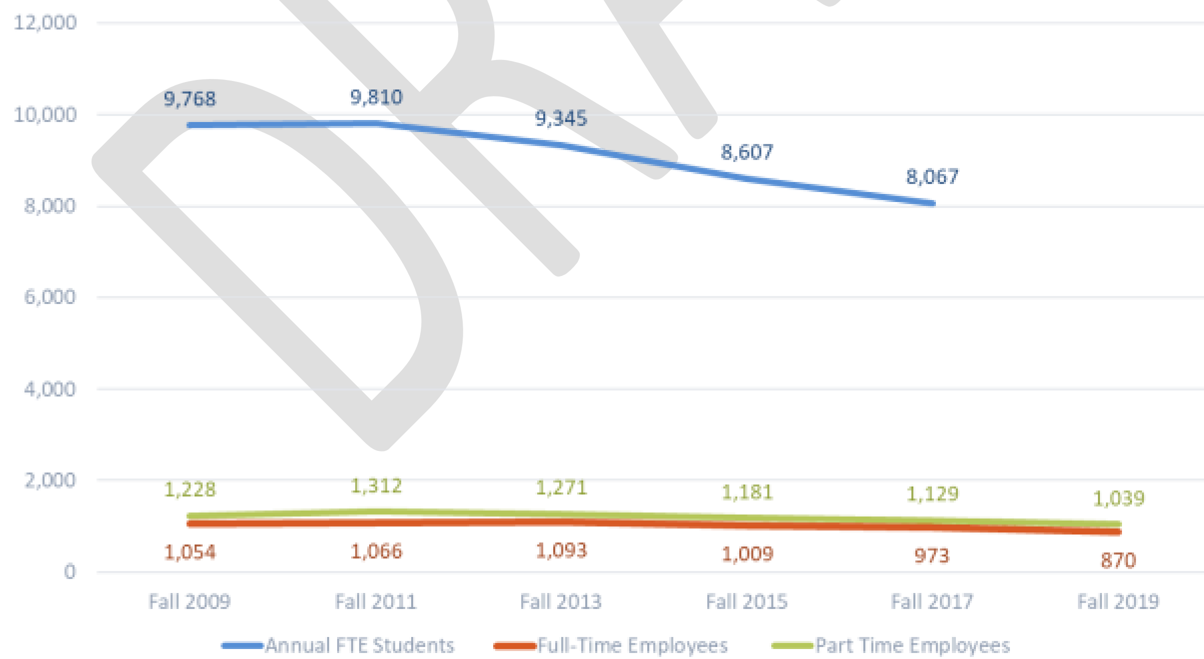


Source: NSF Survey of Research and Development Expenditures at Universities and Colleges/Higher Education Research & Development Survey; National Science Foundation; WebCASPAR, http://ncsesdata.nsf.gov/webcaspar/. Vermont does not hold a rank in the following disciplines: Chemical, Electrical, Mechanical, Materials and Industrial Engineering; Other Physical Sciences, Atmospheric Sciences, Oceanography, Other Geosciences, Other Life Sciences, Humanities, Arts and Music, Education, Business and Management, Communication and Librarianship, Law, and Social Service Professions.

Figure A35. Revenue Minus Expenditures, Vermont State College Institutions

Source: NCES IPEDS

Figure A36. 10 Year Trend in Student FTE and Staff/Administration, Vermont State Colleges (including System Office)

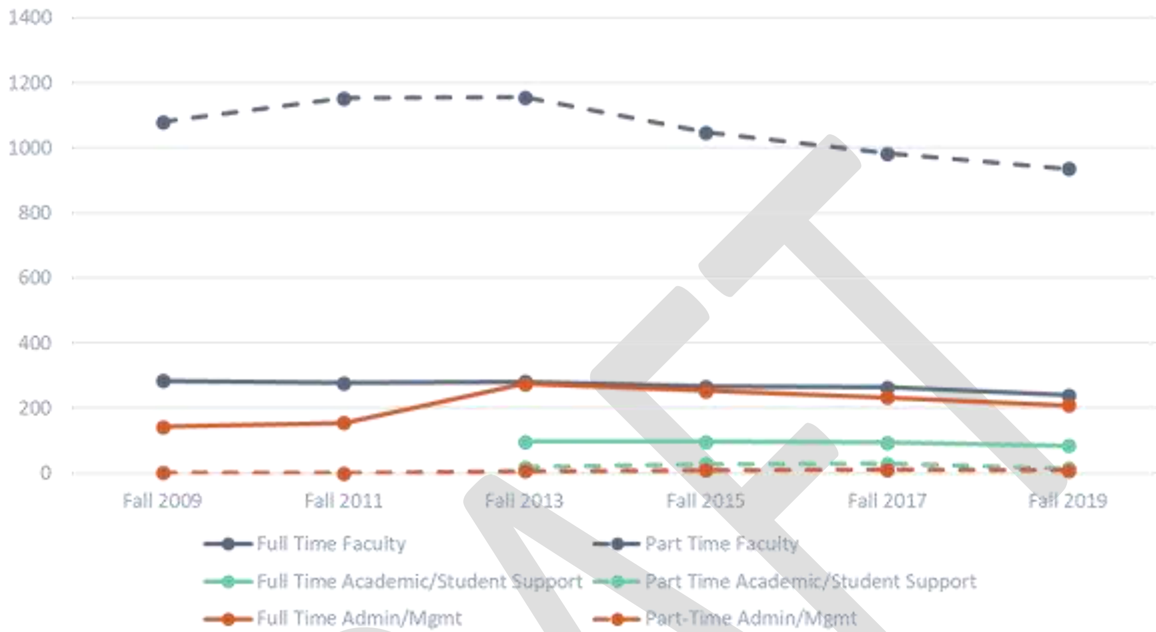


Source: NCES, IPEDS Fall Employees by Assigned Position Files; eap2009_rv, eap2011_rv, eap2013_rv, eap2015_rv, and eap2017_rv Final Release Data Files.

Fall 2019 figures hand entered from VSC Submitted IPEDS Human Resources Reports for 2019-20.

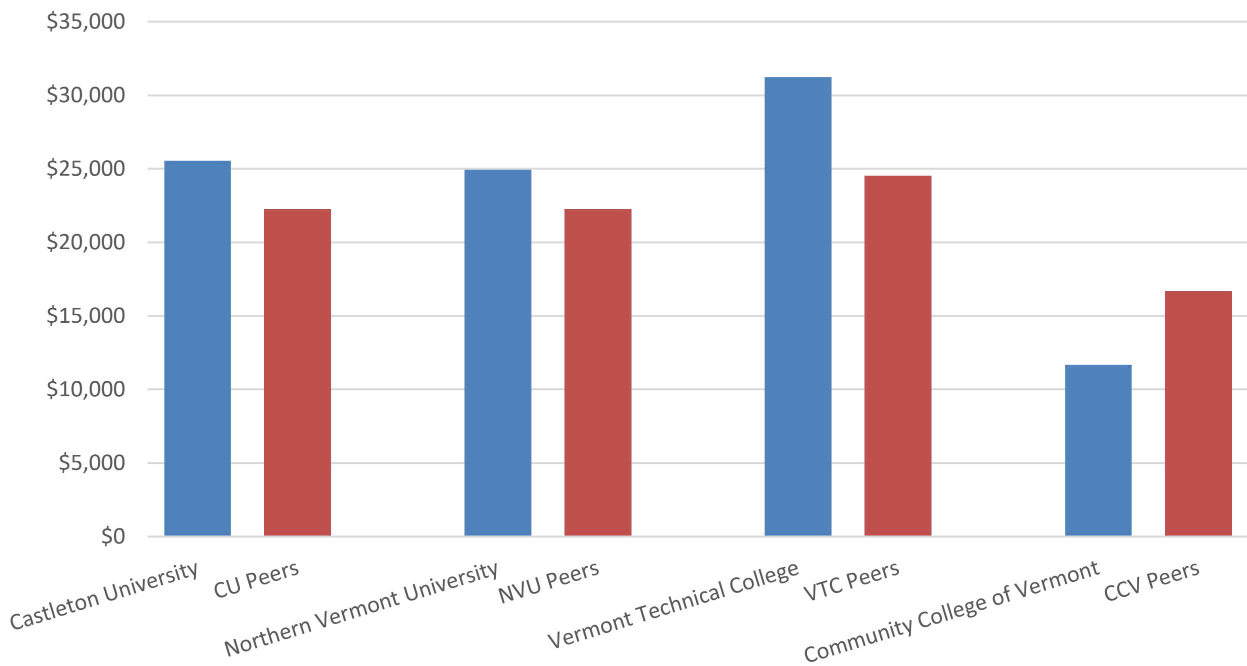
NCES, IPEDS 2009-10 Instructional Activity Files; efia2010_rv, efia2012_rv, efia2014_rv, efia2016_rv Final Release Data Files and efia2018 Provisional Release Data File.

Figure A37. 10 Year Trend in Student FTE and Faculty/Staff, Vermont State Colleges (Includes System Office)



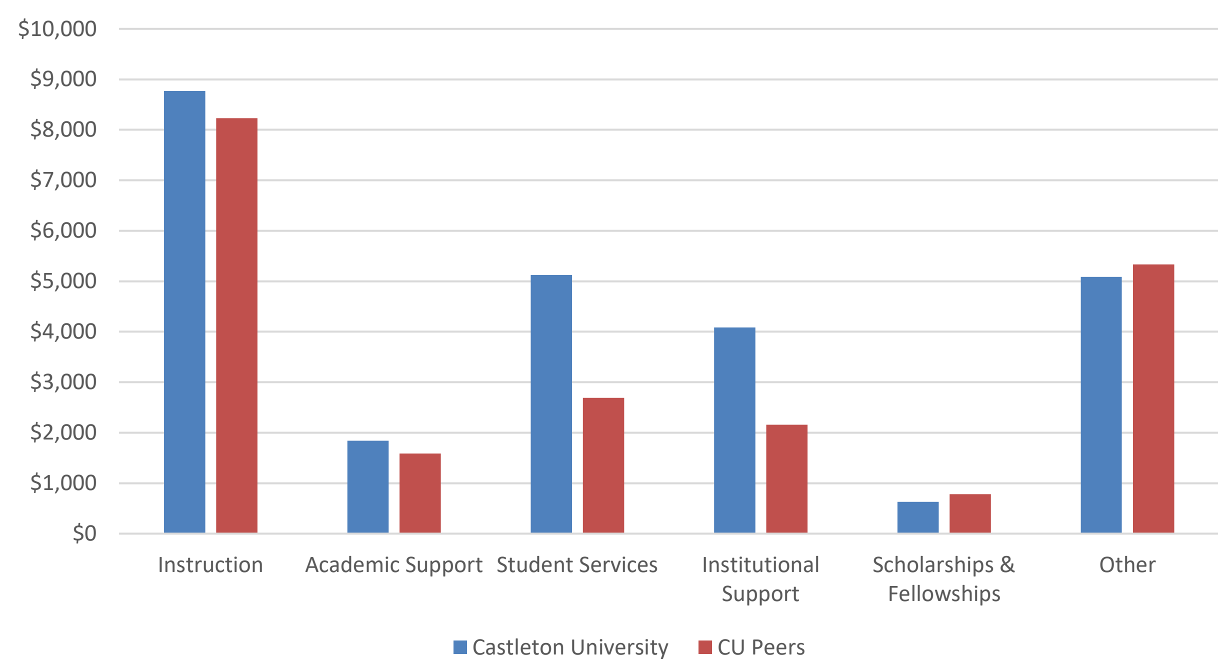
Source: NCES, IPEDS Fall Employees by Assigned Position Files; eap2009_rv, eap2011_rv, eap2013_rv, eap2015_rv, and eap2017_rv Final Release Data Files; NCES, IPEDS 2009-10 Instructional Activity Files; efia2010_rv, efia2012_rv, efia2014_rv, efia2016_rv Final Release Data Files and efia2018 Provisional Release Data File.

Figure A38. Expenditures per FTE, 2017-18, VSC Institutions vs. Peers



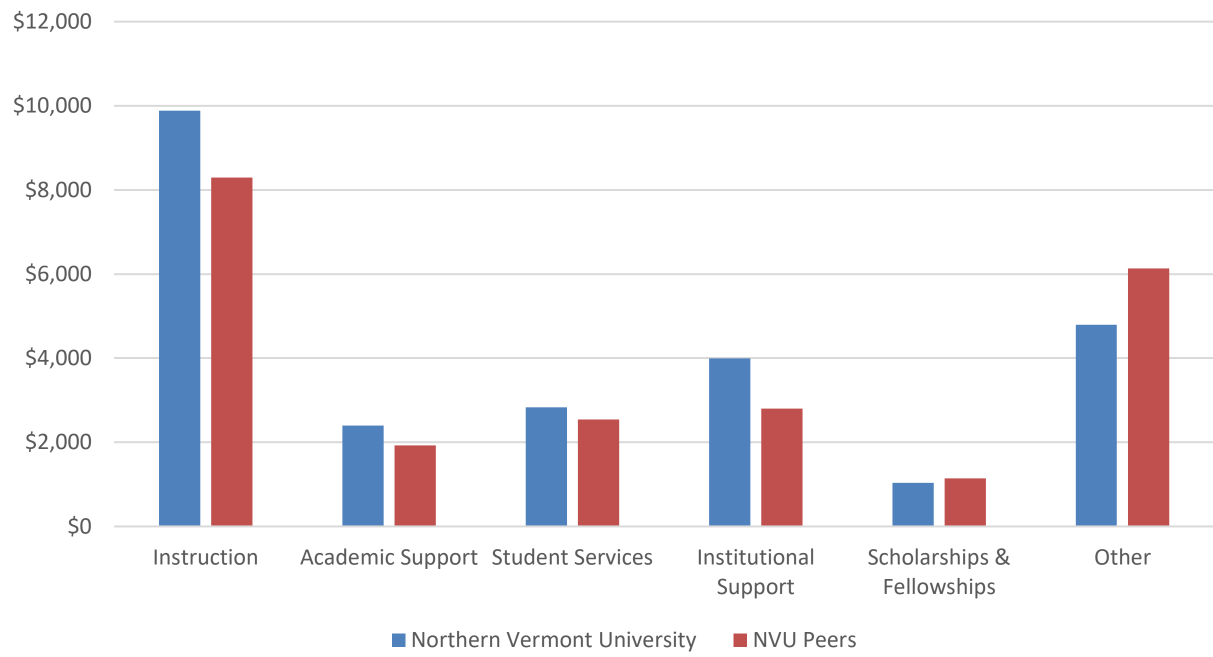
Note: Peers are listed in Appendix A.
Source: NCES IPEDS

Figure A39. Expenditures per FTE by Function, 2017-18, Castleton vs. Peers



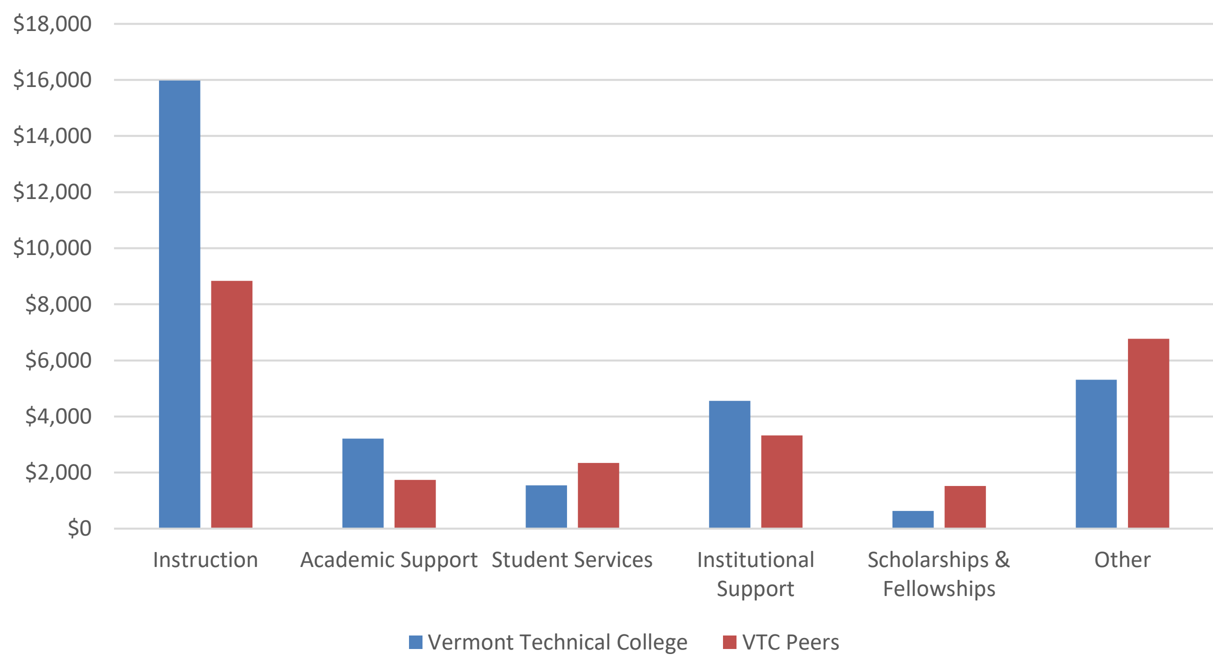
Note: Peers are listed in Appendix A.
Source: NCES IPEDS

Figure A40. Expenditures per FTE by Function, 2017-18, NVU vs. Peers



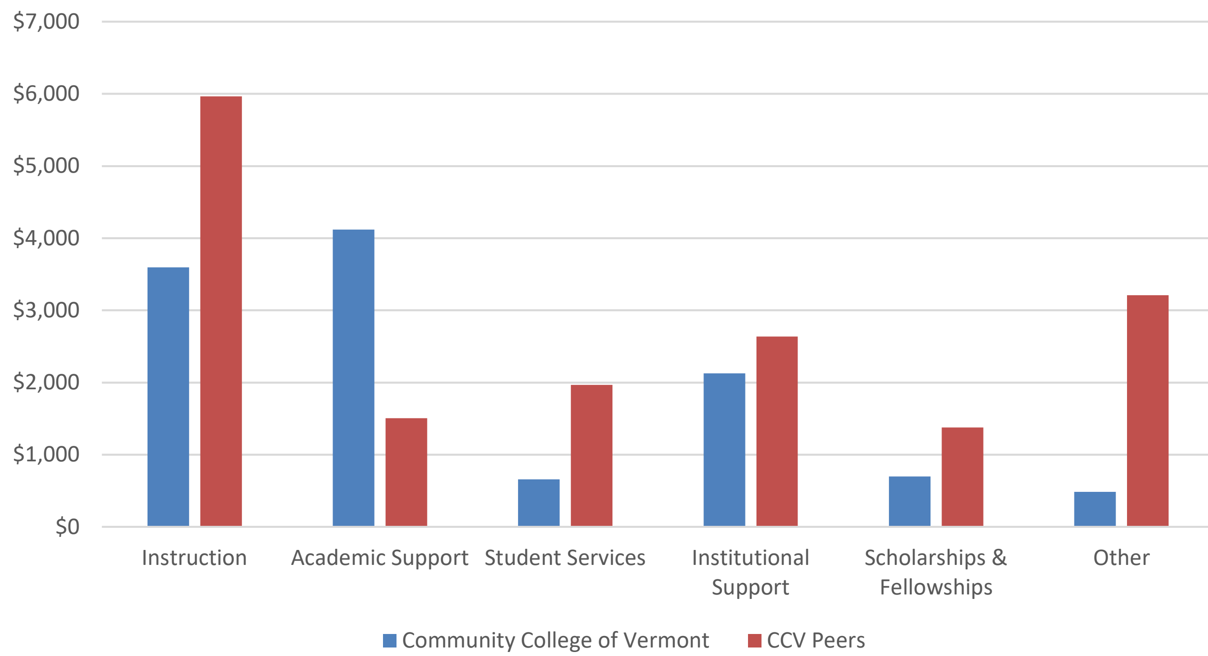
Note: Peers are listed in Appendix A.
Source: NCES IPEDS

Figure A41. Expenditures per FTE by Function, 2017-18, VTC vs. Peers



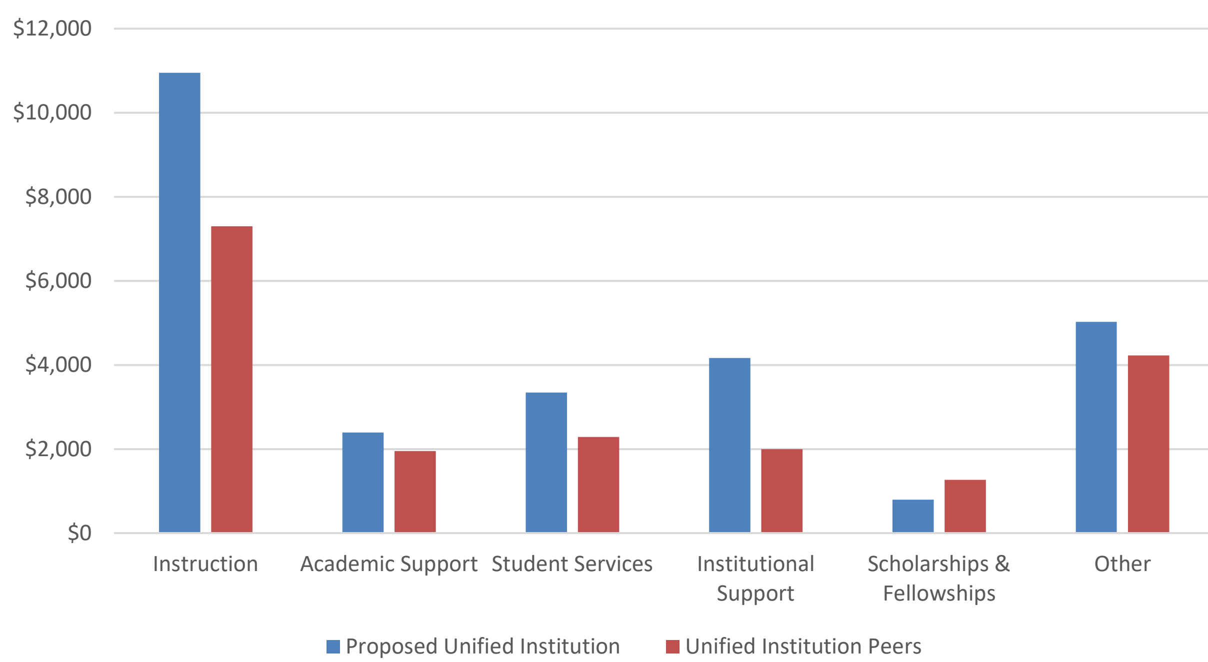
Note: Peers are listed in Appendix A.
Source: NCES IPEDS

Figure A42. Expenditures per FTE by Function, 2017-18, CCV vs. Peers



Note: Peers are listed in Appendix A.
Source: NCES IPEDS

Figure A43. Expenditures per FTE by Function, 2017-18, Proposed Unified Institution (CU-NVU-VTC) vs. Peers



Note: The figures for the proposed unified institution represent the sum of the data for the constituent institutions. Peers are listed in Appendix A.
Source: NCES IPEDS

Appendix C. Overview of Reports and Recommendations Issued by Stakeholder Groups

This summary was compiled for the Select Committee on the Future of Public Higher Education in Vermont by the New England Board of Higher Education

Vermont Select Committee on the Future of Higher Education
Overview of Reports & Recommendations Issued by Stakeholder Groups

Since former-Chancellor Spaulding introduced his controversial proposal for changes to the Vermont State Colleges to achieve an improved financial standing, a number of groups have convened and proposed their own steps to sustainability. To aid the Select Committee's final recommendations, NEBHE summarized these documents—their similarities, differences and gray areas—below. A more detailed comparison can be found in the following matrix.

SUMMARY

Areas of Alignment	Gray Areas	Areas of Divergence
• Maintain physical access to public higher education for all Vermonters, including existing campuses • Better align program offerings to workforce demands (all except VSCS Thrive) • Prioritize increased state funding to public colleges • Reassess the Chancellor's office and establish a more functional governance structure • Enhance degree pathways across the VSC system, as well as system-wide seamless transfer and credit articulation policies • Explore and implement flexible delivery models (hybrid, online) to better serve non-traditional student populations • Importance of both liberal arts education foundations with opportunities for workforce-connected learning and experiences	• The realities of enrollment trends in Vermont and how they differ by institution • The role of the Chancellor's Office and its responsibilities to maintaining system efficiencies and coordination • The ways in which online education can help VSC meet its mission, as well as how students experience online education • The centrality of student affordability issues • The "one university" idea and what that would look like (program sharing, accreditation, General Ed, etc.)	• Cease focus on workforce development • Reinvest heavily in the liberal arts. Implement SHAPE (Social Science, Humanities, and the Arts for People and the Economy) and MESH (media literacy, ethics, sociology, and history) educations alongside STEM (VSCS Thrive!) • Retain separate accreditation for each institution (VSCS Thrive!) • Dissolve Chancellor's office and implement a "strong president model," where each campus president assumes traditional chancellor duties on a rotating basis.

Author/Group	Demographics	Access	Workforce Connections	Liberal Arts Foundation	Student affordability	State Support
NVU Strong Advisory Committee		UVM and VSCS are critical to ensuring access to higher education for all Vermonters	Connect courses and programs, academic degrees and certificate programs to emerging and future workforce needs. Infuse workforce experience into the curriculum	Create system-wide core curriculum and competencies		Create FY22 balanced budget. $12 million to support NVU Strong's vision. Terminate VSAC Portability
Labor Task Force for Public Higher Education in VT—Members, VSCS Labor Unions	Rising tuition, not demographic changes, explain declining enrollment at VSCS	Preserve current campuses as hubs for local educational and student life opportunities	Expand workforce development options through certificate and non-degree opportunities		Reduce cost of attendance—low-debt/no debt upon graduation	Increase state appropriation for public-access higher education. Redirect funds for out-of-state enrollment to a tuition assistance program
President Patricia Moulton, Vermont Technical College		Supplement, expand current offerings to serve working adults, career changers	Develop sustainable academic program review process to assure quality, relevance for state workforce needs			
VSCS Thrive! Executive Committee		Cease strict workforce development focus		Re-invest in the liberal arts/humanities. Implement SHAPE (Social Science, Humanities and the Arts for People and the Economy) and MESH (media literacy, ethics, sociology and history) educations alongside STEM	Reduce cost of attendance	Increase state appropriation. Chancellor's office financially supported by state, not institutions
VSCS Forward Task Force						Prioritize state money for in-state programs

Author/Group	Administration/System Structure	Governance	Statewide Postsecondary Collaboration	Credential innovation	Delivery of Programs
NVU Strong Advisory Committee	Decentralize and reduce the size of the Office of the Chancellor. Single accreditation for VSCS		Collaborate with CCV to enhance degree pathways. Make NVU courses available to CCV students	NVU Early College programs should award students a 1-year career-based learning certificate. Allow for attainment of stackable certificates. 3-year degree programs. Offer associate degrees and certificates per academic department. All degree programs offer 1+ professional development opportunity per year for non-traditional/adult students. Skills-based certificates and/or master's degree options for mid-career professionals and life-long learners	Streamline transition from NVU Online to on-campus and vice versa. Flexible course delivery modalities. OER and electronic materials
Labor Task Force for Public Higher Education in VT– Members, VSCS Labor Unions	Integrate academic and student service operations across the system. Reduce cost of administrative operations. Move to single-accreditation; call new institution Vermont State University (VSU). VSU President + Executive Office replaces Chancellor's Office	Shared governance model		Expand certificate and non-degree opportunities. Applied learning opportunities via local business partnerships	Flexible course delivery modalities
President Patricia Moulton, Vermont Technical College			Enhance enrollment pathways across VSCS, Career and Technical Education Centers and high schools	Mix of 2- and 4-year degrees, internships, apprenticeships, certificates and stackable credentials	Flexible course delivery modalities
VSCS Thrive! Executive Committee	Dissolve physical Chancellor's office. System-wide re-branding to Vermont State University system—institutions retain autonomy and individual regional identities (i.e. SUNY). Reverse Lyndon-Johnson merge. Retain separate regional accreditations for VSC institutions, keep separate presidents, CFOs and marketing/admissions teams	"Strong President" model—VSCS presidents fulfill Chancellor duties on a rotating 1-3 year basis OR chancellor position carried out by a Council of Presidents, with a rotating chair position		Create new concentrations and certificates through interdisciplinary offerings of SHAPE and MESH	Flexible course delivery modalities, but online courses should not be the default due to the austerity of policies or as a "pie-in-the-sky SNHU-lite dream." Reject the wholly distance-only institution, NVU Online
VSCS Forward Task Force			Single degree majors for like-programs across system. Integrate credential and degree pathways across system and degree levels, transfer and articulation. Unified accreditation	Expand flexible program models: low-residency programs; year-round instruction; accelerated courses/programs, intensive, short-term credentials and programs; weekend and evening classes. Expand distance, telepresence delivery capacity	