

## Written Testimony of Chancellor of the Vermont State Colleges System to the Senate Education Committee, submitted March 18, 2021

Dear Committee Members:

The Vermont State Colleges System (“VSCS”) changes the lives of thousands of students each year by opening the door to higher-paying jobs and an improved quality of life for themselves, their families, and their communities. Our schools provide a comprehensive, experiential education that prepares students for the world of work and for participation in and enrichment of a democratic and civil society. We prepare students for jobs and careers needed to grow Vermont’s economy.

We are launching a revolutionary transformation with the guidance of the state’s *Select Committee on the Future of Public Higher Education in Vermont* (“Select Committee”) to become the adaptable and innovative public higher-education system Vermont is asking us to be. This is the future we’re working towards, and with investment from the state and the support of Vermonters, we can pioneer a new higher education system.

Students and their success are our key focus. We are committed to delivering the higher education and continuing education Vermont and Vermonters need, while preserving the high-touch, personalized approach, and close-knit campus communities that the VSCS is known for. The VSCS Board of Trustees voted on February 22, 2021 to move forward with the Chancellor’s recommendation to seek a common accreditation for the three residential colleges and pursue administrative consolidations, this means:

- We will be submitting a proposal for a common accreditation for Castleton University, Northern Vermont University, and Vermont Technical College with the goal of unification no later than Academic Year 2023-2024.
- We will work hard to ensure our current students feel minimal impact in their programs and coursework. Additionally, we will work to ensure a transparent and smooth transition to a unified system, continued access to robust financial aid, and the best opportunities we can provide.
- While the configuration of the campuses might look a little different as we work to change our physical footprint to help bring system costs down, we are committed to doing so in a way that keeps our current campus locations open.
- Over the next several months, we will continue to work with the state to secure the additional funding for resources the VSCS needs to manage this transition and build a higher education system for today’s students, as well as the generations to come.
- Administrative consolidation means we will continue our work to streamline services across the institutions. These changes will allow us to realize cost savings, improve

services for students and employees, strengthen departments, and provide universal, workable solutions to common problems.

- Although functions may be centralized operationally in the future, it does not mean they will be physically centralized in the Chancellor's Office. Instead, functions may be centralized on an individual campus that has particular expertise in a specific area, or where such expertise can be created, or they may work across campuses.

As we do this work to envision the VSCS of the future, we are converting many of the challenges we have confronted, both pandemic-related and financial, into opportunities for transforming the system to better deliver for Vermont and the students we serve for decades to come. As we think about change, we are focused on 3 key questions:

- Does it meet the needs of students?
- Does it meet the needs of the State?
- Does it contribute to the VSCS's financial sustainability?

**Students and their success are our key focus.** As noted above, we are committed to delivering the higher education and continuing education Vermont and Vermonters need, while preserving the high-touch, personalized approach, and close-knit campus communities that the VSCS is known for. We seek to better serve students where they are with a learning modality that works for them, on a schedule that works for them, with the courses, programs, credentials, credit bearing and non-credit-bearing, that provide them with the skills they need to attain their life goals, and at a price they can afford.

**Education for life:** Our schools provide a comprehensive, experiential education that prepares students for the world of work and for participation and enrichment of a democratic and civil society. We prepare students for jobs and careers needed to grow Vermont's economy. We create opportunities for Vermonters at every point in their life, from early college and dual enrollment programs for high school students, to credentials of value for working adults and those seeking to upskill and reskill. We recognize that, moving forward, we need to develop even more high-quality educational opportunities that meet the needs of students, employers, and the state, by expanding the availability of credentials of value, such as degrees, credentials, and certificates that will enable students to secure higher-paying employment or advance at work. Additionally, we will continue creating stackable credentials and pathways within degree programs to provide the maximum value and flexibility to our students.

**Vermont is our community:** In addition to serving our students and meeting the workforce needs of Vermont, we are looking to maintain our physical presence in each of our current host communities, combining a reduced physical footprint with expanded access to academic programs state-wide. Rural public institutions, such as ours, provide crucial educational and employment opportunities to local residents, serve as economic, social and cultural anchors in their host communities, and help to educate workers in high demand local industries, such as health care, education, business, mental health counseling, and hospitality and tourism.

**Consolidation of administrative functions** – To achieve fiscal sustainability, we recognize that we need to reduce administrative costs by consolidating business processes system-wide. A common accreditation for three of our four institutions, as proposed by the Select Committee, will enable the VSCS to avoid duplication, increase efficiency, improve compliance, and reduce costs, while preserving the flexible and nimble business model of the Community College of Vermont.

The following responses are being submitted at the request of the Committee to respond to the following questions, which were raised by the Executive Director of the Chamber & Economic Development of the Rutland Region (“CEDRR”).

- 1. Building a strong brand is hard. Rebranding is even harder. Given the challenges you incurred when rebranding Johnson and Lyndon into Northern Vermont University, when enrollment fell following consolidation, will you commit to letting each institution keep their historic brand while noting that they comprise a single Vermont State University? My thinking is that this would improve our ability to attract and retain students. For example, Castleton University, a member of the Vermont State University System?**

**RESPONSE:** A common accreditation for Northern Vermont University, Vermont Technical College and Castleton University, as recommended by the Select Committee and adopted by the VSCS Board at its February 22, 2021 meeting, will result in the unification of these three institutions into a single institution of higher education. Each of these institutions is already a member of the Vermont State Colleges System. A single institution will need to have a single name, but this would not preclude the Castleton campus from retaining its distinctiveness. For example, when Johnson and Lyndon were merged to form Northern Vermont University, the two campuses retained their location names and unified under the single university brand. The Board has not yet selected a name for the new combined entity; however, the Castleton campus could be known as “[New University Name] at Castleton” and be marketed to prospective students interested in the type of academic programs and student experiences available at the Castleton campus.

The reasons for the Select Committee’s recommendation is set forth in detail at pages 55-67 of its February 11, 2021 report.<sup>1</sup> As the Committee explained:

Collectively, the three institutions account for the operating deficit being run by the VSC system. Combining them creates a situation that ensures

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<sup>1</sup> February 11, 2021 Report of the Select Committee (“SC Report”) is available at <https://lifo.vermont.gov/assets/Uploads/78f980d2b1/Vermont-Report-210212-Submitted.pdf>.

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.<sup>2</sup>

The Select Committee acknowledged the importance of preserving “elements of institutional history and traditions that make each place unique.”<sup>3</sup> In addition, the VSCS’s transformation proposal, as adopted by its Board of Trustees, recognizes that “a new brand and vision for education in rural communities can be developed while honoring the proud traditions and identities of individual institutions and programs.”<sup>4</sup>

With respect to the concern regarding potential loss of enrollment, the VSCS is requesting a total of \$20 million in transformation costs over the next four years. This includes a request to cover the marketing and branding costs of the new institution over the first three years, as follows:

*Marketing & Branding (\$5.25M)* – This important category addresses all of the work necessary to support the creation of the new university’s brand identity and to market the university for the first three years. Taking advantage of the lessons learned from the creation of Northern Vermont University, this category includes work to ensure that all existing institution names are easily found and accessible via search engines, and college search sites so that current and prospective students will easily and readily find their way to the new university.<sup>5</sup>

- 2. I understand that in recent years, CU has received less than its share of pro rata share of state funding based on enrollment, while [NVU] has received more than its pro rata share. Going forward how will the State funding be allocated to each campus, what criteria will be used to make that decision and will you make those funding choices public?**

**RESPONSE:** The Vermont State Colleges receives a General Fund appropriation that has historically been allocated to the individual institutions by formula, as established by policy of the VSCS Board of Trustees.<sup>6</sup> The Board’s policies have been and continue

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<sup>2</sup> SC Report at 62.

<sup>3</sup> SC Report at 56.

<sup>4</sup> VSCS Transformation Proposal at 10, available at <https://www.vsc.edu/wp-content/uploads/2021/02/VSCS-Transformation-Proposal.pdf>.

<sup>5</sup> Transformation Proposal at 17.

<sup>6</sup> See VSC Policy 403: System Annual Operating Budget at <https://www.vsc.edu/wp-content/uploads/2018/10/Policy-403-Annual-Operating-Budget-2018-09-26.pdf>.

to be publicly-available on the VSCS website, along with the Board's and its committees' agendas, meeting materials and minutes.<sup>7</sup>

The Allocation Formula has been adjusted periodically over the years, and was most recently revised following the unification of Lyndon State College and Johnson State College into Northern Vermont University. Prior to this most recent revision, each institution in the system received 20% of the base appropriation. This approach was adopted in the mid-2000s and was a change from the prior model, which was largely based on student enrollment.<sup>8</sup>

Following unification of NVU, the Board determined that a new allocation methodology was required. On the one hand, it did not seem fair for NVU to retain 40% of the base appropriation, while on the other it seemed equally unfair to drop NVU's share to 25%, given that it had to run and maintain two separate campuses. The current policy contains an Allocation Formula that was to be phased in over four fiscal years (FY2020 through FY2023).<sup>9</sup> The current allocation methodology uses a variety of means to assess the distribution of state appropriation, allocating 25% to the legacy appropriation of five equal ways, with the remainder being based on net student revenue, and number of degrees conferred.

There is no expectation that the state appropriation will be allocated based on any specific methodology other than that set by the Board of Trustees. Given the financial situation confronting the VSCS and the Board's adoption of a system-wide budgeting model last year, the Board has suspended the application of the Allocation Formula, pending its revision as part of the transformation process.

The Select Committee called the existing Allocation Formula flawed<sup>10</sup> and explained how it is inequitable.<sup>11</sup> The Select Committee explicitly recommends that the VSC:

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<sup>7</sup> See <https://www.vsc.edu/> under the Board of Trustees tab.

<sup>8</sup> By way of example, under such an approach, the Community College of Vermont would receive approximately half of the base appropriation, instead of the 20% it currently receives.

<sup>9</sup> Policy 403 at p.2.

<sup>10</sup> SC Report at 13 ("Resource allocation policy (currently suspended) has flaws, but recent changes to present a consolidated budget is a step in the right direction.").

<sup>11</sup> "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." SC Report at 77.

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 with regard to 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.<sup>12</sup>

I anticipate that the VSCS Board of Trustees will use these criteria when revamping its Allocation Formula and that any such changes to VSCS Policy 403 will be readily available on the VSCS website.

**3. Historically, the financial statements for each School comprising the VSCS have not been made public. It is therefore difficult to know how each school is**

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<sup>12</sup> SC Report at 87-88.

**performing. During the integration process and after the schools are fully integrated will you assemble and publicly share financial statements for both the integrated system and each campus so the public will know how each campus is performing?**

**RESPONSE:** The VSCS is a single corporate entity and its annual audited financial statements are publicly-available at <https://www.vsc.edu/chancellors-office/financial-statements/>. The VSCS reports general fund financial information by system and institution three times per year following the first, second, and third quarters. Second quarter FY21 financial data can be found in the February 1, 2021 meeting materials at <https://www.vsc.edu/board-of-trustees/meeting-materials/finance-facilities-committee-meeting-materials-2019-20-academic-year/>. The VSCS, as a singly audited entity, does not typically provide an “all funds” view of financial performance by institution.

Once Castleton, Vermont Tech, and Northern Vermont University are unified with a common accreditation, financial data for each campus will no longer be available. However, quarterly general fund financial reports will be available for the Community College of Vermont and the new combined entity.

4. **I understand that currently CU has about 1,800 students at its campus and NVU has about 1,300 students spread over its 2 campuses. Assuming that the NVU students are equally distributed between the 2 campuses, that’s about 650 students for each campus. Is there a point where the enrollment is so low that it’s just not feasible to support a campus and if so what is the minimum enrollment required to justify maintaining an entire campus?**

**RESPONSE:** The cited numbers are inaccurate. The enrollment data for each institution for the fall semester, dating back to 2016 is shown below:

Institution	Fall 2020	Fall 2019	Fall 2018	Fall 2017	Fall 2016
VTC	1,510	1,704	1,638	1,616	1,645
CU	2,211	2,399	2,194	2,141	2,342
NVU	1,999	2,608	2,863	2,699	2,781
CCV	5,102	5,104	5,378	5,504	5,862
	10,822	11,815	12,073	11,960	12,630

% of Headcount Institution	Fall	Fall	Fall	Fall	Fall
	2020	2019	2018	2017	2016
VTC	14%	14%	14%	14%	13%
CU	20%	20%	18%	18%	19%
NVU	18%	22%	24%	23%	22%
CCV	47%	43%	45%	46%	46%

With respect to the closure of campuses, the Select Committee and the Board of Trustees recognize the value of maintaining a physical presence at all of the current campus locations, even if the campuses look somewhat different moving forward. In identifying the benefits of a common accreditation for three of the institutions, the Select Committee noted:

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.<sup>13</sup>

The VSCS’s Transformation Proposal observed that:

The Vermont State Colleges System serves all of Vermont, from its rural hills and valleys to its cities and towns. Rural public institutions such as the VSCS provide crucial educational and employment opportunities to local residents, serve as economic, social and cultural anchors in their host communities, and help to educate workers in high demand local industries.<sup>14</sup>

Thus, the VSCS intends to maintain a physical presence at its current locations, while exploring ways to right size its current physical footprint.

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<sup>13</sup> SC Report at 63.

<sup>14</sup> Transformation Proposal at 8.



- 5. Also, the enrollment numbers are not readily available for each campus. Will you make those numbers public going forward?**

**RESPONSE:** The VSCS Sourcebooks for 2011 through 2019 are publicly-available on the VSCS website at <https://www.vsc.edu/vsc-sourcebook-2011-2017/>. These contain a wide variety of facts and figures regarding the VSCS, including extensive enrollment data. The most recent Sourcebook, for calendar year 2019, was completed in February 2020. The 2021 Sourcebook, which will include Fall 2020 enrollment data, is currently in process and will be available in the coming months.

- 6. Lastly, will you agree to provide quarterly progress reports to the Legislature that include all the information discussed above and all other relevant information? This will enable us to judge progress and recommend whatever changes that might be required in a timely fashion.**

**RESPONSE:** The VSCS welcomes the opportunity to share information about the VSCS and its progress towards the benchmarks and metrics adopted by the VSCS Board of Trustees, as well as those recommended by the Select Committee, and any that may be set by the Legislature. The VSCS recognizes the importance and value of providing regular progress reports to the Legislature so that it may be held accountable and given the opportunity to demonstrate its stewardship of the funding it receives from the state.

Respectfully submitted,



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System