

Office of the Chancellor

This white paper is intended to set the stage for consideration of concrete, strategic actions that the Vermont State Colleges System can take to secure its mission in an increasingly challenging and rapidly changing higher education environment. The first step is to gain a clear understanding of the forces affecting our colleges and universities.

Introduction: Planning a Bright Future for the Vermont State Colleges System

The future of the State of Vermont, and the potential of generations of future students, will depend upon a thriving Vermont State Colleges System

affordable, high quality, student-centered education our member institutions provide. Significant demographic and market pressures are undeniable. In this environment, cost controls and innovation must quickly be coupled so that students will have postsecondary opportunities and our colleges and universities will thrive, not merely survive

Plans to secure the future should reflect a vision of a thriving Vermont State Colleges System:

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- x Engaged communities of faculty and staff treating each other with mutual respect;
- x Great places to work and learn, in good condition and with updated physical and IT infrastructure;
- x Programs that meet the workforce needs of the state and region, while launching the hopes and dreams of our students; and
- x Delivery of programs and services where and when students and clients need them.

A vision for the future must encompass our enduring mission for Vermont. It must also consider those actions taken by public higher education systems that are succeeding in this environment. Those systems are strategically and rapidly focusing resources on new delivery platforms and flexibly delivered credentials that reach traditional and adult students. They are creating opportunities distributed across a lifetime. Those who thrive will reduce the cost of delivery and will be the most entrepreneurial.

The Vermont State Colleges System must adapt, innovate, and leverage its strengths in order to secure a bright future. To that end, the Board of Trustees is embarking on a strategic initiative first to clarify and communicate the urgent challenges facing higher education and then to develop responses to allow the System to meet its critical mission of service to the State in the future.

As a statewide entity with strong regional presence and a long and proud history of educating Vermonters, the VSCS brings significant strengths to its work that will help it confront external forces. Because of our partnerships, our colleges and the System have the unique ability to respond to local, regional and state needs. Our State appropriation provides a predictable supplementary revenue source. As a System, the VSCS is capable of achieving necessary financial efficiencies. Significantly, strong leaders at the System and college level are guiding their institutions well through very challenging waters.

Challenges to the industry are facing nearly every college and university in the nation, but are hitting the Northeast

from the VSCS community and others about these challenges and about possible solutions to build a strong system that serves the needs of our students and our state's future.

Stakeholders must have the foresight to recognize forces upon us and the fortitude to make tough and timely decisions about what, how, and where to deliver relevant public postsecondary education to Vermonters.

This paper will first detail what the Chancellor believes are the forces negatively affecting the System. It will also review steps the VSCS has taken thus far to adjust to them. To gain consensus on the changing environment, this document is intended to evolve, reflecting vigorous and constructive dialogue with many constituencies.

The next step will be for the VSCS to identify a range of specific actions the System could take to secure its future for the benefit of Vermont. You are welcome to visit www.vsc.edu/securethefuture over the coming months to view revisions to this paper, find out about participating in input sessions, and other information about this strategic process.

Strengths of the Vermont State Colleges System and its significance to Vermont

The Vermont State Colleges System, which includes Castleton University, Northern Vermont University, Vermont Technical College, and the Community College of Vermont, is the public system of higher education.

Enrollment begins, and the System serves over 11,000 students and employ over 2,000 Vermonters in 20 locations in thirteen of its locations. In addition, close to 9,000 adults are served in workforce and professional education programs offered at every institution. Ninety percent of its graduates are Vermonters and the vast majority of its graduates stay and work in Vermont. These graduates, in turn, comprise a major part of the state's workforce. The System also provides a wide range of graduate, associate degree and certificate programs, serve commuter and online students, and provide continuing education opportunities for Vermonters of all ages.

The VSCS is the extension of the State of Vermont's public K-12 system into the postsecondary years. By design, the System is a logical continuation of the K-12 system through 12 grade primary and secondary schools and are accessible to almost all Vermonters. In addition to providing traditional four-year undergraduate programs, the System also provides a wide range of graduate, associate degree and certificate programs, serve commuter and online students, and provide continuing education opportunities for Vermonters of all ages.

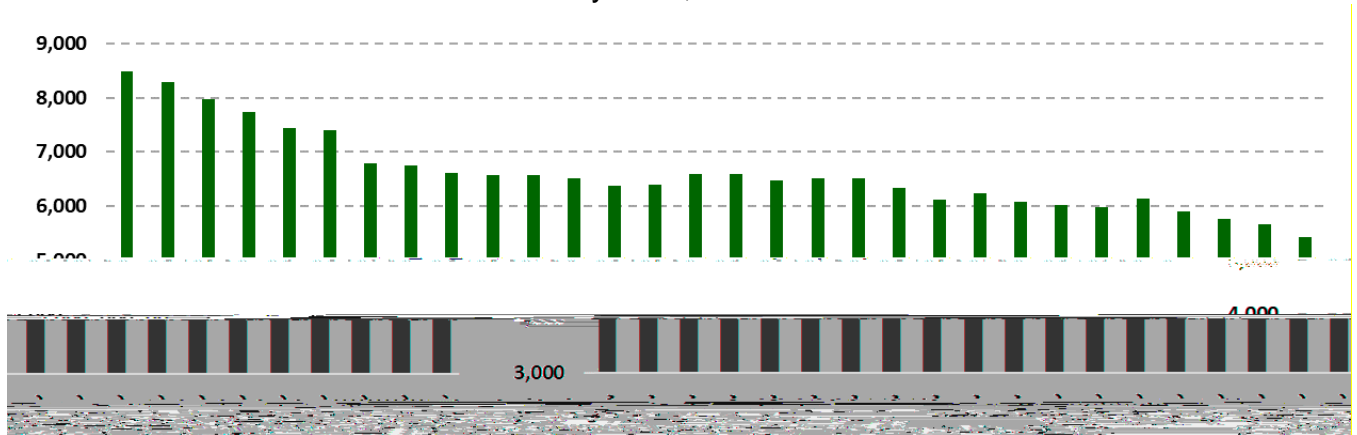
accessibility and wide range of offerings v o • š Z ^ Ç • š u [• } o o P t e v μ v] Å Œ •
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The State of Vermont's stake in the success of our colleges is enormous. The State is dependent on our member institutions as regional economic engines, workforce pipelines, and as access institutions for the majority of Vermonters remaining in state to go to college. While State funding accounts for only 17% of our budget, one of the lowest levels of funding in the nation, the VSCS annual appropriation does provide a predictable, annual source of revenue. Any independent college would be envious of a \$30 million annual disbursement from an endowment.

Another key strength is our strong system and college-level leadership. Squaring off against the challenges listed in this report, our presidents, with the support of their leadership teams, staff and faculty, are making bold decisions about the future of their institutions, all while offering

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State of Vermont Live Births by Year, 1989 to 2018



Source: Vermont Agency of Human Services

State of Vermont population projections indicate the number of 15 yearolds will decline by 21.8% between 2010 and 2030 and the number of 24 yearolds will decline by 19%

The rest of northern New England and the rural Northeast face these same trends. Carleton College Professor Nathan Grawe, in his 2017 book *Demographics and the Demand for Higher Education*, predicts beginning in 2026 that the number of college students in the Northeast and Midwest will drop almost 15 percent in just five years.

In addition to demographic decline, if recent trends continue, it is likely that in the coming years more children will live in households receiving public assistance. The U.S. Census Bureau, American Community Survey 5 estimates shows the proportion of households with children under 18 receiving public assistance growing from 18.8% in the 2010 estimate to a peak of 27% in the 2014 estimate, and then tapering to only 25.1% for 2017, the most recent estimate available. In addition to the increasing poverty rate, the [2019 Building Bright Futures report](#) notes the percentage of children living in poverty in Vermont grew from 12.9% in 2012 to 14.9% in 2016.

poor demographic outlook and increasing pension and other benefit liabilities challenge appropriation.

For decades, chancellors, trustees, faculty members, students and individual legislators have implored Vermont governors and the Legislature to reverse the State's decline in its public higher education system. But inadequate funding has continued, with predictable results: The 1989 Vermont Higher Education Study Commission reported that Vermont ranked 3rd in the nation in spending on higher education as a percentage of personal income. The most recent State Higher Education Executive Officers report (FY 2018) shows Vermont now ranks 49th in the country in state funding per FTE student.

FIGURE 8



Source: State Higher Education Executive Officers, State Higher Education Funding Report, 2018

The VSCs used to have a meaningful pricing advantage over private colleges, but the combination of low State support, consistent (if modest) tuition and fee increases, and dramatic price cutting by competitors means it is increasingly common to hear from Vermont families that it is less expensive for fee increases, and

accredited degree program and served more than 25,000 students last year. Investors Service states that this trend of growth and investment in online education will lead to intensified competition and changing key players. [education outlook remains negative on low tuition growth](#) December 18.

Source: VSCS

The 40%

Source: VSCS

Employers are investing in talent development strategies to attract young employees with a job-first pathway to a college degree. A recent [Kaplan University PartnerQuest Research](#) study indicates that a major shift is underway whereby a substantial number of students, including many of the most talented, will go straight to work for employers that offer a good job along with a college degree. That study predicts that as many as ~~one~~ ^{one-third} of all traditional students in the next decade will choose to go to a job to earn their degree, instead of going to college to get a job ([Busteed, Forbes, 2019](#)). The recently announced partnership between Global Foundries and Vermont Technical College is ~~one~~ ^{one} close-to-home example of this evolving model. Global Foundries will hire students right out of high school at \$20 per hour and pay for 34 credits of college education delivered by Vermont Technical College.

Bottom line conclusion The days when our colleges could rely on increasing enrollment, tuition, and fees are over. New technologies and competitors will continue to split up the declining customer base of traditional college students. Increasingly, the delivery of education beyond high school for all learners, inclusive of postsecondary students, will involve bringing education to the people, not bringing people to the institution.

The accelerating pricing pressure and the attendant demands for rapid innovation in response. The System's 1,350 acres of land, and the average building is almost 50 years old. The buildings and land are also concentrated on five major campuses in mostly rural parts of Vermont, making piecemeal property sales difficult. VSCS employees are organized into six labor unions, in addition to non-union employees. It is important to note that almost any initiative or change is subject to a public hearing and a referendum. We value the strong relationships the System has with all personnel, including its bargaining unit partners, and shared governance entities will all need to work together even more closely to innovate successfully in this rapidly changing environment.

Across the country as well as within the System, there is much discussion of innovation. We must continue the hard, incremental work we already know how to do: innovation in our teaching practices, innovation in design and delivery of our degree programs, innovation in the ways we engage, advise, and support our students.

However, the trends are clear that incremental improvement will not be sufficient. To fulfill our mission, we must be able to develop, deliver, and validate postsecondary education in units, timeframes, and locations not currently aligned with our academic cycles or processes or infrastructure. We must achieve significant flexibility and integration with external partnership networks and not just across academic divisions within our individual institutions. We must serve student populations we are not yet, or not yet robustly, serving, and whom we may not yet know how to serve well, and we must do so with rapidly evolving technology.

Our ability to maintain and improve our physical infrastructure is questionable, and our risks of systems failures are increasing. The total system-wide deferred maintenance level for the last several years has hovered at approximately \$5 billion. Our major campuses are aging, all about the same vintage, and our fundr

Source: VSCS

Bottom line conclusion The future of the VSCS requires overcoming barriers that impede significant degree of institutional adaptation in a short timeframe.

Challenge 5: Changing Student Attitudes and Preferences

The value and return on investment for a college degree is being questioned, resulting in significantly different enrollment patterns

A number of generational changes are impacting the higher education industry, including students and parents questioning the value of college and wishing to avoid student loans, employers providing training and increasingly not requiring a college degree, and a preference among younger people for urban or suburban locations.

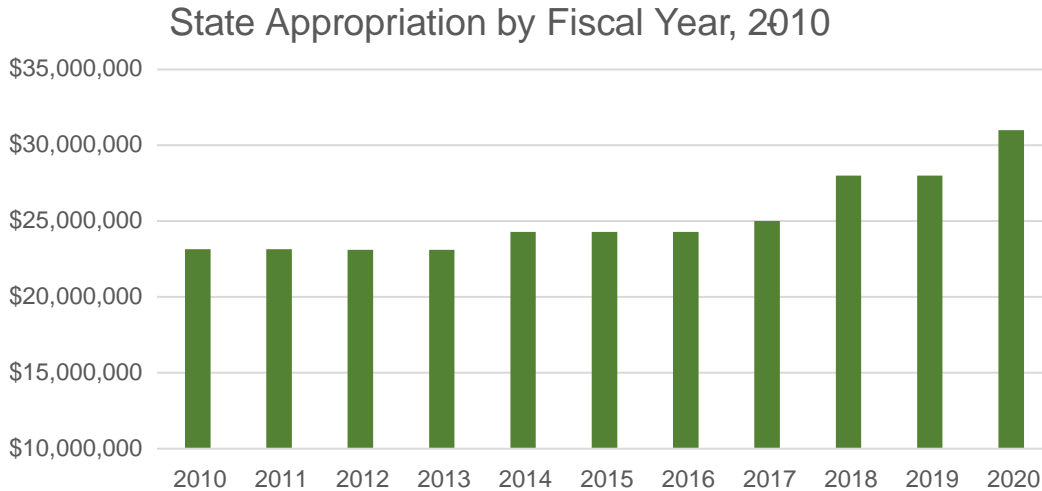
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make best use of them. A failure to do so would result in our competitors seeing more robust admissions and retention rates than ours.

Indeed, as the [Chronicle of Higher Education reported in February, 2018](#), the rise of the mega university, nonprofit institutions including Southern New Hampshire University, Western Governors University, and Arizona State University have rapidly grown their online education programs (these three institutions alone currently serve nearly 300,000 students and are planning further significant growth) and now have the power of scale to further innovate in ways that will continue to lower cost, increase flexibility, and achieve outcomes equal or better than those of traditional face-to-face institutions.

(Source:

changed the narrative in the Statehouse about the connection between our colleges and the future workforce, the college continuation rate, and emigration.



Source: VSCS

Unfortunately, recent appropriation increases have not gone far enough to support our annual cost increases, or to make up for decades of underfunding. As a result, we continue to squeeze operating budgets and reduce personnel. There are over 200 fewer people working for the VSCS than five years ago. Salaries and benefits declined from \$125.3 million in FY 2014 to \$121.9 million in FY 2018.

At a more granular level, as we review the functional categories of expenditures across the System in recent years, while total expenditures have decreased only 4.8%, our student enrollment has decreased more substantially, as measured by both headcount (down 11.4%) and FTE (down 15.4%). During this time, we have seen increased expenditures in areas such as student services and physical plant, significant decreases in areas such as institutional support (down nearly 20%, or \$9 million), which includes senior administration expenses, and relatively modest decreases (down 2.4% or \$1.4 million) in expenditures on instruction. These changes reflect the complex, dynamic environment we operate in and the opportunities and challenges facing our institutions every day.

3. How do we transform our operations to reduce the cost of delivery across the system to
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4. How will we align our physical infrastructure to ensure vibrant student living and learning experiences within limited resources?
5. How can we transform our approach to programs and delivery models that support quicker degree and credential completion?
6. How can we prioritize our efforts to focus more on pathways into programs that align
 - Á] š Z s CE u } wage, ZipCode, ZipCode
 growth occupations?
7. What new strategic alliances among our colleges would support a transformation of student access, expanded opportunities, and financial sustainability?
8. How do we operate as a more strategic partner with statewide entities and networks?