

Chancellor's Report and Recommendations on the Unification of Johnson State College and Lyndon State College

Introduction

On July 22, 2016, the VSC Board of Trustees approved, in concept, the Chancellor's recommendation to unify Johnson and Lyndon under one administration into a single, larger, and stronger college with two distinctive campuses. In order for the Board to be fully prepared to make a final decision to proceed, the Board directed the Chancellor to:

- Meet with students, faculty and staff at both the JSC and LSC campuses to solicit their feedback on the Chancellor's recommendation;
- Prepare a report that includes this feedback and identifies and addresses the legal, contractual, financial, academic, communications, and other issues that need to be addressed in order to successfully implement the Chancellor's recommendation; and
- Outline a transition plan, including a timeline, for implementation of the Chancellor's recommendation.

The information and recommendations presented in this report result from significant work and engagement with students, faculty, alumni, and community members. Since July, we have held numerous meetings in order to solicit feedback on the unification proposal and research the many issues we will need to address in the unification process. From this research and the campus and community discussions that have taken place thus far, we have not identified any obstacles significant enough to warrant reconsideration of my recommendation to unify these two colleges. In fact, I am more convinced than ever that unification is not only doable but that it will be a very positive step for both campuses.

The decision to unify Johnson and Lyndon is a strategic one, consistent with the Board's *Six Priorities to Support the Mission of the Vermont State Colleges* and, as the analysis that follows demonstrates, one that is critical to the future success and vibrancy of both campuses.

Strategic Priority #5: Operate as a more integrated system to expand student opportunities and achieve operational efficiencies.

As a decision that sets a clear destination, it is one that must be made now, so that President Collins, faculty, staff, students, and communities of Johnson and Lyndon have the time to proceed with the implementation decisions and work in order to accomplish the formal unification in July 2018. This decision is not one that can or should be made with all questions answered in advance about how the unified institution will operate or whether particular strategies for unified delivery of its academic programs, student services, and campus activities

will be successful. I encourage the Board to vote to unify Johnson and Lyndon with two specific considerations in mind: first, unification is a process which will evolve over an extended timeline, and second, unification represents a strategic commitment to the future fiscal health of Johnson, Lyndon, and the Vermont State Colleges System as well as to our future capacity to meet the needs of those who depend on the VSC. My two overall recommendations below, and the analysis that follows, are intended to provide the Board with the information it needs to make this strategic decision.

Recommendation I: An Extended Unification Timeline

The timeline I am recommending would result in the first class of students entering the unified institution in the 2018-2019 academic year, with several significant milestones occurring before then. Establishing a single executive leadership team and making decisions in support of a single, unified institution's mission is an important first step. I am therefore recommending that the Board affirm the appointment of Dr. Elaine Collins as the first president of the unified institution and as the single president of both Johnson State College and Lyndon State College in a transition year effective July 1, 2017. I am further recommending to President Collins that she begin taking action quickly to establish a unified leadership team with strong representation from both campuses capable of guiding the unification process as it proceeds. While regular operations of the two colleges will continue under the administrations of Interim President Dr. Nolan Atkins at Lyndon and Dr. Elaine Collins at Johnson for the remainder of this academic year, this unified team will provide the leadership and decision-making capacity, taking into full consideration the work and recommendations of the Unification Advisory Committee, needed to implement unification.

The two most critical components in establishing a successfully unified institution are the continuation of accreditation by the New England Association of Schools and Colleges (NEASC) and authorization by the U.S. Department of Education to administer federal financial aid programs. Our team has had several interactions with both entities and feels confident we can meet the requirements of each, allowing unification to be successful. This process is timing-sensitive and will first require preparation and submission of a significant substantive change proposal to NEASC following the completion of Johnson's ten-year accreditation review that is currently underway. The timeline I am recommending anticipates submission of the substantive change proposal to NEASC no later than August 2017. Once we obtain NEASC approval, we must then apply for a revised program participation agreement with the U.S. Department of Education no later than March 2018, so that the new unified institution will have authorization to disburse financial aid to the first class of students entering the unified institution for the 2018-2019 academic year.

Finally, a central component of the work of unification will be a multi-year process of curriculum and course delivery change. Our promise to all current and future students must be clear: while we expect incremental curriculum and delivery changes each year in individual courses, program requirements, and elective opportunities, we will provide students with a clear, well-supported path to graduation in four years from the program and campus they attend. Some changes in delivery models and development of new unified programs are already underway this year—for example, the delivery of an accounting course in the telepresence classroom and the exploration of a new cross-campus program in Climate Change Science. These initiatives will accelerate as unification develops. Students will experience increasing opportunities to participate in clubs and activities from both campuses.

Recommendation II: Unification as Strategic Commitment

Unification is a strategic commitment to the future of Johnson and Lyndon and with objectives beyond cutting costs to address immediate budget pressures. It is a process that will not happen overnight, and it will require significant support of the faculty, staff, and students as they work together to take advantage of the resources of both campuses in ways that create new opportunities for students. There will be necessary, one-time costs to support curriculum and faculty development, to strengthen the IT infrastructure, and to cover transition costs including marketing and branding. At the same time, it will be important to identify and pursue as many efficiencies as possible to maximize resources available for strategic investment. These efficiencies will be achieved by unification of functions within Johnson and Lyndon, or by system-level consolidations across all five colleges and the Chancellor's Office, or through some combination of both. There is no one-size-fits-all approach to the ways the unique cultures and distinctive programs of these two campus communities might combine, and some experimentation is also needed, understanding there will be successes, and the need to correct our course along the way.

There will be many important indicators of successful unification. Current and prospective students should have a strong sense of the unique culture and personality of each campus. They should be able to see clearly the full range of distinctive academic opportunities open to them—high-impact practices within the liberal arts, real-world expectations from day one in professional programs—and receive guidance from all faculty and staff to support them. The communities of northern Vermont should know that the leadership of the unified institution is committed and responsive to them. A coordinated admissions and financial aid approach should support each prospective student to the starting point that is the first and best choice for that student. A common undergraduate academic calendar and class meeting schedule should facilitate more students taking advantage of opportunities such as elective courses, travel programs, or other condensed specialty courses offered during semester breaks. New

organizational structures for academic departments and other student services should result over time in more attractive program offerings and improved strategies for student support.

Examples of Expanded Opportunities in Academic and Student Life

- Additional course electives and opportunities to access new majors, minors or concentrations
- Reduced course cancellations due to low enrollment, which adversely impact on-time graduation
- Access to a greater diversity of faculty as teachers and advisors
- Improved services in advising, academic support, career, health, and counseling via unified departments that can better leverage individual staff talents and new technologies
- Increased opportunities for campus activities: more variety of student clubs; options to coordinate and/or reduce costs to book concerts and events; greater options for bus trips, conferences, and leadership training opportunities; more student performance opportunities; more opportunities to share content in student-run newspapers and radio stations

Review of Major Considerations for Board Decision

I. Legal Authority for Decision

The question is whether the Vermont State Colleges (VSC) Board of Trustees has the legal authority, absent some additional specific legislative grant of authority, to unify Johnson State College and Lyndon State College to create a new single postsecondary institution under a single administration and budget. The two campuses would continue to exist in their current physical form but operate as one single accredited institution of higher education. The conclusion is that such additional statutory authority is unnecessary.

The foundational statute creating the VSC and defining the powers of its Board of Trustees is contained within Chapter 72 of Title 16 of the Vermont Statutes Annotated. 16 V.S.A. §2171(a) provides that the VSC is a public corporation with the authority and responsibility to “plan, supervise, administer, and operate facilities for education at the postsecondary level.” Significantly, the corporation’s authority extends to the ownership of the real and personal property of the current five member institutions (Castleton University, Community College of Vermont, Johnson State College, Lyndon State College, and Vermont Technical College) and to “other State-operated institutions of higher education that may be established.” 16 V.S.A. §2171(b). The next sentence of that section states: “[The VSC] shall protect, preserve, and improve the properties and promote their use as institutions of higher education.” This is the precise intent—protecting, preserving, and improving VSC facilities for use as institutions of higher education—of the plan to unify Johnson State College and Lyndon State College.

The statutes governing the VSC do specify certain circumstances where additional legislative authority would be necessary before proceeding with certain actions. Such grant of additional authority by the General Assembly is required before the VSC may “abandon, lease, sell, or dispose of any of the institutions under its control,” 16 V.S.A. §2171(d)—none of which is contemplated here. No other section of the statutes that list the general and specific powers of the Board of Trustees requires legislative approval to exercise the powers necessary and incidental to unification.

II. Associated Legal Issues

Having concluded that the VSC Board of Trustees has the statutory authority to proceed with unification of Johnson and Lyndon, further inquiry must be made into a variety of legal issues that flow from the unification. For example, the VSC maintains five separate collective

bargaining agreements with its employees. Those agreements would permit such unification¹ without the need for bargaining on the subject of whether the VSC can proceed to unify the two colleges. However, there could be impacts on the employees occasioned by the unification and those impacts may be the subject of “impact bargaining” that would have to be undertaken as those issues rise to the surface. Additionally, there may be “side letters” that apply to each specific campus and these separate agreements would have to be reconciled.

Other examples of legal issues that will need to be addressed include, but are not limited to:

- the status of institutional endowments, gifts, and scholarships under a unified administration;
- the contracting party’s or grantor’s name on certain institution-specific, multi-year contracts and grants;
- the modification of existing institution-specific policies and procedures, such as student handbooks;
- the appropriate organization of required federal non-discrimination officials and alignment of policies under the various federal statutes and regulations; and
- compliance with federal and other data collection and reporting requirements such as the Clery Act and the NCAA.

These legal issues will need to be addressed and resolved as implementation of the unification proceeds. They are not expected to interfere with or unduly delay the unification process but may require expenditure on outside legal expertise.

III. Stakeholder and Community Input

In preparing this report, we conducted extensive outreach on the campuses and in the community to explain the proposal, to answer questions about it, and to listen to feedback. Over the last three months we have held more than ten public meetings with faculty, staff, students, alumni, and members of the broader Johnson and Lyndon communities. Most of those meetings included President Collins, Interim President Atkins, and me. I have met with many smaller

¹ See e.g. Article 3 (Management Rights) of the Agreement between the Vermont State Colleges and the Vermont State Colleges Faculty Federation, United Professions AFT Vermont, Local 3180, AFL-CIO (September 1, 2014 to August 31, 2018); Article III (Management Rights) of the Agreement between the Vermont State Colleges and the Vermont State Colleges Part-Time Faculty Federation, Local 3180, United Professions of Vermont-AFT (September 1, 2014 to August 31, 2017); Article 4 (Management Rights) of the Agreement between the Vermont State Colleges and the Vermont State Colleges United Professionals Supervisory Unit, AFT Vermont, Local 6217, AFL-CIO (July 1, 2016 to June 30, 2020); Article 4 (Management Rights) of the Agreement between the Vermont State Colleges and the Vermont State Colleges United Professionals Professional, Administrative and Technical Unit, AFT Vermont, Local 6217, AFL-CIO (July 1, 2016 to June 30, 2020); Article 3 (Management Rights) of the Agreement between the Vermont State Colleges and the Vermont State Colleges Staff Federation (July 1, 2016 to June 30, 2020).

groups of faculty, staff and students and spoken individually with internal and external community members. I have also met with alumni groups from both colleges. Additionally, we have briefed the Governor, the Congressional delegation, legislative, and state agency leaders, economic development directors, and key business leaders in the state. We provided an online venue for input for internal and external audiences.

Overall, the unification proposal has been positively received. Externally, the proposal has received near universal recognition as a very smart move toward efficiency and preserving two campuses that are important to the northern region of the State. Most within the Johnson and Lyndon communities acknowledge that the status quo is not sustainable and that “we knew something had to be done” to build a stronger financial foundation to support continued innovation of academic programs and student supports. This sentiment is usually followed with questions about how unification will occur and what specific impacts it will have on each college and, specifically, on the faculty, the staff, and students.

Additionally, I charged a Unification Advisory Committee with the task of developing a substantive list of issues that will need to be addressed for unification to be successful, as well as provide another avenue for community members’ input. This group has already met three times and conducted its own outreach. It is my hope that their activities will begin to shape the scope and approach to unification and alleviate uncertainty about the future.

Unification Advisory Committee

Chair:

Tim Donovan, former Chancellor

Johnson State College:

- Julie Theoret, Professor, Mathematics
- Toby Stewart, Controller
- Lisa Cline, Associate Professor, Humanities
- Doug Eastman, Registrar
- Kate Abdel-Fatah, Student

Lyndon State College:

- Bill Morison, Assistant Professor, Business:
- Terry Dwyer, Vehicle & Equipment Mechanic/ Grounds Maintenance Technician
- David Johnston, Associate Professor, Humanities
- Sylvia Plumb, Executive Director, Communications & Marketing
- Dana Mitchell, Student

Office of the Chancellor:

- Yasmine Ziesler, Vice Chancellor for Academic Affairs

Several themes have emerged in the feedback expressed thus far by members of the Johnson and Lyndon campuses and extended college communities. First, while there is wide understanding that the status quo is not sustainable, many wonder why I am recommending the particular unification model under consideration. Some wondered why we couldn't consolidate executive leadership, but maintain separate colleges. As discussed later in this report, my recommendation has been informed by our research into similar efforts in several other states, systems, and institutions. As I discussed with the Board in July, it became clear after multiple discussions with our accreditor, NEASC, that the single president/two college model would not be acceptable, as it does not comport with their written standards. Further, the synergies of a combined entity, both from student opportunity and marketing perspectives, are significantly greater with the unification model being proposed.

Second, many expressed concern that the process may be moving too quickly. The reality is the Board has been considering the best approach to take for a year now and our financial condition and the broader higher education environment requires deliberate and immediate action on our part. You will remember that Dr. Aims McGuinness with the National Center for Higher Education Management Systems, Dr. Michael Thomas from the New England Board of Higher Education, and Rick Beyer from the Association of Governing Boards of Colleges and Universities (AGB) all exhorted the Board to develop a greater sense of urgency to preserve our future viability. The fiscal analysis later in this report indicates a likelihood that the status quo will mean continued operating deficits and depleted reserves by the end of FY 2018. Further, our research indicates it will take about 18 months from the time the decision is made to unify until we are able to first enroll students in the new entity. In order to enroll students in a unified institution by fall 2018, my recommendation requires approval at this Board meeting.

As indicated in resolutions passed by the Johnson State College Student Government Association and the Lyndon Faculty Assembly, and in commentary from many others, there is clear and constructive concern that we “get the decisions right” and not put at risk the reputation or status of the colleges’ programs, grants, or overall enrollments. Responses to the most significant potential risks, and the information we have gathered in advance from accreditors, regulators, and the experiences of other institutions, are detailed in the subsequent sections of this report. There is also concern that we “do unification right” by maintaining open communication channels that allow for adjustments in planning along the way. This has been and will continue to be our practice, beginning with the work of the Unification Advisory Committee. Finally, there are many specific questions and suggestions about “what the unified institution might be.” Unification implementation questions are most appropriately addressed--following a Board decision to unify the colleges--by the faculty, staff, and students at Johnson and Lyndon under the leadership of President Collins and the unified leadership team she establishes.

IV. Accreditation and Program Authorizations

Maintaining the good standing of Lyndon and Johnson with our accrediting body, NEASC, is essential and will at minimum require the preparation of a comprehensive substantive change proposal. If the Board takes action to approve this recommendation to unify Johnson and Lyndon, the next step will be to inform NEASC's Commission on Institutions of Higher Education of our proposed plan and timeline for unification in order to obtain advice on how to proceed with the substantive change process. According to NEASC's policy on substantive change,² the proposal must address how the new unified institution will continue to fulfill all the standards for accreditation. The work involved to develop this proposal, which will be done under the leadership of President Collins in cooperation with the Chancellor's Office, will include such elements as defining the new mission and organizational and internal governance structures of the unified institution; describing how the unified institution will undertake the development of a new strategic plan; documenting how the unified institution will continue to meet each individual standard (e.g. academic program, students, institutional effectiveness); and development of a multi-year analysis of revenues, expenses, and projected future developments related to the unification.

Earlier this year, Johnson achieved recognition by the Council of Public Liberal Arts Colleges (COPLAC) as Vermont's public liberal arts college. Membership in COPLAC is reserved for predominantly undergraduate and residential colleges and universities that confer more than half of their degrees in traditional liberal arts disciplines. Maintaining this significant national recognition of Johnson's commitment to the mission of liberal arts education in a new unified institutional model will require ongoing attention, including but not limited to emphasis on the liberal arts in the unified institution's mission statement, commitment to a liberal arts emphasis in the blend of academic programs centered on the Johnson campus, and attention to academic admissions criteria specific to the Johnson campus. President Collins has received assurance from COPLAC leadership that Johnson's continued COPLAC membership need not be jeopardized by unification.

Lyndon and Johnson individually maintain program-specific state and national accreditations such as teacher licensure and exercise science. Assuming no immediate changes to these specific programs takes place as a result of unification, there are no anticipated impacts to their current accreditation status.

It is likely there are many intramural and non-varsity collegiate sports at one or the other campuses (snowboarding, ice hockey, rugby, swimming, etc.) that would be enhanced by student participation from both campuses. Further, it our intention that, under unification, each of the two campuses will continue to operate their own Division III athletics teams without losing their

² https://cihe.neasc.org/downloads/POLICIES/Pp72_Substantive_Change.pdf

Division III membership. We have received written assurance from the NCAA that with appropriate planning and attention to reasonable requirements, this will not be a problem.

V. Enrollment and Revenue Considerations

The primary goal for the unification of Johnson and Lyndon is to sustain and strengthen distinctive, high-quality programs available to students. We expect the unification process to result, over time, and with necessary experimentation, in new or revised programs that will attract and retain a greater and more diverse group of students. Early collaborative discussions among the faculty of Johnson and Lyndon are already generating potential proposals, such as a degree in Climate Change Science that would draw upon faculty expertise in multiple departments across both campuses. Faculty in the business departments of Johnson and Lyndon are currently experimenting with telepresence delivery of typically low-enrolled, upper-level accounting courses, a strategy that has potential to provide more consistent course offerings to support four-year degree completion.

Johnson and Lyndon both administer large federal work-study and supplemental educational opportunity grants (SEOG) as part of their approval from the U.S. Department of Education to administer federal Title IV student financial assistance programs. We have received initial guidance from the Department about how to proceed in reapplying for approval and do not expect any changes in the total federal funds (work-study and SEOG) available to the unified institution.

Johnson is currently entering the second year of a federal Student Support Services grant and Johnson and Lyndon both operate Upward Bound grants, all of which are federal TRiO Programs. The most recent legislation covering these programs provides for grants to individual campus locations of multi-campus institutions, and assuming no change in scope of grant activities as currently awarded, we do not anticipate adverse impacts to current grant operations or future eligibility for these grants as a result of unification.

We have a large number of student veterans and military-connected students who are valued members of both the Johnson and Lyndon communities, and their uninterrupted access to federal tuition benefits through the unification process is important. At this point, guidance from the Office of Veterans Affairs indicates that students' eligibility for tuition benefits for existing programs will not be affected by the unification of the two campuses. There is a regular two-year process for any new programs to become approved.

VI. Unification Expenses

The preliminary working estimate for one-time unification costs is \$2 million; it is anticipated that, pending unification approval and the identification of the leadership team, a more precise and granular budget would be developed as planning begins in earnest, scopes of work are created, requests for proposals developed, bids received, and new knowledge and insights gained during the process of implementation.

Given the current operating deficits at both colleges and very limited reserves, outside revenues will be required to cover the one-time unification costs. Possible sources include State assistance, grant funding, and loans.

Anticipated upfront costs include new or additional marketing and branding, information technology integration, more connected classrooms, library and information resources integration, unification planning and implementation activities, and fleet enhancements. As noted above, there may be additional expenses associated with obtaining outside legal expertise as we work through any legal issues resulting from unification.

From a strategic perspective, unification will provide an excellent opportunity to market an institution with a strong Vermont brand and continued distinctiveness, as well as the close-community feel of its two campuses. Marketing and communications post-unification will integrate messaging about the unique campuses and the added value of a unified administration and expanded academic and co-curricular offerings. A new brand will be defined and promoted. Given the unification timeline, some of the associated marketing and branding costs (annual admissions materials, stationary, etc.) may be planned into existing annual production cycles and budgets. Website development, while much more significant, is also a necessary periodic expense for all institutions, and as a project of a unified institution, this may be achieved with greater cost effectiveness.

Projected One-Time Unification Expenses	
Accreditation/Federal Financial Aid/NCAA Changes:	\$150,000
Marketing, Branding & Identity, Website, Signage, etc.:	\$750,000
Academic Planning, Delivery Design, and Professional Development:	\$250,000
Information Technology and Connected Classrooms:	\$500,000
Fleet Enhancements for Staff Travel Between Campuses:	\$150,000
Legal:	\$100,000
<u>Miscellaneous:</u>	<u>\$100,000</u>
 ESTIMATED GRAND TOTAL:	 \$2,000,000

VII. Budget

A discussion of budget projections should begin with at least two important caveats. The first is that unification, while clearly expected to benefit Johnson, Lyndon, and the Vermont State Colleges System as a whole, is not a panacea for solving the colleges’ current budget challenges. Rather, a return to financial health will require a multi-faceted approach, consistent with the *Six Priorities to Support the Mission of the Vermont State Colleges* adopted by the Board of Trustees, including boosting revenues—through modest tuition increases, enrollment growth, and increased State support—and carefully managing expenses. Second, as is and has always been the case with the budget development process, any projection of revenues, expenses, and net operating results necessarily relies on assumptions with varying degrees of uncertainty and over which leadership maintains varying levels of control. The actual financial results realized over the next three or four years should be expected to differ from the scenarios discussed here. The duty of leadership will be to start with the best information available, to make prudent and well-founded assumptions, to closely monitor the results, and then to have the courage to make adjustments as circumstances require.

It is also helpful to define clearly the difference between the “unification” discussed in this report, and system “consolidations.” “Unification” should be understood as the process, led by the President and her leadership team, by which Johnson and Lyndon formally become a single stronger institution. “System consolidations” are the series of initiatives currently being led by the Chancellor’s Office and all five of the college presidents to conduct more efficiently business functions that are necessary to sustain the core academic mission.³

³ System consolidations explicitly are designed to reduce the number of functions currently replicated using five or six (or more) individuals across the colleges and Chancellor’s Office, when two or three individuals could, through

While unification will result in reduced personnel costs over time, the most immediate being the reduction of one president and three senior leadership positions, unification savings going forward will utilize process redesign from retirements and other vacancies wherever possible. While limited personnel actions cannot be ruled out, we are hopeful that much of the work of streamlining the operations of the new institution can be accommodated through natural attrition and labor redistribution. To cite three examples: Johnson currently lacks both a full time director of information technology and a human resources director, while Lyndon's controller position is vacant; unification may permit leveraging the talents of the three incumbent individuals—two at Lyndon, one at Johnson—across the entire new, stronger institution.

While increased efficiency and cost reduction will be one outcome of unification, the more powerful outcome will be the strengthening of the student academic experience. The connections among faculty will create richer academic experiences. Deeper administrative teams in such functions as marketing, student recruitment, and retention will be better able to use individual talents and expertise across a single larger institution. These enhancements are a key condition precedent to reasonably and prudently forecasting modest increases to student enrollments.

As a unified entity, Johnson's and Lyndon's Board-approved budgets for fiscal year 2017 total \$57.2 million in revenues, and \$60.3 million in expenses, leaving a deficit of \$3.1 million, or 5.1% of operating expenses. On a combined basis, the colleges began FY2017 with \$4.9 million of strategic reserves and other discretionary funds. While both colleges expect to manage expenses during the year to more closely align with projected revenues, and Lyndon in particular is identifying up to \$1 million of savings as part of its Steering Committee process, the colleges are nonetheless expected to realize a combined deficit of between \$1.5 million and \$2.5 million during FY2017.

Given the financial position of Johnson and Lyndon it is clear that the unified entity will be unable to pay for the estimated \$2 million of upfront unification-related costs. Therefore, a funding or financing mechanism—whether internally from the system or the State of Vermont, or externally from some other source—must be identified. Further, it is clear that there is little time to achieve improved operating results, as resources to continue to fund deep operating deficits simply do not exist without external assistance. As such, a budgetary time horizon of three years is assumed, with FY2017 as “Year 0” and FY2018 through 2020 as Years 1, 2 and 3.

centralization and process redesign, perform the same tasks. It will be incumbent upon leadership to proceed as humanely and transparently as possible, while at the same time not shrinking from the reality that the system must become more efficient for all of VSC's colleges, not only Johnson and Lyndon, but also Castleton, Vermont Tech and CCV, in order to thrive in the future. Our challenge in consolidation is increased by the multiplicity of roles that many of our staffs have by virtue of the relatively small size of each of our colleges. The leadership teams understand these challenges and will work to restructure operations around consolidation of vacancies.

Consistent with their sister residential institutions, the colleges' primary sources of revenues are tuition and fees (58%), room and board (17%) and State appropriation (16%). The primary expense drivers are salaries and benefits (60%), supplies, services and travel (19%), scholarships and fellowships (8%). For comparability, each of these percentages is expressed as a function of total expenses of \$60.3 million.

Included below are two prospective multi-year budget scenarios built from the common starting point described above. The first assumes unification, and the second assumes that Johnson and Lyndon continue as two separate colleges. Both scenarios assume that the 4% tuition and 3% room and board increases approved for FY2018 are continued through FY2020, have no increases to "all other" sources of revenue (such as sales and services, gifts, etc.), and make common assumptions with respect to annual expense increases (e.g. contractually obligated salary increases and healthcare expenses). The unification scenario assumes modest enrollment increases resulting from increased institutional strength, while the two colleges scenario assumes no change; past and projected enrollments are summarized below. Finally, both scenarios assume a very modest 3% increase in annual State support, under the reasoning that with the increased attention that the proposal for unification has generated, the Governor and the General Assembly will recognize the essential need for a sustained incremental increase in State support.

History of Total Enrollment by Headcount

	Fall '10	Fall '11	Fall '12	Fall '13	Fall '14	Fall '15	<i>early unofficial 9/26/2016</i>
Johnson	1,924	1,859	1,783	1,692	1,613	1,514	1,512
Lyndon	1,436	1,422	1,508	1,519	1,430	1,266	1,200
Combined Total	3,360	3,281	3,291	3,211	3,043	2,780	2,712

Projection of Total Enrollment by Headcount

	Fall '17	Fall '18	Fall '19
Combined Total: Unification Scenario	2,739	2,794	2,850
Combined Total: Two Colleges Scenario	2,712	2,712	2,712

Unification Scenario

Unification is projected to lower base spending by approximately \$2 million by FY 2020. The unification scenario assumes savings of \$650,000 by the end of FY2018 from consolidation of the leadership team and an additional \$195,000 allocable to Johnson and Lyndon resulting from system consolidations during FY 2017. Additional unification savings in personnel of \$600,000 per year are estimated in both FY 2019 and FY 2020, largely driven by retirements and normal turnover, for total annual personnel savings of \$2,045,000 by FY 2020. At the same time, reinvestment in strategic hires or other expenses must be part of the planning. In the unification

scenario this is represented by \$200,000 in FY 2019 and an additional \$200,000 of expenses in FY2020.

The unification scenario further assumes modest enrollment increases, arising from the investments, stronger academic and experiential offerings, and marketing opportunities described above, of 1% in FY 2018 and 2% in each of FY 2019 and FY 2020. These enrollment gains would increase annual revenues by approximately \$2 million by FY 2020.

Thus, the reduced spending track and modestly increased enrollment assumption will, by FY 2020, provide approximately \$4 million in value annually from unification. The one-time estimated \$2 million in unification-related expenses are not included in this scenario, as it is my intent to secure outside funding to cover those costs.

**Vermont State Colleges System
Multi-Year Budget Projection: Unification
(Amounts rounded to \$1,000)**

	Year 0		Year 1	Year 2	Year 3	3-Year Projected Change
	FY2017 Budget	FY2017 Projection	FY2018 Projection	FY2019 Projection	FY2020 Projection	
REVENUES						
Tuition and Fees	34,782	34,782	36,521	38,712	41,035	6,253
State Appropriation	9,830	9,830	10,125	10,429	10,742	912
Room and Board	10,095	10,095	10,448	10,866	11,301	1,206
All Other Revenues	<u>2,502</u>	<u>2,502</u>	<u>2,502</u>	<u>2,502</u>	<u>2,502</u>	<u>0</u>
TOTAL REVENUES	57,209	57,209	59,596	62,509	65,579	8,370
EXPENSES						
Personnel	36,347	35,875	36,534	37,532	38,574	2,699
Services, Supplies and Travel	11,318	11,318	11,544	11,775	12,011	693
Scholarships and Fellowships	4,660	4,660	4,893	5,187	5,498	838
All Other Expenses	<u>8,273</u>	<u>7,531</u>	<u>8,127</u>	<u>8,342</u>	<u>8,013</u>	<u>481</u>
TOTAL EXPENSES	60,301	59,384	61,098	62,835	64,095	4,711
NET REVENUES/(DEFICIT)	(3,093)	(2,176)	(1,502)	(326)	1,484	<u>3,660</u>
Percent of Total Expenses	-5.1%	-3.7%	-2.5%	-0.5%	2.3%	
RESERVE BALANCE	4,900	2,724	1,222	896	2,380	

Using these assumptions, the unified scenario projects significant deficits and depletion of available reserves by over 80%, to less than \$900,000, by the end of FY2019, followed by a return to a positive operating result by FY2020. It is important to note that in order to replenish depleted reserves, to reinvest in the academic mission, and to provide for stable operations with a reasonable margin of safety going forward, this positive operating result must grow to at least 5% of expenses on a sustained basis.

Two Separate Colleges Scenario

The two separate colleges scenario removes all unification-related savings, but retains the \$195,000 of system consolidations, for a net increase in personnel costs of \$1,850,000 through FY2020 compared to the unification scenario. This scenario also assumes no increases to enrollment since no unification-related enhancements are identified. While this scenario does not incur the \$2 million upfront unification cost, which appears to offset the increase in personnel costs compared to the unification scenario, the avoidance of expenditure is a one-time occurrence, and even more than \$1.85 million of expenses reemerge due to annual increases in salary and health care costs. Further, the \$2 million is not appropriate to include as “savings” because it is not an investment, and would not be deployed to offset an operating loss except in cases of extreme and unavoidable financial exigency.

Vermont State Colleges System
Multi-Year Budget Projection: Two Separate Colleges
 (Amounts rounded to \$1,000)

	Year 0		Year 1	Year 2	Year 3	3-Year Projected Change
	FY2017 Budget	FY2017 Projection	FY2018 Projection	FY2019 Projection	FY2020 Projection	
REVENUES						
Tuition and Fees	34,782	34,782	36,173	37,620	39,125	4,343
State Appropriation	9,830	9,830	10,125	10,429	10,742	912
Room and Board	10,095	10,095	10,398	10,710	11,031	936
All Other Revenues	<u>2,502</u>	<u>2,502</u>	<u>2,502</u>	<u>2,502</u>	<u>2,502</u>	0
TOTAL REVENUES	57,209	57,209	59,198	61,260	63,399	6,191
EXPENSES						
Personnel	36,347	36,312	37,196	38,823	40,522	4,210
Services, Supplies and Travel	11,318	11,318	11,544	11,775	12,011	693
Scholarships and Fellowships	4,660	4,660	4,846	5,040	5,242	582
All Other Expenses	<u>8,273</u>	<u>7,531</u>	<u>7,824</u>	<u>7,838</u>	<u>7,309</u>	(222)
TOTAL EXPENSES	60,598	59,821	61,411	63,477	65,084	5,262
NET REVENUES/(DEFICIT)	(3,390)	(2,613)	(2,213)	(2,217)	(1,685)	928
Percent of Total Expenses	-5.6%	-4.4%	-3.6%	-3.5%	-2.6%	
RESERVE BALANCE	4,900	2,287	74	(2,143)	(3,827)	

The separate colleges scenario essentially depletes reserves by the end of FY2018, with projected annual operating losses between \$1.7 million and \$2.2 million going forward. It is difficult to see how the colleges would be able to continue to operate past FY2018 absent substantial reductions in costs, including personnel. Perhaps worst of all, forced cost cutting likely would preclude needed investments in core academic functions, thereby reducing the likelihood of increased, or perhaps even maintained, student enrollments going forward.

From a budget projection standpoint, then, it seems clear that unification is preferable to the two separate colleges continuing to operate on a standalone basis.

VIII. Additional Resources

Several upcoming grant opportunities that could support the work and expenses associated with unification have been identified, including a multi-year federal Title III grant (anticipated RFP in 2017) or a grant from the Davis Foundation (next deadline March 2017), which has explicitly outlined objectives of supporting more effective teaching and learning and/or controlling costs. We also anticipate making legislative requests to support the specific one-time costs associated with unification, given that it is a strategic investment in sustaining and enhancing the academic mission of both campuses while reducing overall budgetary pressures that would otherwise impact student tuition.

IX. Learning From Other Institutions

In preparing this report, we have consulted with a number of other systems and institutions on a wide range of questions related to alliances similar to the proposed unification. I spoke directly, sometimes on multiple occasions, with the chancellors of the Maine University System, University of New Hampshire System, State University of New York, Minnesota State Colleges and Universities System, and the University System of Georgia, as well as the President of St. Joseph's College of New York and the President of the New England Board of Higher Education. The Long Range Planning Committee had a phone dialogue with the Chancellor of the University System of Georgia and the Chancellor of the Minnesota State Colleges and Universities System. Our team has had many conversations with these and other experienced parties on relevant issues. We are not patterning our proposed model after any one of those systems, but have taken lessons learned about what works best and what to avoid in developing the proposal for unification of Johnson and Lyndon.

Following conversations with the University System of Georgia, which is now conducting the seventh of what it terms “campus consolidations,”⁴ we have reviewed the major components of a unification timeline and associated critical accreditation and authorization steps with the U.S. Department of Education. The process for the Georgia institutions, we learned, has consistently required approximately eighteen months from the date of the board decision to the first class of students entering the unified institution. We also learned from Georgia that a “campus consolidation” of two rural institutions that had seen declining enrollments for several years is now on track for some enrollment growth due to proactive marketing of the new larger institution and new program development activities. As reported in my July recommendation to the Board, from the NCAA and St. Joseph's College in New York we have confirmed that it is possible to maintain two separate athletics teams. The St. Joseph's model for academic programs, we learned, is one that has evolved over the years. While offering a single set of academic programs, some are offered only at one campus location, others are offered

⁴ <http://www.usg.edu/consolidation>

independently at both campuses, and some smaller majors are offered by travelling faculty or utilizing technology for delivery. Finally, President Collins brings her former experience in Michigan at Grand Valley State University, with multiple campuses and a robust transportation infrastructure to support routine engagement of students and faculty across campuses.

X. Timeline and Next Steps

The attached timeline provides a general overview of the types of unification planning and implementation activities expected following a Board decision to unify the colleges. This first academic year 2016-2017 will be primarily one of planning, as the faculty, students, and staff work together to define the organizational, procedural, and policy changes needed to support a unified institution. I am also recommending that President Collins work to form a unification leadership team by the end of October 2016 and that this team, with input from the Unification Advisory Committee, recommend a name for the unified institution for the Board's consideration at its December meeting. These elements will be needed to begin marketing and branding work and in drafting the substantive change proposal we anticipate submitting to NEASC in August 2017. The second year (2017-2018) is one of transition: with a single president and leadership team in place, we will work through the necessary sequence of NEASC and U.S. Department of Education authorizations to become a unified institution.

During the 2017-2018 transition year, admissions staff will begin recruiting the first class of students to enter the unified institution in the fall of 2018. On campus, work will continue to develop a unified budget, implement initial unified curriculum and delivery options, and transition to a new website and other information resources necessary to begin the academic year 2018-2019 as a single unified institution. We expect continued work to fully realize the benefits of unification over the next several years, particularly in curriculum development and delivery, as students who entered Johnson and Lyndon when they were separate institutions move through their programs and graduate. As the Unification Advisory Committee identifies operational and policy considerations, we expect to develop more detailed timelines and areas of work within this general outline.

XI. Internal and External Communications Plan

Unification will provide an excellent opportunity to market a larger, stronger college with a strong Vermont brand. After a unification vote, it will be imperative to craft a dynamic communications strategy that supports an admissions timeline that best serves both colleges during the transition, strongly and clearly promotes the unified college, and emphasizes the uniqueness of each campus.

The admissions cycle for the 2017-2018 year is already underway with printed materials and counselors on the road promoting our colleges. Admissions teams have already met to discuss and synchronize their current messages to prospective students. During the transition, the marketing teams will work on brand identity and marketing strategies aligned with the mission of the unified entity. Responses to media inquiries about unification will continue to be coordinated between the two communications directors. In the meantime, messages will continue to assure students, parents, and school counselors that each college continues to deliver high quality experiences and that unification will provide net gains for students.

Internal communications will continue to be transparent and informative. The Unification Advisory Committee has established a mechanism for feedback to me and to the committee via a dedicated page on our website (<http://unification.vsc.edu>) and is planning for opportunities for input during its upcoming meetings.

XII. Conclusion

My recommendation to unify Johnson and Lyndon into a single, stronger entity is rooted in an understanding that they are pivotal institutions in their regions and they are beloved by their alumni, faculty, staff, and current students. Approval by the Board of Trustees would signify recognition of that love and your commitment to maintaining two vibrant and viable campuses for the coming decades. It will put both colleges in a position of strength to weather the headwinds that most small, rural, tuition dependent colleges are facing.

An analysis of the financial condition and trajectory of both colleges can only lead to the conclusion that maintaining the current status quo is much more risky than choosing to become stronger through unification. Despite valiant efforts at both colleges, enrollment, the primary source of revenue to pay the bills, has continued to decline, consistent with the declining number of students graduating from high school in our region of the country. My opinion is that under the status quo both colleges will be likely to continue operating in deficit and have depleted reserves by the end of FY 2018.

Unification will create new academic and experiential opportunities for students, a bigger and more diverse faculty environment, advantages for recruiting new students, and a significantly strengthened financial foundation. The combination of unification savings and modest (2%) growth in enrollment will yield approximately \$4 million.

I urge the Board of Trustees to approve unification at its meeting on September 29, 2016, so that President Collins and her unification leadership team can plan accordingly and take the steps necessary to enroll the first class of students in the unified college in the 2018-2019 academic year.

UNIFICATION PLANNING AND IMPLEMENTATION
GENERAL TIMELINE
AND ILLUSTRATION

S-16	O-16	N-16	D-16	J-17	F-17	M-17	A-17	M-17	J-17	J-17	A-17	S-17	O-17	N-17	D-17	J-18	F-18	M-18	A-18	M-18	J-18	AY 2018-2019	2019-2020	2020-2021							
FY17: PLANNING YEAR										FY18: TRANSITION YEAR										FY19	FY20	FY21									
Board action, institution status, budget	9/29 vote on unification, expected to be effective by July 2018		12/1 vote on unified institution name		develop unified institution mission statement for board approval					single president/leadership team for 2 institutions					add'l board action if need		unified institution begins, operating with 2 FY18 budgets until June 30 closeout					FY19 unified budget except as needed (athletics, TRIO)									
NEASC Accreditation	notify of board decision and anticipated timeline		JSC 10yr accred visit			JSC 10yr accred decision					substantive change proposal DUE Aug 2017 for NEASC review, decision Sept 2017, effective date ~Feb 2018														Unified institution accred visit? (LSC 10yr scheduled Fall 2020)						
U.S.Dept. of Ed. - financial aid																					U.S. DOE application and approval process follows NEASC approval		unified institution authorized to disburse aid								

↓ **EXAMPLES OF POTENTIAL UNIFICATION IMPLEMENTATION ACTIVITIES** ↓

Academics	Hold joint meetings of faculty from similar fields/disciplines to learn about programs and conduct curriculum analysis. Explore various models for collaboration (sharing low-enrolled courses via new delivery modes; developing new or revising existing programs that might be shared). Identify and engage in associated areas of professional development. Study academic governance and explore restructuring options.					Pilot shared curriculum offerings (e.g. BUS); plan curriculum & delivery changes for any programs identified for unification in 18-19; plan for implementing any identified governance/structure changes.										Unified model for academics begins 18-19 with identified set of shared program offerings for incoming class; begin exploration of options for a unified gen ed; work continues as needed in 19-20 and 20-21.					
Admissions	Separate JSC and LSC recruiting, admissions, and financial aid with shared talking points about unification					Identify unification opportunities for students in materials for class entering 2018					Admissions decisions, orientation, registration to unified institution					First incoming class under unified model					
Current Students	Student engagement in defining campus identities and potential shared opportunities. Some students enrolled in individual courses with unified delivery (e.g. BUS, MAT). Consider ways to join forces across various student centered offices to improve services (e.g. new approaches to advising and tutoring). Identify any needs for alignment of procedures and policies (e.g. student code of conduct).					Planning and celebration of unification opportunities ahead for students; expansion of pilot unified delivery of courses and student feedback; continued planning and implementation of new student services approaches and policies.					Registration for Fall 2018 unified schedule									2021 GRADS are those who entered as "transition year" final 2-college cohort	
Technology & Information Resources	Identification of infrastructure to support unified administration and organization, teaching and learning technologies, and expanded telepresence options.			Purchase and installation of infrastructure to support unified administration, t&l technologies.		Planning and development of unified external website(s) for prospective students, donors, community and employees; internal portal site(s) for faculty, staff and students; content development for all. Development of reporting and management tools to support unified administration.					Installation of external website(s) and internal portal site(s). Further expansion of telepresence sites. Installation of reporting and management tools to support unified admin.					Continuous review and improvement of infrastructure and tools as needs arise. Further development of reporting and management tools. Further refinement of internal and external web and portal sites.					
Branding and Communications	Issue RFP on branding/marketing; ongoing discussion and planning for new brand.					Separate admissions materials for 17-18 with information introducing the unified institution's benefits for students. See above for website planning.										New website/brand materials in place.					