



Vermont Student Assistance Corporation

10 East Allen Street • PO Box 2000 • Winooski VT 05404-2601
802-655-9602 • Fax 802-654-3765 • TDD 800-281-3341
www.vsac.org • info@vsac.org • Toll-free 800-642-3177

Board of Directors

Dorothy R. Mitchell
Chair

Martha P. Heath
Vice-Chair

David Larsen
Secretary

Rep. Sarah E. Buxton

Pamela A. Chisholm

David R. Coates

Sen. Ann E. Cummings

Katharine B. Hutchinson

G. Dennis O'Brien

Beth Pearce
State Treasurer

Michael K. Smith

President/CEO
Scott A. Giles

November 17, 2015

Andy Pallito, Commissioner
Department of Finance and Management
Pavilion Building
109 State St.
Montpelier, VT 05609-0401

Re: VSAC Budget Submission for FY 2017

Dear Commissioner Pallito:

Enclosed is VSAC's budget submission documentation for FY 2017. The proposal contains an explanation of the impact of level funding on the financially needy students who rely on the VSAC grant program. Level funding would increase the already substantial gap these students face, between existing resources and the funds they need to attend college. The result is increased student debt, delayed attendance and reduced access. For that reason and as explained below, VSAC is requesting a substantial increase of 5.2 % in its appropriation.

Vermont funding for higher education ranks among the lowest in the country. In fact, since 1980, funding for higher education has risen at less than half the rate of growth of the General Fund. This disinvestment in higher education is at the heart of the challenge to creating a highly educated workforce for Vermont's future economic needs. Vermont cannot achieve significant improvements in access, affordability, degree and certificate completion and workforce development without a renewed investment in postsecondary education.

To address this 35-year-long underfunding of higher education financial aid and consistent with the recommendation of the Act 148 Study Committee (2014), VSAC requests that funding for its grant programs increase by the rate of increase of the General Fund spending from FY 15 to FY16 plus 1 percent. This would result in a 5.2 percent increase in funding for the Vermont State Grant Program, for an FY17 base appropriation to VSAC of \$20,424,147, an increase of \$1,009,559, but still below the funding received in fiscal years 2010 and 2011 (\$20.6 million).

Page 2
November 17, 2015

The Act 148 report can be read [here](#).

Even with this increase, students will have a gap between what they can afford to pay (a combination of their family's expected contribution, federal Pell and Vermont state grants) and tuition and fees, reducing access and increasing debt loads. To the extent that schools increase tuition and fees for the 2016-2017 academic year, the gap will be even greater. *Likewise, level funding of the VSAC grant appropriation would increase this affordability gap and increase the debt load of financially needy students (and their parents).*

VSAC is mindful of the budget constraints confronting Vermont but believes that it must address the needs of Vermont students and their families, consistent with our statutory mission statement. We look forward to working with you and Governor Shumlin in the coming months.

Sincerely,



Scott A. Giles
President/CEO



Vermont Student Assistance Corporation

Fiscal Year 2017 Budget Request

November 2015

A Public, Nonprofit Corporation Created By The Legislature In 1965

Table of Contents

Executive Summary	2-3
Mission Statement and Description of Services.....	4-5
VSAC Grant Programs, FY15.....	4
<i>Services supported by state appropriations and/or administered on behalf of the state</i>	4
<i>Services supported by private funds and education loan revenues</i>	5
<i>Services supported by federal grants, loan revenues and other VSAC resources</i>	5
Why Invest in Career and Education Planning and in Student Aid	6-10
The Need	6
Budget Request for FY17.....	7, 9
Postsecondary enrollment by region and parental education attainment	8
FY15 – Summary of Activities and Outcomes for Academic Year 2014-15.....	10
College Saving Options.....	11
FY16 – Status of Developments in Academic Year 2015-16	12-13
Federal Outreach Grants.....	14
Federal and Private Lending	15
Fiscal Year 2017 Budget Request: State Grants & Other Programs Detail	16



Executive Summary

Fifty years ago, President Lyndon Johnson signed the Higher Education Act of 1965 into law. This historic act marked our first commitment to universal access to higher education, and represented one of the great achievements of the Civil Rights movement. Reflecting on the momentous occasion, President Johnson proclaimed,

“This legislation passed by this Congress will swing open a new door for the young people of America. For them, and for this entire land of ours, it is the most important door that will ever open – the door to education. And this legislation is the key which unlocks it. To thousands of young men and women, this act means the path of knowledge is open to all that have the determination to walk it.”

Unfortunately, for too many Vermonters this is a journey still unfulfilled. Our nation, once the international leader in access to higher education, has fallen below the average for developed nations in less than 13 years.

Despite having one of the highest levels of high school completion in the country, Vermont’s college-going rates lag behind those of the nation as a whole, and lag the most for boys whose parents did not go to college.

VSAC was created by the Vermont General Assembly in 1965 as a public nonprofit corporation to ensure that all Vermonters have the necessary financial and information resources to pursue their education goals beyond high school.

As VSAC celebrates 50 years of changing lives through education and training, our mission remains unchanged: We work to see that all Vermonters can have the opportunity promised in the Higher Education Act also be their reality in the 21st Century. To that end, VSAC continues to:

- encourage college savings through the VSAC-administered 529 plan and other savings options
- invest heavily in career and education planning resources, including online tools and personal interaction, so that students can identify their interests and skills and connect them with available careers
- promote a range of college options, including apprenticeship programs and one- and two-year degrees as well as traditional four-year degrees
- encourage students to access all available “gift aid” (federal and state grants, public and private scholarships and college aid) before using education loans
- provide lower rates on education loans for those who need them

State appropriations are the only source of funding for three critical forms of grant assistance VSAC provides to eligible Vermonters; these are need-based Vermont State Grants for full-time, part-time or nondegree study.

VSAC Appropriation for FY17

Vermont funding for higher education ranks among the lowest in the country. In fact, since 1980, funding for higher education has risen at less than half the rate of growth of the General Fund. This disinvestment in higher education is at the heart of the challenge to creating a highly educated workforce for Vermont's future economic needs. Vermont cannot achieve significant improvements in access, affordability, degree and certificate completion and workforce development without a renewed investment in postsecondary education.

To address this decades-long underfunding of higher education financial aid and consistent with the recommendation of the Act 148 Study Committee (2014), VSAC requests that funding for its grant programs increase by the rate of increase of the General Fund spending from FY 15 to FY16 plus 1 percent. This would result in a 5.2 percent increase in funding for the Vermont State Grant Program, for an FY17 base appropriation to VSAC of \$20,424,147, an increase of \$1,009,559, but still below the funding received in fiscal years 2010 and 2011 (\$20.6 million).

The Act 148 report can be read [here](#).

Even with this increase, students will have a gap between what they can afford to pay (a combination of their family's expected contribution, federal Pell and Vermont state grants) and tuition and fees, reducing access and increasing debt loads. To the extent that schools increase tuition and fees for the 2016-2017 academic year, the gap will be even greater. Likewise, level funding of the VSAC grant appropriation will increase this affordability gap and increase the debt load of financially needy students (and their parents).

Financial resources are only half of the challenge that Vermont families face. Too many students and families do not know how to select an education or training program, apply for admission or apply for financial aid. Vermont must do more to level this playing field; in order to address this need we request \$100,000 to expand VSAC's innovative aspirations program (currently funded at \$100,000) from the current two school districts (Lamoille and Bellows Falls) to a total of at least four. This will also promote college continuation rate improvements and help achieve the state's workforce development goals..

Agency: Vermont Student Assistance Corporation

Chief Executive Officer's Signature: _____



Changing Lives through Education and Training since 1965

Mission Statement

VSAC was created by the Vermont General Assembly in 1965 as a public nonprofit corporation and is overseen by an 11-member board of directors. Its mission is to ensure that all Vermonters have the necessary financial and information resources to pursue their education goals beyond high school.

Description of Services

VSAC is unique among agencies of its kind in that it provides, under one roof, a full range of services aimed at helping residents save for education, explore careers and plan and pay for education or training beyond high school. VSAC also supports a variety of education initiatives and addresses Vermont's education and workforce development goals through myriad collaborations with agencies of state government and many public and private organizations.

Services supported by state appropriations and/or administered on behalf of the state

State-appropriated dollars are the only source of funding for three forms of grant and scholarship assistance provided to eligible Vermonters: the **Vermont State Grant** is the need-based grant program for full-time, part-time or nondegree study; the **Vermont Opportunity Scholarship** for foster youth; and the **Vermont Honor**

Scholarship, for a high-achieving graduate from each participating Vermont high school. VSAC also administers the **Dual Enrollment Stipend** program, funded by \$50,000 appropriated by the Legislature. In addition, VSAC administers the **Vermont Higher Education Investment Plan**, Vermont's 529 college savings plan. In FY15 we added Bellows Falls Union High School to the VSAC **Aspiration Pilot Project** and successfully transitioned the state 529 college savings program to a new administrator.

VSAC Grant Programs, FY15

In the 2014-2015 academic year (FY 2015) VSAC awarded 13,450 need-based education grants to students attending school full- or part-time, or enrolled in nondegree courses of study.

The nondegree program has increased by 54 percent over the last decade.

<u>Program</u>	<u>\$ Awarded</u>	<u>Grant Awards</u>
Full-time	\$14.9 M	8,701
Part-time	\$1.4 M	3,057
Nondegree	\$2.9 M	1,692

Services supported by private funds and education loan revenues

VSAC administers 161 mostly private scholarships via the online **Unified Scholarship Application**, and finances, originates, and services a nonfederal student loan, the **Vermont Advantage Loan**. VSAC continues to service about \$1.1 billion in federal student and parent loans made under the Federal Family Education Loan Program (FFEL). Prior to 2010, when FFEL was replaced with federal direct lending, VSAC was able to pay for many of its services with loan revenues.

Services supported by federal grants, loan revenues and other VSAC resources

VSAC outreach counselors serve students in middle schools, high schools, and agencies serving adult learners throughout the state. Counselors funded by federal **GEAR UP**, **Talent Search** and **Education Opportunity Center** grants work with low-income and first-generation, college-bound individuals through caseload or group models, and also provide career and education planning services to the general population of Vermonters.

In addition, VSAC offers many online resources; hosts workshops and events for students and parents; and provides professional development for those who work with students, including school administrators, guidance counselors and teachers.

VSAC's **College Pathways** program, the state's largest college planning event, celebrated its 14th anniversary in 2015. More than 16,000 Vermonters have attended this free, day-long conference since its inception. VSAC partners with Vermont colleges to host the events on their campuses, providing many first-generation students the opportunity to visit a college campus for the first time. These events offer high school sophomores, juniors, and their parents a wide range of workshops led by experts on a variety of college planning topics. Three College Pathways events were hosted at college campuses in Chittenden, Rutland, and Caledonia counties in FY15.

The VSAC Research Department, which has conducted the bi-annual **Senior Survey** since 1978, is increasingly regarded as a statewide resource on higher education matters. VSAC recently published "Vermont's Class of 2012: Highlights and challenges for pursuing a postsecondary education," an extensive look at enrollment and retention trends in Vermont. Its findings have prompted wide-ranging discussions on improving access and affordability to create a well-educated workforce in Vermont. VSAC continues to provide consultation and research support to our partners, including the Vermont Agency of Education, Vermont State Colleges, Vermont Higher Education Council and PreK-16 Council.

Why Invest in Career and Education Planning and in Student Aid?

The Need

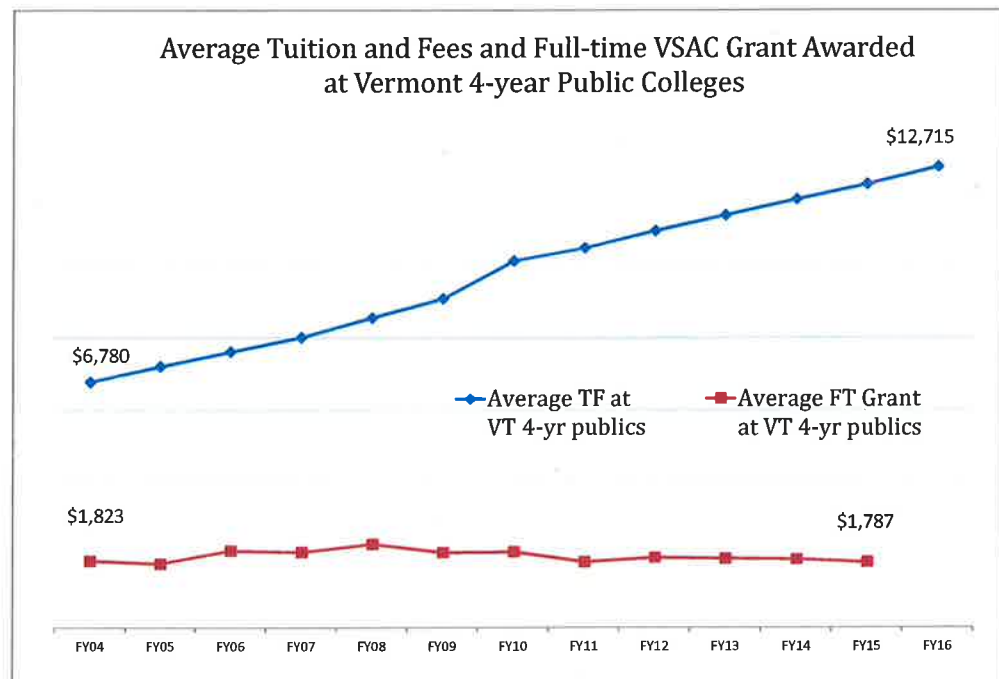
National data indicate that by 2020 two-thirds of all new jobs will require postsecondary education (Lumina Foundation 2013). The Vermont Department of Labor projects that by the year 2022, Vermont will have nearly 10,000 new job openings — due to both growth and replacing retiring workers — that require at least a postsecondary certificate (Vermont Department of Labor 2015).

Our state's ability to fill those jobs is important for Vermont's future economic well-being. Even more critical will be the state's ability to attract the kind of employers and entrepreneurs whose innovations will create new jobs for Vermont workers. Policymakers and stakeholders increasingly recognize that postsecondary education and training is a big part of the strategy to do both.

To meet these employment and economic development imperatives, the state's policymakers have set the goal that by the year 2020 at least 60 percent of working-age Vermonters will hold a high-quality postsecondary credential. Achieving the state goal will require significant increases in the percent of Vermont students who enroll in postsecondary education. It will also require significant increases in the rate at which these students persist, complete their studies, and obtain their credentials. According to the U.S. Census, 45.5 percent of Vermont adults currently have a two- or four-year postsecondary degree (Lumina Foundation 2015).

While it is tempting to consider education and training after high school solely in terms of its benefits to the individual, the benefits to the state are equally important.

Increased financial aid, in the form of grants, is critical to our cooperative efforts to ensure that Vermont students who begin their postsecondary education actually obtain their degrees. Unfortunately, the average full-time grant has not kept pace in the increased costs of attending Vermont's four-year public institutions (as seen on the figure below). Notwithstanding, VSAC, through its federal grants, is also extending the scope of its counseling programs in order to provide ongoing support to students once they matriculate



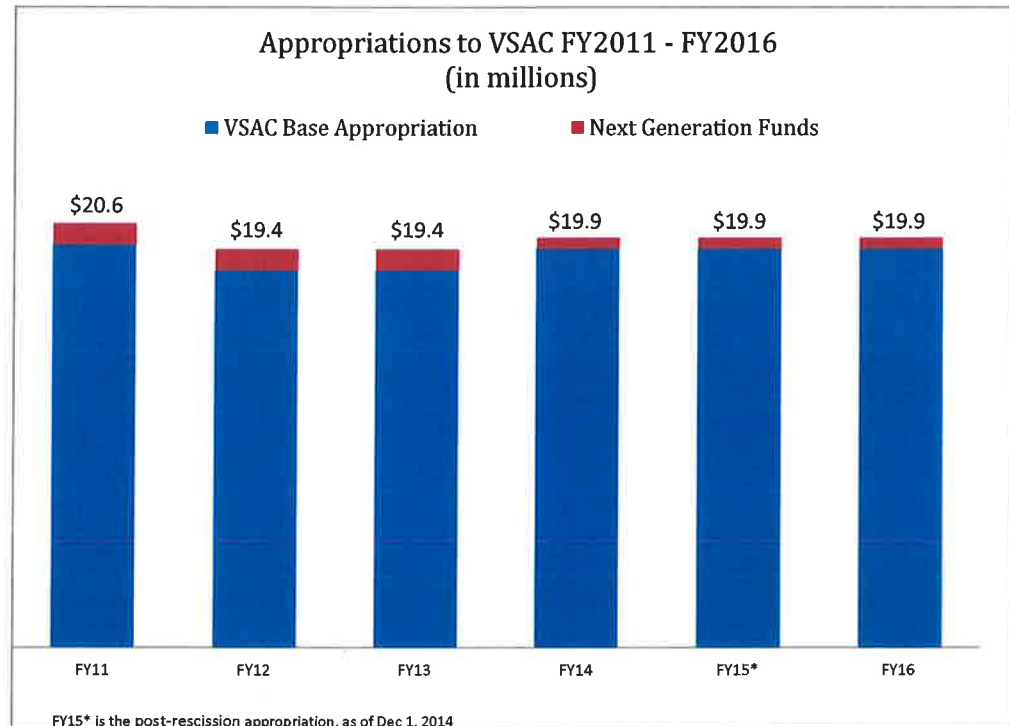
at partnering Vermont colleges and universities. It is hoped that these efforts, in combination with work done by the institutions, will begin to bend the curve and improve student retention.

Budget Request for FY17

VSAC's goal is always to provide a level of aid — comprising the family contribution, the federal Pell grant and the state grant administered by VSAC — that covers 100 percent of tuition and fees for eligible students attending Vermont's state colleges. (This does not take into account charges other than tuition and fees, such as room and board, books, computers, supplies, and other expenses.) To be clear, it has been some 10 years since the state appropriation enabled VSAC to meet this goal. In FY 16 the level of assistance from the VSAC grant covered 74 percent of tuition and fees at the Vermont State Colleges.

As noted earlier, Vermont funding for higher education is among the lowest in the nation. In fact, since 1980, funding for higher education has grown at less than half the rate of growth of the General Fund. This has resulted in the loss of federal higher education funds targeted for Vermont. We also recognize that Vermont is facing a significant gap between projected general fund revenues and expenditures.

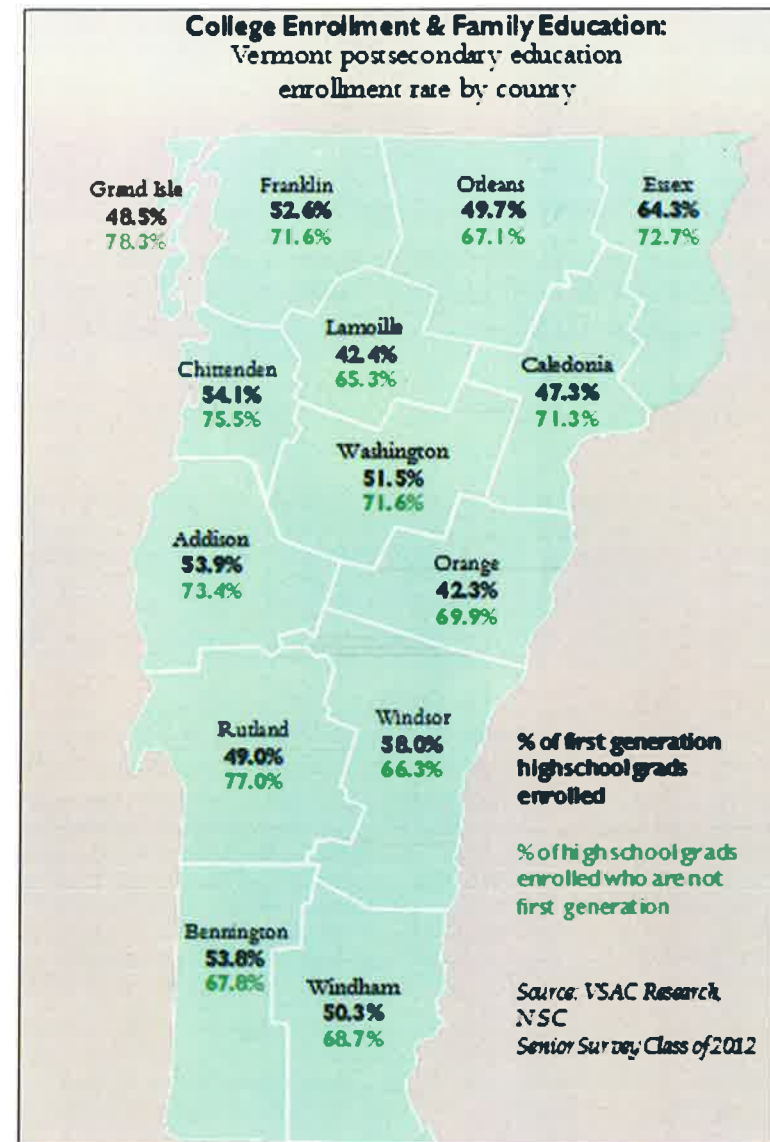
To address this decades-long underfunding of higher education financial aid, we are requesting that funding for higher education increase by the rate of increase of the General Fund spending from FY15 to FY16 plus 1%. The follows a like request last year. Both requests follow the strong recommendations of the [Act 148 Study Committee](#) (2014).



Vermont High School Class of 2012

Postsecondary enrollment varies by county;
Gaps in enrollment by parents' educational attainment persist

County	Enrolled at 2- or 4-yr institution in Fall of 2012
Addison	61.5
Bennington	60.3
Caledonia	55.4
Chittenden	66.7
Essex	65.9
Franklin	57.9
Grand Isle	60.0
Lamoille	50.2
Orange	49.8
Orleans	53.2
Rutland	59.0
Washington	61.4
Windham	58.7
Windsor	60.7



Grant Funding Request

This would result in a 5.2 percent increase in funding for the Vermont State Grant Program, for an FY17 base appropriation to VSAC of \$20,424,147, an increase of \$1,009,559, but still less than the base funding received in fiscal years 2010 and 2011 (\$20.6 million). Even with this increase, students will have a substantial gap between what they can afford to pay (a combination of their family's expected contribution, federal Pell and Vermont State grants) and tuition and fees, reducing access and increasing debt loads.

Vermont has one of the highest high school graduation rates in the nation, but it lags both regionally and nationally in the percentage of students who enroll in a postsecondary institution. While nationally 66 percent of recent high school graduates enroll immediately, only 60 percent do in Vermont.

Yet, when it comes to "persistence," or the number of students who return for a second year, Vermonters far outshine their national counterparts: 86 percent of Vermont students continued to a second year as compared to only 69 percent nationally. And, of these students, 75 percent of Vermonters returned to the same school as compared to 58 percent nationally. Eleven percent of Vermont students transferred to a different school, about the same as the national average.

Until recently, most research and attention was devoted to enrollment rates, but increasingly the focus has turned to how many students actually continue and graduate – an obvious issue with higher education costs, student debt, aging demographics and a struggling economy over the past eight years.

While we see most Vermont students being successful once they get to college, it is concerning that 14 percent of students drop out after the first year. We need to take additional steps to help this group continue their path to higher education and training. Today's economy demands a skilled workforce. Education after high school is not a luxury; it's a necessity.

Other Vermont trends from the Class of 2012:

- Postsecondary enrollment varied by county. The percentage of high school graduates who enrolled at a two- or four-year institution ranged from a low of 50 percent in Orange and Lamoille counties to 67 percent in Chittenden County.
- Differences in enrollment rates between first-generation students and those who are not first generation varied by county as well; the gap between them ranging from 8 percentage points in Essex and Windsor counties to as much as 28 percentage points in Rutland and Orange counties.
- Sixteen percent of Vermont high school students who planned to enroll in spring changed their minds by fall and did not enroll, also known as "summer melt."

- The popular concept of delaying enrollment for an intentional “gap year” experience may not prove to be a good idea: 57 percent of those who took a year off did not enroll by fall of 2013.
- Students were far more successful in staying in school if they were enrolled full time – 91 percent persisted versus 54 percent of part-time students.
- Likewise, 9 out of 10 students who started at a four-year school went to a second year as compared to only 61 percent of students who started at a two-year school.
- An additional 5 percent of the class of 2012 enrolled in college for the first time by the fall of 2013. These so-called “delayed continuers” were more likely to be male and choose a two-year school.

FY15 — Summary of Activities and Outcomes for Academic Year 2014–15

VSAC remains a steadfast proponent of encouraging as many students as possible to pursue some form of education or training beyond high school. Because of the structure of our agency, VSAC is able to serve both local schools and statewide constituencies while promoting a systemic and holistic approach to increasing postsecondary participation.

In accordance with its mission, VSAC in FY15:

- Provided 13,450 need-based, state-funded grants to students. (See box, page 3.)
- Administered more than 160 scholarships, disbursing 2,702 scholarship awards worth more than \$5.7 million.
- Administered the federal Chafee Education and Training Voucher program on behalf of the Vermont Department for Children and Families.
- Served 59,470 commercial portfolio borrowers, representing \$1.13 billion in outstanding loans.
- Served 87,706 federal portfolio borrowers, representing \$1.97 billion in outstanding loans
- Saved borrowers more than \$3.9 million through borrower benefit programs that have totaled more than \$172 million since 1995.
- Attracted 632,000 visitors to its website, www.vvac.org.

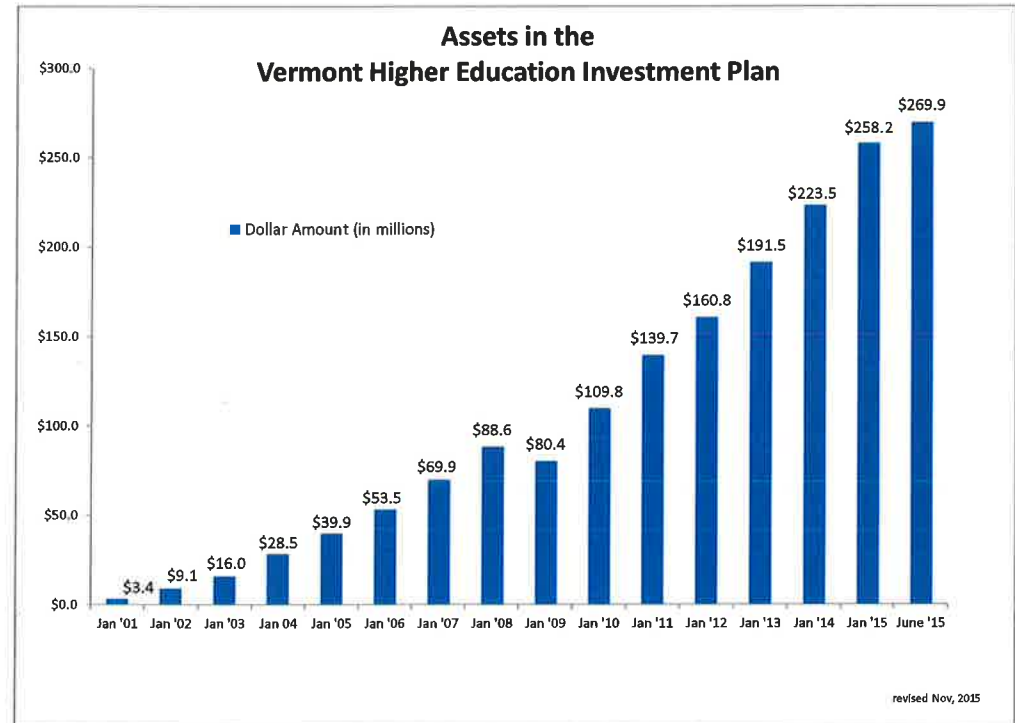
- Conducted “Paying for College” workshops at 69 high schools, reaching more than 2,100 high school students and parents, and held work sessions to assist 956 individuals in completing financial aid forms.
- Helped 83 percent of Talent Search and 66 percent of GEAR UP’s caseload participants graduating high school in FY14 enroll in a postsecondary program in the fall of 2014
- Sponsored workshops and events for professionals who work with students and families on the topics of career exploration, college planning, and applying for financial aid, attracting 817 attendees.

College Saving Options

The Vermont Higher Education Investment Plan (VHEIP), Vermont’s qualified 529 college savings plan, celebrated its 16th anniversary in 2015. VHEIP was established to encourage Vermont families at all income levels to invest for college and reduce their need for borrowing. VHEIP provides state and federal tax benefits, including a 10 percent state income tax credit on annual contributions of up to \$2,500 per beneficiary, tax-deferred earnings, and tax-free withdrawals as long as funds are used for qualified higher education expenses.

In FY16, VSAC selected Intuition College Savings Solutions to manage VHEIP, providing account holders some strategic advantages: lower investment fees, a wider range of investment choices from Vanguard, TIAA-CREF and others, as well as expanded online services.

Intuition College Savings Solutions is well known in the industry and has provided comprehensive, customized plan management solutions for over 25 years to 10 different 529 plans.



Choosing Intuition as its plan manager also allows VSAC to fully integrate financial and information resources for Vermonters and their families when planning for education after high school.

At the end of FY15, the Vermont Higher Education Investment Plan had \$270 million in assets under management in almost 16,000 accounts. Since its inception, VHEIP families have withdrawn more than \$116 million to help 4,722 students pay for college.

Additional details are available at www.vheip.org.

In FY16, the Legislature also created the **Vermont Universal Children's Higher Education Savings Account Program**, aimed at jumpstarting college savings for all Vermont children. Administered by VSAC, the Vermont Universal Children's Higher Education Savings Account Program is modeled after a recently established program in Maine. The Vermont program envisions opening a \$250 savings account for every child born in the state, with children in low-income families receiving \$500, but the legislation does allow for lower allotments to start with. The specific amount of the savings accounts will be determined by an 11-member committee made up of administration, legislative, philanthropic, business, low-income and other stakeholder representatives.

About 6,000 children are born in Vermont every year, with roughly 40 percent born into low-income families. At \$100 for children born into low-income families and \$50 for those not, the program would cost roughly \$500,000 per year. At the \$250/\$500 levels, the program would cost roughly \$3 million per year. The 11-member committee began meeting in October 2015 to make determinations about funding levels and begin identifying and soliciting additional funding. The committee will deliver a progress report to the General Assembly in January 2016.

FY16 — Status of Developments in Academic Year 2015-16

VSAC continues to offer the services enumerated in the FY15 summary above. Several additional developments are worth noting for FY16.

- **The Dual Enrollment Stipend**, which began in the summer of 2014, is a program that provides stipends to eligible high school students to cover the costs of books, fees and travel associated with taking college courses while still enrolled in high school. It was initiated by the General Assembly in response to testimony showing that some students could not take advantage of the dual enrollment program for lack of book, fees and transportation money. Students must either be eligible for free and reduced-price lunch or have completed a Free Application for Federal Student Aid (FAFSA) and need additional financial assistance to help cover the costs of books, fees or travel, in order to be automatically considered for an annual stipend of \$150. In FY15, 318 students received stipends. So far this year, 111 students have received stipends compared to 59 at this same time last year, a 188 percent increase in usage. Based on the increased need for the stipend, VSAC recommends that this \$50,000 appropriation be continued.

- **The FAFSA completion project** was launched in FY15 to provide Vermont high schools with real-time information about the Free Application for Federal Student Aid (FAFSA) filing status of Vermont students. This project recognized the critical importance of applying for financial aid as a key step in preparing for and be able to attend postsecondary education programs. With the permission of the U.S. Department of Education, VSAC developed a site that allows Vermont high schools to upload their senior class into the FAFSA completion system and verify whether or not each student has filed a FAFSA and Vermont Grant application. Last year 54 Vermont high schools completed the paperwork necessary to access the FAFSA completion system and 48 percent of those schools uploaded the names of their graduating seniors in order to use the system. Because education beyond high school continues to be a critical component for most Vermonters looking for meaningful careers, VSAC will continue to partner with schools and agencies across the state to support more high schools accessing and using the FAFSA completion tool to ensure that their students have taken the key steps necessary in order to receive the financial assistance necessary to make higher education a possibility.
- The J. Warren and Lois McClure Foundation awarded a \$60,000 grant to VSAC to work with schools around the state on implementing Personalized Learning Plans (PLPs). The VSAC grant is being used to provide professional development training for middle schools, high schools and supervisory unions on implementing personalized learning plans, a key component of Act 77. To date:
 - Tasks for seventh- and ninth-grade students to complete were added to the Naviance system so schools can simply assign those tasks and not have to develop their own;
 - A PLP Resource Guide has been developed with more than 13 activities for students to better understand themselves and their ability to grow/learn;
 - Nearly 40 schools have received in-person or virtual training in Naviance, more than half-way to fulfilling the goal of working with 72 schools.
- VSAC joined Vermont State Colleges in a successful grant application to receive a \$50,000 from the Lumina Foundation. The funding will help plan efforts to boost the postsecondary education completion rate in Vermont. That rate stands at 45.5 percent and includes students in college degree and professional certificate programs. With the grant, a working group appointed by the partners has begun its work to develop policy recommendations to help the state reach its goal of 60 percent postsecondary education attainment by 2020. A statewide convening of statewide stakeholders and partners is planned for early 2016.

Federal Outreach Grants

With the help of three federal grants, VSAC provides targeted information and counseling services to low-income and first-generation, college-bound Vermonters as well as a range of college and career planning services for all Vermonters.

The federal grants — Talent Search, GEAR UP, and Educational Opportunity Center (EOC) — were last renewed in FY12 for multi-year periods. EOC serves adult learners, and the other two programs serve middle and high school students and their families

VSAC is able to leverage its federal resources by partnering with Vermont colleges and organizations to serve students and families. In FY15, GEAR UP provided significant funding to the following partners:

- \$201,558 to the Community College of Vermont for Intro to College Studies classes and dual enrollment vouchers allowing at-risk high school students to enroll in courses designed to help them achieve postsecondary success.
- \$180,260 to the Vermont Agency of Education, for development of the Transferable Skills Assessment system and the Proficiency-based Learning: a systematic approach event series.
- \$88,649 to the University of Vermont, to help middle and high school teachers implement the latest changes in the way science is taught through the Champlain Research Experience for Students and Teachers program.
- \$50,000 to the Vermont Principals Association, for leadership training for principals.
- \$13,892 to the DREAM program which works with our outreach counselors to smoothly transition elementary school students from DREAM into GEAR UP. These students have already been on a path of college and career ready exposure with their DREAM mentors. The program also hosts summer camps and experiences that expose students to college and career familiarity and knowledge.

In addition to helping low-income and first-generation students prepare and apply for college, VSAC is in its third year of a program funded by GEAR UP to help these students successfully transition to college (serving 184 first-year students in FY15). By focusing on first-year retention, this **GUIDE** program (Giving Undergraduates Important Direction in their Education) builds on VSAC's college aspiration and continuation work prior to students' enrollment in college.

Federal and Private Lending

Congress eliminated VSAC's authority to finance and issue new federal education loans in 2010 when the federal government switched to a system of 100 percent direct lending. As a result of efforts by Vermont's congressional delegation, however, the government was required to allow nonprofit, state-based agencies like VSAC to compete alongside private corporations for direct loan servicing contracts. Servicing involves issuing loan bills, helping borrowers select a payment plan, collecting payments and assisting borrowers at risk of default.

After nearly three years, VSAC competed for and was awarded a contract to continue as a U.S. Department of Education (ED) loan servicer. In FY15 we served 87,706 federal portfolio borrowers, representing \$1.97 billion in outstanding loans. In order to make federal servicing viable in the long term, and to generate needed revenues for mission-critical services, VSAC will need to evaluate the parameters of the upcoming federal RFP to consider the advisability of continuing as a loan servicer in this program.

In addition to managing new federal loan accounts, VSAC continues to service (i) an outstanding loan portfolio of \$1.13 billion consisting of federal loans made prior to 2010 and (ii) VSAC's own loans for students.

The federal Department of Education has become the largest provider of education loans. As a result of charging above-market rates to parents and students, the federal government earns more than \$50 billion each year. In order to reduce the cost of borrowing, VSAC issued \$27.4 million in its own student loans in FY15. VSAC is in the planning stage of developing separate parent loan and refinancing loan programs for Vermont students and their families, as well as those out-of-state students attending a Vermont postsecondary institution.

FISCAL YEAR 2017 BUDGET REQUEST: VSAC STATE APPROPRIATIONS PROFILE

Agency: Vermont Student Assistance Corporation

Chief Executive Officer's Signature: _____

[Handwritten Signature]

Name of Program Administered	Narrative **	Fiscal Year 2015 Program Funds Received	Fiscal Year 2015 Actual Expenditure	Fiscal Year 2016 Program Funds Received	Fiscal Year 2016 Estimated Expenditure	Fiscal Year 2017 Requested***
General Funds						
Full-time, Part-time, and Non-degree Grants	B.605/E.605 Payments (grants) to individual eligible students for education expenses promoting access to postsecondary education.	\$ 19,201,013	\$ 18,705,437	\$ 19,204,588	\$ 19,204,437	\$ 20,114,147
Honor Scholarships		\$ 88,500	\$ 88,500	\$ 85,000	\$ 85,000	\$ 85,000
Emily Lester Foster Children Scholarship		\$ 25,000	\$ 34,140	\$ 25,000	\$ 25,000	\$ 25,000
Aspiration Project		\$ 100,000	\$ 55,667	\$ 100,000	\$ 100,000	\$ 200,000
Total Base Appropriation		\$ 19,414,513		\$ 19,414,588		\$ 20,424,147
Other State Funds						
Armed Services Scholarship	Transfer from Treasurer's Office (16 VSA 2537)	\$ 31,104	\$ 36,611	\$ 9,414	\$ 9,414	\$ -
Higher Education Trust Scholarship	Per 16 V.S.A. § 2885(c)	\$ 502,433	\$ 375,998	\$ 506,785	\$ 506,785	\$ -
Health Incentive Scholarships*	Transfer from Dept of Health	\$ 100,000	\$ 140,000	\$ 100,000	\$ 100,000	\$ 100,000
Dual Enrollment Stipend (Gen'l Fund, FY '15)	Pass through from VSC; E.605.2	\$ 50,000	\$ 46,500	\$ -	\$ -	\$ -
Dual Enrollment Stipend (Ed Fund, FY '16)	E.504; E.605.1	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Dual Enrollment Stipend (Next Gen FY '16)	B.1100; E.605.1	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Non-Degree Grants (Next Gen FY '16)	B.1100	\$ 494,500	\$ 494,500	\$ 494,500	\$ 494,500	\$ 494,500
Next Generation Scholarships #	Beginning FY '14 funding for NG scholarships was added to VSAC base appropriation. Spending represents disbursements of prior appropriations (these are four year scholarships).	\$ -	\$ 252,529	\$ -	\$ 314,420	\$ -
Nat'l Guard Scholarship (Next Gen)	B.1100 Transfer from Nat'l Guard	\$ 150,000	\$ 124,445	\$ 150,000	\$ 150,000	\$ 150,000
Nat'l Guard Scholarship (Gen'l Fund)	E.215 Transfer from Nat'l Guard	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

* From federal funds available to the VT Health Dept., transferred to VSAC for administration.

** Section references are to the FY '15 and FY '16 Appropriations Acts.

*** Per the Act 148 Study Committee Report (2014), in order to make up for underfunding of higher education since 1980, the requested appropriation for FY '17 is an increase over the FY '16 level equal to the growth in Gen'l Fund spending from FY '15 to FY '16 (4.2%), plus 1% (= 5.2%).

The Next Generation Scholarships have been funded by a single fiscal year appropriation dedicated to a cohort of students who are awarded scholarships of up to \$4,000, which are disbursed \$1,000 per year for up to four years. The last of these appropriations was \$500,000, in FY 2013. Roughly one-fourth of the appropriated amount is spent each year, though some attrition occurs. Funds accrued through attrition are recycled into scholarships to benefit additional Vermont students.