

## Vermont Strong Scholars Interim Report

Prepared by Deputy Secretary Lucy Leriche  
November 1, 2014

### **Sec. 48. VERMONT STRONG INTERIM REPORT**

On or before November 1, 2014, the Secretary of Commerce and Community Development shall report to the Joint Fiscal Committee on the organizational and economic details of the Vermont Strong Scholars Initiative, including:

- (1) the economic sectors selected for loan forgiveness;
- (2) the projected annual cost of the Initiative,
- (3) the proposed funding sources;
- (4) programmatic proposals and economic projections on the feasibility and impacts of expanding eligibility for the loan forgiveness program to include Vermont residents who attend postsecondary institutions outside Vermont and out-of-state residents who attend Vermont postsecondary institutions; and
- (5) the projected balance of the Vermont Strong Scholars Fund for each fiscal year through fiscal year 2018.

### **Background**

Vermont Strong Scholars was passed in the 2014 Legislative Session. Students who meet the eligibility requirements can have their final year (four year degrees) or final semester (Associate's Degrees) paid back through forgiveness of their VSAC Vermont Advantage Loan. To launch the program, eligible professions have been chosen. A discussion of the professions and process follows. This can be expanded or contracted based on available funds and the success of the program.

### **Policy Objectives**

- Help Vermont students afford college
- Encourage students to pursue disciplines in high demand, high skill, and high wage professions
- Link students to Vermont employers
- Support VT colleges and universities
- Encourage students to work and live in Vermont after graduation

### **Eligibility Requirements**

- Vermont Resident
- First-time college student
- Full-time college student (finish Associates Degree in no longer than 3 years and four-year degree in no longer than 5 years)
- At UVM, a Vermont State College, or a VT Independent College
- Graduating in an eligible major as determined by ACCD for two and four-year degrees

- Remains in Vermont to work after graduation
- Works in an eligible sector as defined by ACCD
- Has a VSAC Vermont Advantage private loan

### **(1) Economic Sectors**

Courses of study were chosen in consultation with the Commissioner of Labor, Secretary and Deputy Secretary of Education, the Secretary of Human Services, the Vermont State Colleges, the University of Vermont, and the Vermont Student Assistance Program. While the legislation specifically asks for economic sectors, the group, after much discussion, came to the conclusion that it is preferable to choose courses of study and /or professions over sectors, to provide clarity for students and funding certainty for the program. In addition, there are no sectors that have uniformity of skills and educational background. For example, Tech companies might have nontechnical administrative or other staff, or hospitality sector companies could have network administrators or web designers or others with technical skills..

### **Methodology**

The Agency of Commerce and Community Development (ACCD) selected majors by matching fields of study with occupations based on information received from local Vermont businesses, the Agency of Education (AOE), the Vermont Department of Labor (VDOL) and post-secondary educational institutions. ACCD prioritized the selected occupations based upon the Agency's focus on the traditional economic development strategy of growing base industries. Base industries have a high level of export activity because much of the products and services generated are for out of state customers or clients. As a result, these companies import money and grow the local economy – a priority strategy for state economic health. . The selected occupations and their corresponding fields of study are also designed to support existing Vermont businesses and their stated need to fill positions. Majors were chosen with three criteria in mind: high skill, high demand, and high pay.

### **Courses of Study**

Associates and Bachelors Degrees in:

- Electrical and Mechanical Engineering and
- Computer Science and Software Development

### **(2) Cost estimates**

Please see attached spreadsheet outlining the cost estimates for the program assuming 384 students a year (134 Associates/250 four-year degree), which are consistent with estimates discussed as this proposal moved through the legislature.

- Loan forgiveness is for tuition only (not room and board) and is tied to the VSC base in-state tuition rate (\$8,928 for four-year degrees, \$5,411 for two-year degrees)
- VSAC will administer this program at no cost, as it already collects and maintains relevant information including addresses and employment info for students
- VSAC can administer this program through loan forgiveness as the vast majority of VT students receive a private VSAC loan of \$8,000 or more

If a graduate moves out of Vermont during the payback period, loan forgiveness ceases but the graduate does not need to pay back the loan forgiveness he or she has already received

### **(3) Proposed Funding Sources**

**As noted in the attached spreadsheet, the funding needs for this program do not begin until FY18, and then ramp up from an initial, modest level of funding to a projected stable funding of about \$3.7 million by FY24. Therefore, the legislature and the administration have over two budget years to secure appropriate funding, beginning with relatively small amounts in the first few years of the program.**

- VSAC is an enthusiastic partner and is permitted to target some federally mandated annual loan forgiveness around the parameters of this program to share costs. VSAC expects its contribution will be approximately \$100,000 per year.
- VT businesses are interested in sponsoring students through this program as well, which will help expand it to more students and/or reduce costs to the state. As a next step in developing this program, the Agency and its partners will approach businesses for this purpose.
- No money will be needed until the beginning of 2018, the third year after establishing the program, when the first group of Associates enrollees completes the program. The funding needs then ramp over five years, at which time they level off when the program reaches full capacity. This allows time for ACCD to work with the legislature to identify a sustainable source of funding as the costs increase incrementally.
- By FY18 when the small amount of initial funding is needed, the program may be funded through a line item appropriation from the General Fund, and/or using strategies from other funding sources as agreed upon by the legislature including:
  - Workforce Education and Training Fund
  - Higher Education Trust Fund
  - Other allocated special funds

### **(4) Expanding Eligibility**

During the legislative debate, programmatic costs and expectations were discussed and developed. To keep in line with those expectations, our present assessment is that it is not feasible to expand the program to include Vermont residents who attend postsecondary institutions outside of Vermont and out-of-state residents who attend Vermont postsecondary institutions due to cost. As a matter of fiscal prudence, we have made conservative assumptions when budgeting for this program, therefore this assessment might change if greater private support is secured or other undying assumptions prove too conservative.

### **(5) Balance of the Fund through FY18**

As noted in the attached spreadsheet and Section 2 of this report, funding for this program will

not begin until FY18, when it will cost an estimated \$229,542. Of that total, \$100,000 will be covered by VSAC targeting their federally mandated loan forgiveness.

**Vermont Strong Scholarship**

Estimate of Costs: AS graduates = 134 per year; BA graduates = 250 per year

Schedule, Cohort 1	AS	BA	Cohort 1	Cohort 2	Cohort 3	Cohort 4	Cohort 5	Cohort 6	Cohort 7	Cohort 8	Total by FY
Sch Yr 1	Sch Yr 1	Sch Yr 1	FY16								0
Sch Yr 2	Sch Yr 2	Sch Yr 2	FY17	\$229,542							0
Bene Yr 1	Bene Yr 1	Bene Yr 1	FY18	\$229,542	\$236,428						\$229,542
Bene Yr 2	Bene Yr 2	Bene Yr 2	FY19	\$229,542	\$236,428	\$243,521					\$465,970
Bene Yr 3	Bene Yr 3	Bene Yr 3	FY20	\$774,738	\$236,428	\$243,521	\$250,827				\$1,254,688
			FY21	\$545,196	\$797,981	\$243,521	\$250,827	\$258,352			\$1,837,525
			FY22	\$545,196	\$561,552	\$821,920	\$250,827	\$258,352	\$266,102		\$2,437,847
			FY23	\$545,196	\$561,552	\$578,399	\$846,578	\$258,352	\$266,102	\$274,085	\$3,056,179
			FY24	\$545,196	\$561,552	\$578,399	\$595,751	\$871,975	\$266,102	\$274,085	\$3,693,061
			FY25		\$561,552	\$578,399	\$595,751	\$613,623	\$898,134	\$925,078	
			FY26			\$578,399	\$595,751	\$613,623	\$632,032	\$925,078	\$282,308
			FY27				\$595,751	\$613,623	\$632,032	\$650,993	\$952,831
			FY28				\$613,623	\$632,032	\$632,032	\$650,993	\$670,523
			FY29				\$613,623	\$632,032	\$632,032	\$650,993	\$670,523
			FY30						\$650,993		\$670,523
<b>Total by Cohort:</b>				\$3,414,608	\$3,517,047	\$3,622,558	\$3,731,235	\$3,843,172	\$3,958,467	\$4,077,221	\$4,199,537

↑  
increases 3% annually

**Vermont Strong Scholarship**

Calculation Worksheet

VSC Tuition	Tuition Estimates			
	Year 1	Year 2	Year 3	Year 4
2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Castleton	\$9,768	\$10,061	\$10,363	\$10,674
Johnson	\$9,600	\$9,888	\$10,185	\$10,490
Lyndon	\$9,696	\$9,987	\$10,286	\$10,595
Average	\$9,688	\$9,979	\$10,278	\$10,586

Annual Tuition Increase:

3%

**Forgiveness estimate:**

**Estimate 1:** assumes all graduates are eligible for loan forgiveness

Number of graduates: AS = 134; BA = 250

**AS Degrees:**

\$10,278 Tuition estimate, FY2016-2017

\$5,139 One-half of estimated Tuition Year 2

134 Estimated number of AS digress

\$688,626 Total AS forgiveness estimate

\$229,542 Annual AS amount to forgive (Total will be given over 3 years)

**BA Degrees:**

\$10,904 Tuition estimate, FY2016

250 Estimated number of BA degrees

\$2,725,982 Total BA forgiveness estimate

\$545,196 Annual BA amount to forgive (Total amount will be given over 5 years)

\$3,414,608 Total AS + BA forgiveness estimate

\$774,738 Annual amount to forgive (AS over 3 years, BA over 5 years)

## **Preliminary Timeline for Vermont Strong Scholars Operation Plan**

### **2014-2015**

- Identify critical need occupations for first cohort of borrowers who will be seeking loan forgiveness
- Determine estimated cost of program and identify reliable funding sources
- Develop high level Vermont Strong Scholars (VSS) Operational Plan
- Develop Marketing Plan

### **2015**

- Begin Marketing

### **2015-2016 – 1<sup>st</sup> year students enroll in programs of study**

- Develop application to collect student level information
  - Residency at graduation
  - Current residency
  - College Attended
  - Start date
  - Graduation date
  - Employment – job title and sector
  - Date began Employment
- Develop annual verification process
  - Continued employment in designated occupation
  - Continue to live in Vermont
- Develop forgiveness procedures
- Develop communication with borrower

### **2016-2017 – 2<sup>nd</sup> year students may complete AS degrees and begin seeking jobs**

**2017-2018 – Final year for AS students who started in 15-16 to complete AS program and third year of enrollment for students in BA programs. First year that AS students can begin to receive loan forgiveness disbursements**

- Implement application
- Collect data from recent AS graduates
- Prepare for first loan forgiveness disbursement

**2018-2019** 4th year of enrollment for students in BA programs

- Launch annual verification process
- Continue loan forgiveness disbursements for AS recipients

**2019-2020** – Prepare for first loan forgiveness disbursement for BA recipients and final year of loan forgiveness for students who completed AS In spring of '17.





**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](http://www.vsac.org) • [info@vsac.org](mailto:info@vsac.org) • Toll-free 800-642-3177

---

October 31, 2014

Lucy Leriche, Deputy Secretary  
Agency of Commerce and Community Development  
1 National Life Drive # 6  
Montpelier, VT 05620

Re: Act 199 (2014) "Vermont Strong" Study Committee Report

Dear Lucy:

We write to outline the legislative changes that may be in order to clarify some pieces of the "Vermont Strong" portions of Act 199, i.e., 16 V.S.A. sec. 2888. Those changes are:

1. Clarify that eligible students are those first entering college in FY 2016.
2. Clarify that the loan forgiveness benefits are subject to funds appropriated for that purpose.
3. Change "economic sectors" to "occupations," consistent with the study committee's research and discussions.
4. Clarify whether a graduating student who takes a job on the list of qualified occupations must stay in that job for some minimum period (e.g., one year) to receive a loan repayment benefit.

As we continue to explore the relatively complex operational challenges of this program (involving the participation of The Agency, the Department of Labor, VSAC, and possible the Department of Taxes), we may identify additional areas where revised or new legislation will be critical to the success of the program.

It is possible that some of these clarifications could be achieved through a rule-making process or the adoption of processes or procedures. We would want to be assured about that and thus we recommend starting out with the assumption that legislation is needed.

Please contact me with any questions.

Sincerely,

Thomas A. Little  
Vice President & General Counsel

cc: Ally Richards