

NEWS RELEASE NEWS RELEASE NEWS RELEASE

For immediate release: July 31, 2006

For more information or interview, contact: Jeb Spaulding at 802-828-1452

Scholarship Fund Experiences Windfall

Vermont's Higher Education Trust Fund, which provides funding to Vermonters attending in-state colleges, will receive \$5.8 million in additional funds this fiscal year due to higher than expected estate tax revenues and a change in the State's Unclaimed Property statutes, according to State Treasurer Jeb Spaulding. This represents an increase to the Fund's balance of over 50%.

"As a former chair of the Senate Appropriations Committee that worked hard to create the Higher Education Trust Fund, I am gratified to see these additions. At a time when students and families are struggling with college tuition costs, these funds will assist more students in reaching their educational goals," Treasurer Spaulding explained. "Given the long-term nature of this trust fund, scholarship grants will be available well into the future."

According to Spaulding, at the time they created the Higher Education Trust Fund with surplus revenues in 2000, legislators put a lot of thought into creating a mechanism that would increase the size of the scholarship fund over time. They provided that in fiscal years when the State finishes with a surplus and estate tax revenues exceed projections by more than 25%, those additional revenues are added to the Higher Education Trust Fund. This provision will result in approximately \$5.2 million being added to the existing \$11.2 million in the Fund this year. This is the second year in a row that the Fund has received a significant contribution from estate tax revenues; last year's in-flow was \$2.4 million.

In addition, the Higher Education Trust Fund will receive another \$600,000 from the State's Unclaimed Property Fund, as a result of legislation proposed by the State Treasurer and enacted into law this past year. Under the new statute, all unclaimed property worth less than \$100 that has been under the custody of the State for ten years or longer will be turned over to the Higher Education Trust Fund.

"Rather than having these idle funds stay in the general fund coffers forever, our thought was that it should be directed to a purpose important to all Vermonters," said Spaulding. "Higher education is an economic driver for the State's future. I am pleased we can help Vermont students be a part of that future."

(more)

Since this year is the first year of implementation of the statute, the \$600,000 represents an accumulated amount from prior years. Going forward, the statute change should approximate a transfer to the Higher Education Trust of approximately \$75,000 a year.

The University of Vermont and the Vermont State Colleges use the Higher Education Trust Funds to provide non-loan financial aid to Vermont students attending their institutions. The Vermont Student Assistance Corporation uses the funds to provide non-loan financial aid to Vermont students attending any Vermont post-secondary institution.

The Treasurer's Office is charged with the responsibility of investing the principal of the Fund, which came from an initial appropriation by the Legislature of \$6 million and subsequent transfers of \$1,635,881 during the fiscal years 2002 and 2003. All of the funds are invested with Vermont managers. While returns have exceeded benchmarks, the Trust has relied primarily on investment returns until last year. The influx of \$8.2 million over the past two years provides an opportunity to grow the fund and expand financial aid opportunities.

Since 2000, the Fund has provided financial aid totaling over \$2.8 million, most of which is used for direct aid to students. A portion, roughly \$638,000, is combined with matching private funds raised by UVM and the state colleges to create or increase permanent endowment funds. The current round of aid of approximately \$637,000 will be issued in August. The addition of more than \$5.8 million in principal will permit even greater financial aid. Current models suggest that the trust will support approximately \$1.2 million in scholarships and endowment increases per year over the next 20 years based on commitments to date and current interest rate assumptions. According to Spaulding, "This is a great start. Hopefully, additional in-flows will increase the Fund, providing even more educational opportunities to Vermonters."

#####