

VSAC finances: frequently asked questions

VSAC

What is VSAC's annual budget?

The corporate budget to support VSAC activities for FY2010 is \$148 million. During the year, VSAC expects to originate loans worth \$389 million, guarantee loans worth \$354 million, and administer \$21.4 million in state grant funds.

Where does VSAC's money come from?

VSAC's revenue comes from six sources:

1. **Loan finance** (\$110 million, or 74.3 percent)

VSAC periodically issues revenue bonds to raise money to finance education loans for students and families. Our largest source of revenue is the interest payments borrowers and the federal government make on the loans and investment income from money we are required to set aside to protect bondholders and have available for loans between bond sales. (These bonds do not carry the full faith and credit of the state of Vermont.)

2. **State appropriation** (\$21.4 million, or 14.5 percent)

The state of Vermont provides an annual appropriation for need-based grants for eligible Vermont students.

3. **Loan guarantee** (\$6.2 million, or 4.2 percent)

VSAC insures loans against default and works with borrowers and schools to keep defaults to a minimum. To cover its costs, the program collects fees from borrowers and the federal government and is also allowed to use a portion of collections on defaulted loans. (VSAC has consistently maintained one of the lowest default rates in the nation. For federal FY07, VSAC's rate was 4.3 percent, compared to a national rate of 6.7 percent.)

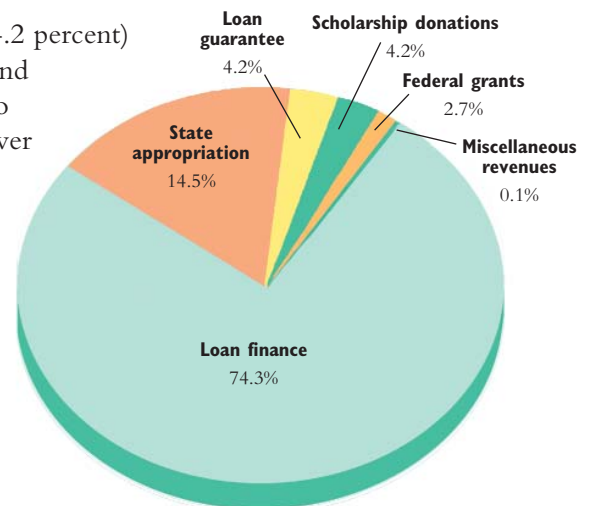
4. **Scholarship donations** (\$6.2 million, or 4.2 percent)

VSAC receives revenue from state, federal, and private sources to fund scholarships for Vermonters.

5. **Federal grants** (\$4.0 million, or 2.7 percent)

The federal government provides funding to:

- augment state grants
- support counseling services for needy students at risk of not continuing their education beyond high school, and for disadvantaged adults who want to continue their education
- pay for grants and counseling services that enable individuals receiving public assistance to move into the work force



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6. **Miscellaneous revenues** (\$0.2 million, or 0.1 percent)
 VSAC brings in revenue from interest income and from miscellaneous sources.

How does VSAC spend its money?

VSAC has expenses in four major areas:

1. **Debt service and other expenses** (\$91 million, or 59.2 percent) VSAC incurs expenses to issue bonds, pays interest to bondholders, and sets aside reserves to protect bondholders and satisfy government regulations.

2. **Loan services, information/counseling, and corporate support** (\$34.9 million, or 22.7 percent)

This covers employees’ salaries and benefits and other expenses necessary to operate VSAC’s programs, including the cost to maintain VSAC’s facility and computer system. Labor costs reflect the number of employees required to service 207,458 loan accounts annually.

3. **Direct student aid** (\$26.4 million, or 17.2 percent)

VSAC distributes need-based grants funded by state and federal sources. Since FY97, VSAC has devoted the entire state appropriation to grants, with no state funds used for administrative expenses.

4. **Depreciation** (\$1.5 million, or 1 percent)

VSAC has a capital acquisition program for equipment, infrastructure improvement, and major projects designed to improve our services. In addition, in FY2006, VSAC purchased its own building. Depreciation represents the cost of these acquisitions over their useful life.

