

Monday, November 28, 2016

**Velma Redmond is the**

**Chairman of the Board of Managers of Milton Hershey School and the Board of Directors of Hershey Trust Company**

The job of providing fiduciary oversight of the Milton Hershey School is not easy. It is however satisfying because the School provides opportunities for low income children like no other institution in the country.

The proof of success is the thousands of young adults we have sent into the world, empowered to overcome the challenges of poverty and create a new life for generations to come. That is not without challenges nor is it cheap. But it is working, despite questions from some about School performance and how the \$12 billion endowment is managed and spent.

I can tell you our students are doing exceptionally well, the growing endowment is managed responsibly, and spending is fully consistent with our educational, ethical, and legal commitment to ensure the School is fulfilling its mission now and into perpetuity, which is a requirement set out by Mr. and Mrs. Hershey in the 1909 Deed of Trust.

That is a high bar. And we are meeting it.

With 2,019 students, and growing, we serve more children than ever before. Last June, we graduated 222 seniors. Approximately 80% are attending post-secondary institutions. Others have entered the military or full-time employment. Standardized test scores surpass statewide averages in English, math, and science and our student retention rate is 93.2%.

All this, despite the fact that most students enroll with significant academic gaps and deficiencies, with increasing percentages of children coming to us from situations of family drug or mental health issues, domestic violence, family incarceration or homelessness.

We are well on our way to serving even more children, having broken ground on the construction of 32 new student homes, residential living areas providing family settings under the watchful eyes of trained houseparents.

We must still be prudent and measured in growth. The campus expansion brings not just capital costs, but staffing and programming considerations to maintain the level of care the School provides.

So let's talk about costs.

The education we provide is comparable to the best private boarding schools in the nation. What makes us unique is that our students receive additional support cost-free, including extensive medical, dental, psychological and social work services, medications, clothing, year-round transportation, and career programming. These exhaustive and necessary accommodations and wraparound services bring our annual cost per student to \$80,000. That's a big number, but worth it to our students.

Now let's talk about how we fund the School.

The \$12 billion School Trust generates sufficient net investment income to fund the current expansion of Milton Hershey School up to 2,300 students. While the Deed restricts us to only spending net

investment income on current School operations, we also manage the Trust to generate growth to fund the School's long-term operations and expansion in perpetuity.

All components of the Trust are performing well and, fortunately, in recent years we have substantially added to our reserve fund, which is an important part of our commitment to long-term fiscal responsibility. When we encounter periods of financial downturn or uncertainty, like we did during the global economic turmoil in 2008, we use money from the reserve to fund the School so that our students and their education are protected. Milton Hershey School is cost-free to children and their families. We cannot call parents and tell them tuition is going up next year, or that they have to pay extra technology fees. And, we must never be forced to send a child home because of a decline in current income.

So could we spend more? We have looked at Pennsylvania law for possibilities that would provide us some leeway, and we will continue to explore possible avenues to increase our spending authority. For now, we are confident that adhering to the terms of the Deed of Trust provides the soundest means of providing income needed to operate and grow the School in a responsible manner.

Our governing Boards are now in transition and moving beyond contentious issues like compensation and collaboration. Successful candidates for the Boards must have the education, training and experience to undertake the full range of responsibilities relevant to educating and caring for at-risk and dependent children in a residential setting, and overseeing financial, business, investment, and real estate assets to sustain the mission of the School.

Tough decisions will be made through careful, thoughtful deliberations and proper governance as we help steer the School and its funding source to a sustainable future in perpetuity, consistent with the defined vision of Catherine and Milton Hershey made more than 100 years ago.