

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2023 INTERNAL BUDGET**

Appropriation

ISAC is required by statute to obtain appropriation authority from the Illinois General Assembly for expenditures from all the funds it administers. The only exceptions to this are the Prepaid Tuition Program (College Illinois!) and Illinois Designated Account Purchase Program (IDAPP), which are both classified as non-appropriated funds.

- **Appropriation (State Funded)**

ISAC's State-funded appropriation represents funding authority for all the scholarship and grant programs administered by ISAC and operational expenditures of the agency. The funding for this comes from the State General Revenue Fund or other State funds and is allocated for higher education from State resources.

- **Spending Authority (Other Sources)**

With the exception of IDAPP, the cash disbursements for all funds administered by ISAC are processed by the Illinois Office of the Comptroller. Without the spending authority, payments cannot be processed from these funds, except for College Illinois, which is a non-appropriated fund. **Note that the spending authority authorizes annual spending limits from the funds. It does not represent actual/estimated expenditures from the fund.**

- **Internal Budget**

The internal budget reflects the annual projected revenues and expenditures for the agency.

Illinois General Assembly Appropriation – Fiscal Year 2023 Budget Update

For FY 2023, based on Commission approval at the December 2021 meeting, ISAC recommended a budget totaling \$920 million.

The Illinois General Assembly passed a budget for FY 2023 in April 2022 with over \$975 million in funding for the agency. The agency's appropriation includes about \$601 million for MAP – 25% increase over the prior year. The appropriation also included \$6 million for agency outreach and research and an additional \$6 million for agency operations. This is in addition to the 2% of the MAP appropriation which can be utilized for agency operational expenditures.

The attached Table – FY 2020 - FY 2023 Appropriations, details the agency comparative appropriations by year.

Internal Budget Overview

The internal budget reflects the annual projected revenues and expenditures for the agency. Please note the following about the overall ISAC operational budget:

Funding:

- Most of the agency's administrative expenditures will be met by appropriated funding from the State General Revenue Fund (GRF).
- Beginning FY 2023 ISAC's role as a FFELP guarantor has ended. The FFELP revenue stream will wind-down to zero in FY 2023.
- Most of the cost of running the ISACorps will be paid from funding from the State General Revenue Fund.
- ISAC continues to administer the federal GEAR UP Grant for the fifth year – of approximately \$18 million over seven years for implementing a college access outreach program for middle school students.

Expenditures:

- From the cost side, there are elements of ISAC's costs, such as pension, group insurance, and data processing, which are determined by the State. In past years, we have not received advance notice of changes in these costs before they were assessed, leading to uncertainty in budgeting for these areas.
- Some of the costs related to College Illinois! are volume driven, such as investment management fees that are tied to asset values, or investment gains and account maintenance fees that are tied to contract usage. We have tried to provide in the budget for some of these potential contingencies and will of course continue to be diligent in working to minimize costs and expenditures.

Attached for your reference are comparative financial statements reflecting FY 2021 actual, FY 2022 budget and estimated actual, and recommended FY 2023 budget for all the administrative costs for the agency.

Student Loan Operating Fund (SLOF) - FFELP Guarantor

SLOF is the operating fund which accounted for the revenues and expenditures generated from ISAC's role as a FFELP guarantor. ISAC has been a FFELP guarantor for over 50 years. Effective July 2010, the Student Aid Fiscal Responsibility Act (SAFRA) ended the FFEL Program. Since then, ISAC as the guarantor had been overseeing the wind-down of the program.

Effective May 1st 2022 ISAC has formally terminated its role as a FFELP guarantor. ISAC will earn no revenue from the FFEL program in FY23 and future years.

Funding for the Administrative costs of the Agency

From FY 2006 to FY 2014, all agency operational expenses were funded entirely through federal revenues from the FFEL program. Considering the wind-down of FFELP, beginning in FY 2014, the budget passed by the General Assembly included language to allow up to 2% of funds allocated to MAP to be used for operational expenses. ISAC has utilized this authority since FY 2015 and will continue to do so in FY 2023. The amount authorized from the MAP appropriation for operational costs will be approximately \$12 million

The budget passed by the General Assembly for FY 2023 includes a separate appropriation of approximately \$6 million for outreach expenditures to be used for operating the ISACorps and another additional line of \$6 million to be used for agency operations.

Expenditures

As FFELP ends the agency continues the task of transitioning resources from the areas of the agency which will shrink and require fewer resources, to other areas which have a critical need for additional resources. ISAC will continue to examine its organizational structure and reallocate resources based on the agency's priorities. This is a very difficult, but necessary process for the agency.

The overall budgeted amounts proposed in this item reflect a \$4 million increase in personnel and contractual costs overall for the agency.

- All personnel costs are paid out of GRF.
- Personnel costs are projected to increase by over \$2 million.
- The budget numbers for increases in personnel costs do not include decreases in cost due to employee retirements or hiring lag during the year.
- Note that the promotional adjustments are not finalized and will be decided based on funding availability during the course of the year.
- The budget includes \$2 million increase in contractual and other administrative costs.
- Note that due to the pandemic administrative and travel costs in the prior year were lower than normal in FY 2022 and are expected to be higher in FY 2023.

It should be noted that, as in previous years, although these increases in expenses are included in the budget, the decision as to whether to implement them will be made in the future, as we see how the budget year is shaping up and take into consideration other relevant factors.

The major changes in budgeted FY 2023 costs versus FY 2022 estimated actuals are outlined in the tables below.

| STUDENT LOAN OPERATING FUND AND GENERAL REVENUE FUND CONSOLIDATED DETAILS OF INCREASES AND DECREASES IN PERSONNEL SERVICES 2023 BUDGET OVER 2022 ESTIMATED ACTUAL EXPENDITURES | | |
|--|-----------|------------------|
| Reserve for employees on leave of absence | 185,000 | |
| Reserve in SLOF for unforeseen business need | 250,000 | |
| Replacement and new hires | 788,027 | |
| FY23 Budgeted COLA including FICA | 404,900 | |
| Decrease in retirement and group insurance | | |
| due to employees moved from SLOF to GRF in FY23 | (965,900) | |
| Reserve for FY23 promotions and administrative adjustments | 500,000 | |
| ISACorps budgeted at full capacity without attrition | 1,082,330 | |
| Total Payroll Increases/(Decrease) | | 2,244,357 |

| STUDENT LOAN OPERATING FUND DETAILS OF INCREASES AND DECREASES IN CONTRACTUAL /BUILDING MAINTENANCE AND OTHER ADMINISTRATION EXPENSES 2023 BUDGET OVER 2022 ESTIMATED ACTUAL EXPENDITURES | | |
|--|-----------|------------------|
| Decrease in collection servicing costs in FY23 due to end of FFELP | (300,000) | |
| Website development | 300,000 | |
| IT Consulting | 500,000 | |
| Softwares related cost | 120,000 | |
| Registration fees and association dues | 40,000 | |
| Northern Illinois contract-CDT division | 70,000 | |
| Increase in other contractual services | | |
| due to decreased expenses in FY22 because of COVID | 561,669 | |
| Increase in building maintenance | 179,752 | |
| Increase in travel and other admin. expenses | 388,300 | |
| Increase in ISACorps contractual and travel expenses | 183,750 | |
| Total Net Increase/(Decrease) | | 2,043,471 |

Illinois Designated Account Purchase Program (IDAPP) – Lender of Student Loans

IDAPP is ISAC's lending arm for student loans. In the past, IDAPP directly originated loans; currently it services the remaining portfolio of FFELP and alternative student loans.

The FFELP student loan disbursements and purchases were funded by bonds issued by IDAPP and collateralized with the student loan portfolio. In 2007, IDAPP entered into a Mid Term Asset Backed Commercial Paper Program to fund its alternative loan program.

IDAPP's administrative costs are met through an administrative cost allowance from the Bond Trusts and the credit facility which originally funded the alternative loan program. IDAPP operations and loan portfolio continue to be in wind-down.

The CARES Act, passed on March 27, 2020, provisions do not apply to the federal commercial FFELP loans owned by IDAPP as a FFELP lender or to the private student loan portfolio. The federal regulations and contractual requirements limit IDAPP's ability to offer any extended benefit or relief to their borrowers. ISAC has worked with the student loan servicers and Citi Bank which finances the private portfolio and implemented borrower relief measures which are allowable under the existing regulations and federal guidelines and contracts.

- Borrowers who call due to hardship will be granted up to 90 days of natural disaster forbearance.
- The interest will still be accrued but will not be capitalized at the end of the forbearance.
- If the borrower is delinquent, the forbearance will also cover the delinquent period.
- All late fees charged will be waived.
- Borrowers will be contacted by their preferred mode of communication to inform them of relief measures available under this if they have been impacted by Covid-19.
- All negative consequences of non-payment including negative credit reporting, late fees, and assignment of delinquent loans to collection agencies will be suspended.
- All outbound collection calls will be suspended for delinquent borrowers.
- No new Administrative Wage Garnishments (AWGs) or State offsets will be initiated and for delinquent borrowers on forbearance, existing AWWs will be suspended for the 90-day period.

The impact of Covid-19 on IDAPP is a decrease in the cash collected on the underlying portfolios which support the outstanding debt. The payments required on the debt is linked directly to these cash flows and will adjust downward based on the decreased cash flow. This has the effect of stretching out the time it will take to repay the outstanding debt.

Prepaid Tuition Program – College Illinois!

Program Update and Overview

Each year the Commission is asked to review and approve the planned administrative budget for the College Illinois! 529 Prepaid Tuition Program. The proposed Fiscal Year 2023 administrative budget has been developed to adequately cover administrative costs of the program. The budget reflects estimated expenditures and includes increases for potential unforeseen situations.

Personnel Services

The Personnel Services line includes direct expenses for staff who work for the benefit of College Illinois!. Consistent with past practice, payments charged to College Illinois! will be based on the cost allocation data from the Time Tracker system, using actual time spent on College Illinois! by these staff members. Any time spent on other ISAC programs will not be charged to College Illinois!.

Contractual Services

- **Records Administration and Call Center Services**
The program's records administration vendor handles lockbox services, account servicing, including application processing, customer service, financial transaction processing, and payment of contract benefits. These charges are largely volume driven.
- **Financial Services**
This includes costs related to custodial services, actuarial services, investment advisory services, insurance costs, legal services and audit costs.

Investment Expenses

Investment expense is the invoice fees paid to traditional managers (mostly equities and fixed income) and the fees paid to limited partner or subscription funds that are not the private equity/closed-end fund structure.

COLLEGE ILLINOIS!
DETAILS OF INCREASES AND DECREASES IN EXPENDITURES
FY 2023 BUDGET OVER FY 2022 ESTIMATED ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDING JUNE 30.

| | | |
|--|-------------|------------------|
| PERSONNEL SERVICES | | |
| Reserve for COLA with benefits cost increase in FY 2023 | 33,100 | |
| Increase in retirement and group insurance net of cost allocated to SLOF in FY22 | 108,505 | |
| TOTAL PERSONNEL SERVICES | | \$141,605 |
| CONTRACTUAL SERVICES | | |
| Increase in records administration charges | \$103,564 | |
| Increase in consulting and management fees | \$55,270 | |
| Decrease in legislative staff services | (\$113,333) | |
| TOTAL NET INCREASE CONTRACTUAL SERVICES | | \$45,501 |
| INVESTMENT EXPENSE | | |
| Increase in investment expenses and advisory fees | 492,396 | |
| | | \$492,396 |
| OTHER ADMIN EXPENSES | | |
| Increase in printing, equipment and travel | \$3,900 | |
| TOTAL OTHER ADMIN EXPENSES | | \$3,900 |
| TOTAL INCREASE IN COLLEGE ILLINOIS BUDGET | | \$683,402 |

GEAR UP Grant

ISAC has been awarded a federal grant – GEAR UP Grant of approximately \$18 million over seven years beginning FY 2017 for implementing a college access outreach program for middle school students. The grant requires a 100% match from non-federal sources. A portion of the expenditures related to the ISACorps and the College Access and Outreach division of the agency will qualify for this purpose.

The below table summarizes the variance in expenditures from the prior year to the current year budget.

GEARUP GRANT
DETAILS OF INCREASES AND DECREASES IN EXPENDITURES
FY 2023 BUDGET OVER FY 2022 ESTIMATED ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDING JUNE 30.

PERSONNEL SERVICES

| | |
|--|---------|
| Reserve for COLA increase in FY 2023 | 51,600 |
| Budgeted salary and fringe benefits increase in FY23 | 122,634 |
| GEARUPCorps- increased annual salary and fringe benefits, and added five vacancies | 423,404 |

TOTAL PERSONNEL SERVICES **\$597,638**

CONTRACTUAL SERVICES AND OTHER EXPENSES

| | |
|--|-----------|
| Increased contractual services budget for business needs in FY23 | \$839,923 |
| Maintain normal travel/other admin budget for business needs in FY23 | \$243,211 |
| Grant to Schools -maintain anticipated contracts in FY23 | 439,200 |

TOTAL INCREASE -CONTRACTUAL SERVICES AND OTHER EXPENSES **\$1,522,334**

TOTAL INCREASE IN GEARUP GRANT BUDGET **\$2,119,972**