

AGENDA ITEM 5

FISCAL YEAR 2021 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: This item presents staff's recommendation for FY 2021 appropriated funding for the Commission's consideration.

The Commission's recommendations will be conveyed to the General Assembly and shared with staff at the Illinois Board of Higher Education (IBHE) and the Governor's Office of Management and Budget (GOMB) to inform their recommendations, as well. The IBHE board is scheduled to approve its FY 2021 Budget Request for Higher Education at its December 10th meeting. The recommendation for ISAC included in the IBHE budget will likely differ somewhat from the ISAC recommendation presented here.

The Governor is currently scheduled to present his FY 2021 proposed budget to the General Assembly in mid-February, after which ISAC will submit detailed information to legislative staff regarding the agency's budget request and the impact of the Governor's recommended budget for ISAC programs and operations.

As in past years, this budget recommendation includes two types of requests: first, for dollars from the State's General Funds and, second, for authority to spend dollars from other sources. When ISAC requests money from State General Funds (the General Revenue Fund (GRF), and the Education Assistance Fund (EAF)) for a specific fiscal year, it is requesting actual dollars from the State's main revenue accounts.

In the case of federal funds and Special Purpose State Funds, however, ISAC is requesting authority to spend cash that comes from sources other than General Funds (e.g., federal payments for services, fees paid by motorists to receive specialty license plates, or private or federal grant money). In many instances, staff requests (and the legislature authorizes) spending at levels that exceed the cash that the agency actually receives or spends. By extending beyond the levels the agency is most likely to need, this additional spending authority helps to ensure that ISAC has sufficient flexibility to meet contingencies or address unforeseen events.

In summary, the FY 2021 appropriated funds budget recommended by staff for approval by the Commission totals \$808.3 million, which represents a \$28.6 million increase (3.7 percent) compared to FY 2020. In this budget, State General Funds would increase by \$63.1 million (12.5 percent), spending authority from federal funds would decrease by \$42.8 million (-

15.6 percent), and spending authority from other state funds would decrease by \$2.0 million (-18.9 percent) when compared to FY 2020.

Action Requested: That the Commission approve an FY 2021 budget request totaling \$808.3 million as detailed in Table 1.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2021 APPROPRIATED FUNDS BUDGET

Introduction

ISAC staff meets with counterparts at the Illinois Board of Higher Education (IBHE) and the Governor's Office of Management and Budget (GOMB) in the fall to discuss proposed funding levels for ISAC for the upcoming fiscal year. The IBHE is scheduled to approve a Fiscal Year 2021 Budget Request for Higher Education, which includes ISAC, at its December 10th meeting, whereas the Governor is scheduled to present his FY2021 proposed budget to the General Assembly in mid-February. In the days immediately following the Governor's budget address, ISAC staff will complete and file the agency's Illinois State Legislature (ISL) Submission to provide the General Assembly with detailed information about these requests. Typically, the legislature passes a budget before adjourning at the end of May, allowing time for the Governor's consideration before the new State fiscal year begins July 1.

ISAC staff is seeking input from the Commission to inform budget development and meetings with policymakers and their staffs. Although the funding levels in this recommendation may not ultimately be realized, the Commission's input will provide staff with important direction regarding Commission priorities. During budget negotiations throughout the winter and spring, ISAC staff will be asked to quickly react to, develop, and analyze a number of budget scenarios based on different levels of available revenue; confirming the Commission's priorities can help to ensure that those various recommendations remain consistent with the Commission's expectations.

By source of funds, this request consists of \$567.8 million in State General Funds (the General Revenue Fund (GRF), and the Education Assistance Fund (EAF)). It also seeks the authority to spend up to \$218.6 million in federal student loan funds, \$13.3 million in federal scholarship and grant funds, \$8.6 million in other state funds, and \$100,000 in other federal funds.

On June 5, 2019 Public Act 101-007, which appropriated funding for FY 2021, was enacted. The State General Funds appropriations for ISAC were increased considerably when compared to FY 2019. Most notably, MAP received a \$50 million increase for FY 2020. The line item for ISAC operations also increased 75 percent from \$2.0 million in FY 2019 to \$3.5 million in FY 2020 and ISAC's appropriation for Outreach, Research & Training (ORT) more than tripled from nearly \$1.0 million in FY 2019 to nearly \$3.5 million in FY 2020.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY 2021 recommended funding request, which is intended to build on the momentum of FY 2020 funding increases, make progress towards reversing long-standing negative trends in affordability, and preserve the programs and services that the agency offers to Illinoisans in the face of declining federal revenue. In the context of continued state funding pressures, the request could be seen as ambitious. Still, staff believes that the recommendation serves an important purpose by conveying to appropriators the needs of Illinois students and borrowers to those who appropriate funding. Furthermore, staff believes that investments in financial aid benefit not just individual students, but the long-term economic health of their communities and the State of Illinois.

**Illinois Student Assistance Commission
State Fiscal Year 2021 Budget - Staff Recommendation**

Line Item	FY 2019	FY 2019	FY 2020	FY 2021 Budget	Difference	
	Appropriation PA 100-586	Expenditures *	Appropriation PA 101-007	Request Staff Recommendation	FY21 Recommendation-FY20 Amount	Percent
STATE GENERAL FUNDS						
Monetary Award Program	\$401,341,900	\$398,305,800	\$451,341,900	\$501,341,900	\$50,000,000	11.1%
Teacher Loan Forgiveness Program	\$439,900	\$439,900	\$439,900	\$975,000	\$535,100	121.6%
Minority Teacher Scholarships	\$1,900,000	\$1,657,600	\$1,900,000	\$2,500,000	\$600,000	31.6%
Golden Apple Scholars Of Illinois	\$6,498,800	\$6,490,100	\$6,498,000	\$6,498,000	\$0	0.0%
Golden Apple Accelerators Program	\$0	\$0	\$750,000	\$750,000	\$0	0.0%
Dependents Grants	\$1,237,400	\$853,500	\$1,273,300	\$1,273,300	\$0	0.0%
Nurse Educator Loan Repayment Program	\$264,000	\$264,000	\$264,000	\$264,000	\$0	0.0%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,400	\$26,400	\$26,400	\$0	0.0%
AIM HIGH Grant Pilot Program	\$25,000,000	\$25,000,000	\$0	\$45,000,000	\$45,000,000	NA
AIM HIGH Grant Pilot Program (Cohort 1)	\$0	\$0	\$25,000,000	\$0	-\$25,000,000	-100.0%
AIM HIGH Grant Pilot Program (Cohort 2)	\$0	\$0	\$10,000,000	\$0	-\$10,000,000	-100.0%
Grant Program for Exonerees	\$0	\$0	\$150,000	\$150,000	\$0	0.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Child Welfare Student Loan Forgiveness Program	\$0	\$0	\$0	\$0	\$0	0.0%
Community College Transfer Grant Program	\$0	\$0	\$0	\$0	\$0	0.0%
Grant for a Person Raised by a Grandparent	\$0	\$0	\$0	\$0	\$0	0.0%
Grant Program for Medical Assistants in Training	\$0	\$0	\$0	\$0	\$0	0.0%
Silas Purnell Illinois Incentive for Access Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois State Scholarships	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois Veteran Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Merit Recognition Scholarship	\$0	\$0	\$0	\$0	\$0	0.0%
National Guard Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Public Interest Attorney Loan Repayment Program	\$0	\$0	\$0	\$0	\$0	0.0%
Grant Program for Participants in SIU-C Achieve Program	\$0	\$0	\$0	\$0	\$0	0.0%
Police Academy Job Training Program	\$0	\$0	\$0	\$0	\$0	0.0%
Community Behavioral Health Care Professional LRP	\$0	\$0	\$0	\$0	\$0	0.0%
	\$0	\$0	\$0	\$0	\$0	
Agency Administrative & Operational Cost	\$2,000,000	\$1,998,900	\$3,500,000	\$4,000,000	\$500,000	14.3%
Statewide Outreach, Training & Research Activities	\$997,700	\$996,500	\$3,497,700	\$5,000,000	\$1,502,300	43.0%
TOTAL STATE GENERAL FUNDS	\$439,706,100	\$436,032,700	\$504,641,200	\$567,778,600	\$63,137,400	12.5%

* Expenditures Rounded to nearest \$100

Table 1: (Continued)
Illinois Student Assistance Commission
State Fiscal Year 2021 Budget - Staff Recommendation

Line Item	FY 2019	FY 2019	FY 2020	FY 2021 Budget	Difference	
	Appropriation PA 100-586		Expenditures *	Appropriation PA 101-007	Request Staff Recommendation	FY21 Recommendation-FY20 Amount
FEDERAL FUNDS						
STUDENT LOAN OPERATING FUND						
Personal Services	\$15,538,600	\$3,540,600	\$15,538,600	\$15,538,600	\$0	0.0%
Retirement	\$8,392,900	\$1,802,000	\$8,392,900	\$8,392,900	\$0	0.0%
Social Security	\$1,181,000	\$259,100	\$1,181,000	\$1,181,000	\$0	0.0%
Group Insurance	\$6,240,000	\$1,014,400	\$6,240,000	\$6,240,000	\$0	0.0%
Contractual Services	\$12,630,700	\$8,148,000	\$12,630,700	\$12,630,700	\$0	0.0%
Contractual - Collection Agency Fees	\$10,000,000	\$3,370,800	\$10,000,000	\$7,500,000	-\$2,500,000	-25.0%
Travel	\$311,000	\$124,600	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$25,900	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$34,300	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$141,500	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,897,900	\$274,500	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$3,100	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$2,500,000	\$0	\$2,500,000	\$2,500,000	\$0	0.0%
Transfer to IDAPP	\$1,000,000	\$27,000	\$1,000,000	\$1,000,000	\$0	0.0%
TOTAL	\$61,053,700	\$18,765,800	\$61,053,700	\$58,553,700	-\$2,500,000	-4.1%
FEDERAL STUDENT LOAN FUND						
Loan Guarantee Program	\$200,000,000	\$102,073,000	\$190,000,000	\$160,000,000	-\$30,000,000	-15.8%
TOTAL	\$200,000,000	\$102,073,000	\$190,000,000	\$160,000,000	-\$30,000,000	-15.8%
FEDERAL SCHOLARSHIPS AND GRANTS						
Federal Grant Program	\$13,000,000	\$2,784,000	\$13,000,000	\$13,000,000	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$300,000	\$1,200	\$300,000	\$300,000	\$0	0.0%
Transfer to ED -Paul Douglas Funds Collected	\$400,000	\$100	\$100,000	\$100,000	\$0	0.0%
TOTAL	\$13,700,000	\$2,785,300	\$13,400,000	\$13,400,000	\$0	0.0%
TOTAL FEDERAL FUNDS	\$274,753,700	\$123,624,100	\$264,453,700	\$231,953,700	-\$32,500,000	-12.3%
OTHER STATE FUNDS						
ISAC Accounts Receivables	\$300,000	\$78,000	\$300,000	\$300,000	\$0	0.0%
Higher Education License Plate Program	\$110,000	\$96,400	\$110,000	\$110,000	\$0	0.0%
Optometric Education Scholarship Program	\$50,000	\$50,000	\$50,000	\$50,000	\$0	0.0%
IVG- National Guard Grant Fund	\$20,000	\$0	\$20,000	\$20,000	\$0	0.0%
Illinois Future Teachers Corps Scholarship Fund	\$100,000	\$65,600	\$100,000	\$100,000	\$0	0.0%
Contracts and Grants Fund	\$10,000,000	\$0	\$10,000,000	\$8,000,000	-\$2,000,000	-20.0%
TOTAL OTHER STATE FUNDS	\$10,580,000	\$290,000	\$10,580,000	\$8,580,000	-\$2,000,000	-18.9%
GRAND TOTAL	\$725,039,800	\$559,946,800	\$779,674,900	\$808,312,300	\$28,637,400	3.7%

* Expenditures Rounded to nearest \$100

I. Scholarship and Grant Programs

The majority of the scholarship and grant programs that ISAC administers are subject to the appropriation of funds by the General Assembly and Governor. In fact, as shown in Table 1, the number of State scholarship and grant programs that exist in statute but lack funding in FY 2020 exceeds the number of these programs funded in FY 2020. While some of the unfunded programs had support in prior years, many others have never received an appropriation. Rather than request new funding for programs that have not previously garnered legislative support or that have been de-funded in recent years, staff is recommending that the FY 2021 budget request only seek funding for State programs that were funded in FY 2020.

Monetary Award Program (MAP): The budget recommended in this item provides \$501.3 million for MAP in FY 2021, an increase of \$50 million (11.1 percent) over the FY 2020 appropriation. Staff believes this increase could significantly improve the coverage of MAP grants for Illinois students, and is in line with the Governor’s public comments about his funding goals. Given the \$50 million increase provided for MAP in FY 2020, this additional \$50 million investment in FY 2021 would continue our momentum as the MAP tries to catch up with years of rising tuition and fees as well as higher demand for the Program. In thinking about what benefits this new funding could offer for students, it’s important to note that the Commission approves the final MAP formula after the appropriation is final each year. Once the final funding amount is known, the Commission consults with the financial aid community and determines how any funding increase would be distributed—i.e., how much new funding would go towards providing a greater *number* of grants vs. *bigger* grants that cover more costs.

As an illustration of one path the Commission could choose, an increase of \$50 million could allow the State to increase both the number of grants awarded *and* the size of the grant—for example, by increasing the maximum award by \$210, updating tuition and fees and the Pell Grant used in the MAP allocation formula to FY 2012 (from the FY 2010 rates currently in use), and extending processing to serve more of the eligible applicants. It is estimated that this combination of formula improvements could allow the program to add more than 7,000 recipients, increase grant size slightly for all recipients, and increase the maximum award available. It is projected that an increase of \$180 in the maximum grant would be needed to allow it to maintain purchasing power at public universities if tuition and fee costs increase by an estimated three percent. Larger increases in the maximum grant would restore a little bit of the purchasing power lost over the years by students at public and private four-year institutions. (At public universities, the maximum award currently covers about a third of tuition and fees.)

This shows how, since tuition and fees continue to increase each year, without an increase in MAP funding each year there is a loss in purchasing power of the MAP grant that reduces college affordability and access for low-income students. Governor Pritzker has indicated that securing additional funding for MAP is a priority for his administration and that he’ll seek an increase of \$50 million for FY 2021.

Teacher Programs: Staff is also recommending a \$600,000 (31.6%) increase for the Minority Teachers of Illinois (MTI) Program to \$2.5 million, the level MTI was funded in FY2015 and the level that was requested by the Commission for FY 2020. For a number of years, application

volume would not have exhausted this level of investment. However, ISAC projects that the entire \$1.9 million appropriated in FY 2020 will be used and application volume will continue to grow in FY2021. In September 2018, the Illinois State Board of Education (ISBE) published Teach Illinois: Strong Teachers, Strong Classrooms – Policy Solutions to Alleviate Teacher Shortages in Illinois. This Report noted that in Illinois, “Between 2010 and 2016, the number of candidates enrolling in and completing teacher preparation programs decreased by 53 percentage points.” It also stated that in Illinois, “The diversity of the teaching pool also is cause for concern. The Illinois student population has become increasingly diverse while the teaching corps remains predominately white and female. Over the last ten years, the percentage of students of color in Illinois increased from 46 percent to 52 percent while the percentage of teachers of color remained static at around 15 percent. The challenge is reflected in college of education enrollment trends. In the 2015-16 school year, 72 percent of all teacher candidates in Illinois identified as white. The state must be attentive to these trends, as a growing body of research shows that students, especially students of color, benefit greatly from a diverse teacher workforce.”

Staff is also recommending additional funding for the Teacher Loan Forgiveness Program, which would allow the agency to increase the number of borrowers served through it. Demand for this program, which provides loan repayment assistance to Illinois teachers in hard-to-staff schools and subjects, significantly outstrips funding each year. With a relatively small investment (an additional \$535,000, for a total of \$975,000), the State could fund every, or nearly every, qualified applicant. These teachers have already graduated, of course, and in that respect these funds would not directly move Illinois closer to its goal of “60 percent by 2025.” However, recipients of the Teacher Loan Forgiveness Program can help to increase the number of high school graduates and reduce disparities in educational attainment.

AIM HIGH: Staff is recommending that the Commission request a \$10 million increase in funding for the AIM HIGH Grant Pilot Program over the \$35 million appropriated in FY 2020. AIM HIGH is an initiative of the General Assembly’s Higher Education Working Group intended to help public universities attract and keep Illinois residents by providing state funds to match the institutions’ spending on financial aid for certain Illinois residents. Each university determines its own award criteria related to merit. Recipients must, among other qualifications, be full-time students and Illinois residents with family incomes of no more than six times the federal poverty level. Universities selected their own recipients beginning with the 2019-20 academic year. Like the additional \$10 million received in FY20 to use on a new, second cohort of students, staff is suggesting the Commission request an additional \$10 million so that schools can provide awards to incoming students in the third year of the program. Although formal data on the impact of the program in the first year will not be collected until June 2020, first-time freshmen enrollment numbers for fall 2019 increased for nine of the twelve public universities. Several schools have indicated enrollment increases are due to the AIM HIGH Program.

Other Programs: Again, because of the significant on-going needs for funding in State programs, particularly MAP, staff is **not** recommending restoration of funding for any program that has been eliminated or unfunded during recent years. Two of these programs of the greatest popular interest are the Illinois National Guard (ING) Grant Program and the Illinois Veteran Grant (IVG) Program. Eligible applicants remain entitled to waivers of tuition and mandatory fees under both programs, but the General Assembly has not provided funds for ISAC to reimburse schools for

ING or IVG in the last seven fiscal years and has not covered all claims since FY2001. (The General Assembly has appropriated funds to the Illinois Community College Board in several recent years to partially reimburse specific community colleges. In FY 2020, this included nearly \$4.3 million for 39 community colleges and systems.) Any IVG or ING costs that are not reimbursed by the State are absorbed or offset by the public institutions. Officials at public institutions often cite inadequate IVG and ING reimbursement as one factor among many driving tuition and fee increases, although the impact varies significantly from school to school. Regardless of funding levels, ISAC retains responsibility for processing applications, determining eligibility, and tracking entitlement units for both IVG and ING.

II. Support for Operations and Outreach, Research & Training

Between FY 2006 and FY 2014, the operations of all ISAC programs, including MAP, were paid for with revenues from ISAC's Student Loan Operating Fund (SLOF), saving the state well over \$150 million in that time. Unfortunately, SLOF revenues come from a discontinued federal student loan program that is now in decline, with no new loans made since 2010. The discontinuation of the program has resulted in reductions in federal payments to the program's guaranty agencies like ISAC, along with other external factors negatively affecting revenues.

ISAC currently has an outstanding FFELP portfolio of over \$2.4 billion in guarantees and over \$292 million in defaulted loans. As the FFELP portfolio winds down, ISAC management is conscious that revenues in SLOF are going to decrease and zero out ultimately.

ISAC is continuing a long-term, multi-year strategic plan to wind down the FFEL Program efficiently and responsibly to ensure the integrity of all borrower loan balances and information. As part of that long-term strategic plan, we have been working to ensure that the costs of winding down the program are covered by current program revenues and that the program does not become a future unfunded liability of the State.

However, as the FFEL Program portfolio ages, revenue generated from collection recoveries from defaulted FFEL Program loans will be winding down rapidly, and FFELP activities no longer produce enough excess revenue to continue to entirely cover the rest of the Agency's operating costs. Our current best estimate is that FFELP revenue will decline from the \$15.6 million expected for FY20 to about \$12.7 million for FY20, a reduction of about 18%.

To address the decline in federal funding and preserve ISAC's level of service, the General Assembly and Governor have made three additions to the state budget: two new funding lines have been added to the budget in recent years (for Agency Operations and for Outreach, Research, and Training), and beginning in FY 2014 the agency was granted authority to use up to 2% of the MAP appropriation for agency operating costs. In FY 2019, ISAC did use nearly \$6.0 million (1.5 percent) from the MAP appropriation to pay salaries and benefits; it also used the \$2.0 million appropriated from GRF for Agency Operations and the nearly one million appropriated from GRF for Outreach, Research, and Training.

ISAC received significant increases in GRF appropriations in FY 2020 for Operations and Outreach, Research & Training. Depending on actual FY 2020 FFELP revenue, the funds received in these lines could be sufficient to allow the agency to avoid using the full two percent of the

MAP appropriation authorized for use on operations. That would free more of the MAP appropriation to be potentially allocated for the release of MAP applications currently in suspended status (essentially a “waiting list” for grants). Despite the likelihood that ISAC will not use the full authority in FY 2021, staff is recommending that the Commission continue to seek authority to spend up to two percent of the FY 2021 MAP appropriation for agency operations.

In addition to this authority in the MAP budget line, staff also recommends that the Commission request \$4 million in General Funds support for Agency Operations in FY 2021. ISAC’s FY 2020 appropriated budget included a separate line item of \$3.5 million from GRF for this purpose. Having this separate appropriation for operations helps ensure that the agency is able to continue appropriately administering scholarships and grants, but as the FFEL Program continues to wind down, staff estimates that an increase of \$500,000 (14.3 percent) to \$4 million will be needed in FY 2021. Beyond simply approving payments, these functions include developing administrative rules and procedures; determining eligibility for programs, including tracking use of programs longitudinally to ensure overall statutory eligibility limits are enforced; handling appeals; auditing schools for compliance with program laws and regulations; responding to requests for information from the Governor’s Office and General Assembly; ensuring compliance with the Grant Accountability and Transparency Act; maintaining security for records that contain millions of pieces of sensitive personal identifying information, and more. Each of these components helps to ensure the integrity of the state’s scholarship and grant programs, protecting taxpayers’ dollars while ensuring access for students and borrowers who qualify.

The General Assembly also chose to provide State General Funds for ISAC’s Outreach, Research, and Training activities beginning in FY 2015, and just under \$1 million was appropriated for the line in FY 2018 and FY 2019. Funding for this line was increased to nearly \$3.5 million in FY 2021. With FFELP revenue projected to decline this year, staff is recommending that the Commission request a \$5 million lump sum for Outreach, Research & Training activities - an amount that will ensure that ISAC can maintain an effective and truly statewide presence for its ISACorps and maintain its other current outreach, research, and training activities as they are currently structured:

- ISAC’s outreach efforts help potential students make more informed choices at the outset that will set them up for success both in and after college. Unaffiliated with any particular school or sector, ISAC provides comprehensive, objective, and timely information about education and financial aid to help make college or training beyond high school accessible and affordable. ISAC outreach helps students identify what type of education or training may help them meet their goals after high school, and what school or type of program would provide a student with the best fit based on their goals, level of academic preparation, and financial circumstances. Agency programs help students learn about and navigate financial aid, so they can leverage the resources available to them and minimize student loan debt. The ISACorps provides free support services to tens of thousands of students and families each year across the state.
- ISAC trains high school and college personnel, as well as other professionals who work with students, on how to administer state and federal programs to ensure program integrity, connect students and families to the resources that they need, and implement

the Postsecondary and Career Readiness Expectations (PaCE) framework in Illinois middle and high schools.

- ISAC's Division of Research, Planning, and Policy Analysis collects, analyzes, and publishes program data; researches policies and practices in other states; monitors federal changes in law and regulation; evaluates the projected impact of proposed policy changes on low-income students and their success, and more. The division's research and analysis helps to inform policy decisions, avoid negative unintended consequences from policy changes, and better evaluate what programs and investments offer the best results for each taxpayer dollar.

Notably, Public Act 101-180, approved in August, will require high school seniors to complete a FAFSA or an opt-out waiver starting with the 2020-2021 school year. The new emphasis on FAFSA-filing is expected to increase demand for ISAC's training and outreach services.

With the continued wind-down of the FFEL Program, the agency's loan business will clearly be unable to subsidize these outreach activities, research, or phone and web-based student and family support at the level it has in years past. Likewise, the agency will no longer be able to generate enough FFEL revenue to pay for all direct and indirect costs of agency operations, the majority of which are employee-related costs. In order to maintain these services to students, schools, and families in the future, State General Funds will be required. Again, the Operations and Outreach lines do not represent new initiatives, but represent a shift in funding sources from other funds to State General Funds.

III. Federal Family Education Loan Program Funds: Federal Student Loan Fund (FSLF) and Student Loan Operating Fund (SLOF)

Beyond the \$61.1 million being requested in spending authority from SLOF for operating expenses, ISAC needs authority to spend dollars from the FSLF and SLOF to meet agency responsibilities under the FFEL Program, including inter-fund transfers and payments to the U.S. Department of Education:

- Spending authority is needed from the FSLF for three primary purposes: Lender Reimbursements, Transfer of ISAC's Share of Collections from FSLF to SLOF, and Transfer of Default Aversion Fee Revenues from FSLF to SLOF.
- The Commission needs spending authority from SLOF for reversals of Default Aversion Fees and payments to Outside Collection Agencies. In addition, staff is recommending that the Commission seek \$1 million dollars in spending authority from SLOF to make payments to the Illinois Designated Account Purchase Program (IDAPP) to allow transfers to IDAPP required under the agency's cost allocation methodology.

The spending authority presented in the budget for programmatic purposes from FSLF and SLOF for FY 2021 totals \$160 million, which represents a \$30 million (15.8 percent) decrease

from the spending level sought and provided in FY 2020 and a \$130 million (44.8 percent) decrease compared to FY 2015.

Despite this decrease, it is unlikely that ISAC will use the full spending authority being recommended for these funds. The recommended levels are likely greater than what will be needed, while still allowing sufficient authority to meet most contingencies. The continued decrease in spending authority from FSLF reflects ISAC's smaller guarantee portfolio and diminishing opportunities related to FFELP, though more rigid regulations have caused administrative obligations to grow.

IV. Other State Funds

ISAC also requires spending authority from several Special Purpose State Funds created by the General Assembly. The cash that will be spent from them is received from sources other than General Funds, and in some instances, the actual cash disbursed will be less than the spending authority sought and provided through the legislative process.

V. Non-Appropriated Funds

ISAC is also responsible for two non-appropriated functions, the Illinois Designated Account Purchase Program (IDAPP) and the College Illinois!® Prepaid Tuition Program (CI!). By statute, specific spending authority is not required annually for these two ventures. This flexibility was intended to allow these two programs additional flexibility to react to potentially volatile markets. Staff will be providing specific FY 2021 budget requests to the Commission for IDAPP and CI! at the June 2020 Commission Meeting, for consideration prior to the beginning of FY 2021.