

AGENDA ITEM 4.

FISCAL YEAR 2022 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: This item presents staff's recommendation for FY 2022 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 2022 Budget Request for Higher Education at its December meeting. The recommendation for ISAC included in the IBHE budget may differ somewhat from the ISAC recommendation presented here.

The Governor is currently scheduled to present his FY 2022 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 2022 appropriated funds budget recommended by staff for approval by the Commission totals \$843.3 million, which represents a \$63.6 million increase (8.2 percent) compared to FY 2021. In this budget, State General Funds would increase by \$97.0 million (19.5 percent), spending authority from federal funds would decrease by \$32.5 million (-

12.3 percent), and spending authority from other state funds would decrease by \$2.0 million (-18.9 percent) when compared to FY 2021.

Action Requested: That the Commission approve an FY 2022 budget request totaling \$843.3 million as detailed in Table 1.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2022 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 2022 Budget Request for Higher Education, which includes ISAC, at its December meeting, whereas the Governor is scheduled to present his FY2022 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 \$602.8 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.

These are, of course, challenging budgetary times. On June 10, 2020, Public Act 101-637 was enacted to appropriate funding for the current FY 2021. Despite the uncertainty and economic damage created by the COVID-19 pandemic by that time, budget lines were held essentially level in comparison with FY 2020.

The level of appropriations authorized in P.A. 101-637 was achieved in part through the authorization of additional interfund borrowing, as well as authorization for the state to borrow from a Federal Reserve credit facility. The FY 2021 budget also would have benefitted from additional federal funding to stabilize state and local governments, which has been included in many of the proposed federal stimulus packages. Finally, an estimated additional \$1.274 billion in revenues would have been collected under Public Act 101-0008 during the fiscal year if the proposed constitutional amendment removing the requirement for flat income tax rates had been approved by voters in the November election.

With the lack of additional federal support for state and local governments (as of this writing) and the failure of the proposed constitutional amendment, GOMB now projects a current year budget shortfall of \$3.918 billion. While the Governor continues to work with Illinois's congressional delegation to advocate for federal fiscal stabilization dollars, he is taking steps to bring the budget for the current year into greater balance, including by asking State agencies to reserve five percent of their FY 2021 General Funds appropriations and five percent of their spending authority from Other State Funds (OSF). For ISAC, MAP was excluded, but all of our other State General Funds lines were affected.

Although the full effects of the pandemic are still being evaluated and additional federal stimulus may occur, we know that the outlook for the FY 2022 Illinois budget is bleaker than would have been anticipated at this time last year.

Despite the depressed economic outlook, as advocates for students, staff believes the Commission's FY 2022 funding request should include information on what an optimistic request could accomplish should the State receive additional revenue. Moreover, education and retraining capacity will likely be critical to the State's economic recovery, and we believe additional investment in Illinois' human resources through ISAC would create an economic return on these increased expenditures. Many potential students' families have suffered economic hardship during the pandemic, and the need for student aid—and help in applying for it—is potentially greater than ever. The Governor remains supportive of the program, and legislators and advocates continue to note that MAP, in particular, is a critical program to help address some of the societal inequities that have only been exacerbated by the pandemic. The same could be said for the agency's outreach programming and programs such as the Minority Teachers of Illinois grant.

We recognize that Illinois policy makers have difficult decisions ahead of them for FY 2022 and that there are many worthy competing priorities in state government. That said, we do believe that these investments will give students a better chance of obtaining a quality postsecondary degree or certificate here in Illinois without incurring unmanageable levels of debt. As IBHE has noted in the past, improving access to college is an investment that not only helps individuals to achieve self-sufficiency but will also feed the growth of Illinois' tax base—which will help sustain Illinois government's services to its citizens in the long run, too.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY 2022 recommended funding request, which is intended to build on the momentum of FY 2020 funding increases before they were halted by the pandemic; to make progress towards reversing long-standing negative trends in affordability; and to 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.

Table 1:
Illinois Student Assistance Commission
State Fiscal Year 2022 Budget - Staff Recommendation

Line Item	FY 2020 Appropriation PA 101-007	FY 2020 Expenditures	FY 2021 Appropriation PA 101-637	FY 2022 Budget Request Staff Recommendation	Difference FY22 Recommendation-FY21	
					Amount	Percent
STATE GENERAL FUNDS						
Monetary Award Program	\$451,341,900	\$446,867,458	\$451,341,900	\$501,341,900	\$50,000,000	11.1%
Teacher Loan Forgiveness Program	\$439,900	\$437,425	\$439,900	\$975,000	\$535,100	121.6%
Minority Teacher Scholarships	\$1,900,000	\$1,703,120	\$1,900,000	\$2,500,000	\$600,000	31.6%
Golden Apple Scholars Of Illinois	\$6,498,000	\$6,498,000	\$6,498,000	\$6,498,000	\$0	0.0%
Golden Apple Accelerators Program	\$750,000	\$749,998	\$750,000	\$750,000	\$0	0.0%
Dependents Grants	\$1,273,300	\$730,752	\$1,273,300	\$1,273,300	\$0	0.0%
Nurse Educator Loan Repayment Program	\$264,000	\$262,314	\$264,000	\$264,000	\$0	0.0%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,107	\$26,400	\$26,400	\$0	0.0%
AIM HIGH Grant Pilot Program	\$35,000,000	\$34,957,000	\$35,000,000	\$45,000,000	\$10,000,000	28.6%
Grant Program for Exonerees	\$150,000	\$5,804	\$150,000	\$150,000	\$0	0.0%
College Illinois! Cash Deposit	\$0	\$0	\$0	\$35,000,000	\$35,000,000	100.0%
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	0.0%
Agency Administrative & Operational Cost	\$3,500,000	\$3,499,828	\$3,500,000	\$4,000,000	\$500,000	14.3%
Statewide Outreach, Training & Research Activities	\$3,497,700	\$3,481,757	\$3,497,700	\$5,000,000	\$1,502,300	43.0%
TOTAL STATE GENERAL FUNDS	\$504,641,200	\$499,219,563	\$504,641,200	\$602,778,600	\$98,137,400	19.4%

Table 1: (Continued)
Illinois Student Assistance Commission
State Fiscal Year 2022 Budget - Staff Recommendation

Line Item	FY 2020 Appropriation PA 101-007	FY 2020 Expenditures	FY 2021 Appropriation PA 101-637	FY 2022 Budget Request Staff Recommendation	Difference FY22 Recommendation-FY21	
					Amount	Percent
FEDERAL FUNDS						
STUDENT LOAN OPERATING FUND						
Personal Services	\$15,538,600	\$5,161,003	\$15,538,600	\$15,538,600	\$0	0.0%
Retirement	\$8,392,900	\$2,804,578	\$8,392,900	\$8,392,900	\$0	0.0%
Social Security	\$1,181,000	\$376,478	\$1,181,000	\$1,181,000	\$0	0.0%
Group Insurance	\$6,240,000	\$1,283,760	\$6,240,000	\$6,240,000	\$0	0.0%
Contractual Services	\$12,630,700	\$5,515,124	\$12,630,700	\$12,630,700	\$0	0.0%
Contractual - Collection Agency Fees	\$10,000,000	\$3,294,694	\$10,000,000	\$7,500,000	-\$2,500,000	-25.0%
Travel	\$311,000	\$98,251	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$32,615	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$26,813	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$355,625	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,897,900	\$307,263	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$2,259	\$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	\$4,749	\$1,000,000	\$1,000,000	\$0	0.0%
TOTAL	\$61,053,700	\$19,263,212	\$61,053,700	\$58,553,700	-\$2,500,000	-4.1%
FEDERAL STUDENT LOAN FUND						
Loan Guarantee Program	\$190,000,000	\$86,697,619	\$190,000,000	\$160,000,000	-\$30,000,000	-15.8%
TOTAL	\$190,000,000	\$86,697,619	\$190,000,000	\$160,000,000	-\$30,000,000	-15.8%
FEDERAL SCHOLARSHIPS AND GRANTS						
Federal Grant Program	\$13,000,000	\$2,333,683	\$13,000,000	\$13,000,000	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$300,000	\$113,444	\$300,000	\$300,000	\$0	0.0%
Transfer to ED -Paul Douglas Funds Collected	\$100,000	\$260	\$100,000	\$100,000	\$0	0.0%
TOTAL	\$13,400,000	\$2,447,387	\$13,400,000	\$13,400,000	\$0	0.0%
TOTAL FEDERAL FUNDS	\$264,453,700	\$108,408,218	\$264,453,700	\$231,953,700	-\$32,500,000	-12.3%
OTHER STATE FUNDS						
ISAC Accounts Receivables	\$300,000	\$52,551	\$300,000	\$300,000	\$0	0.0%
Higher Education License Plate Program	\$110,000	\$95,750	\$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	\$40,129	\$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	\$238,430	\$10,580,000	\$8,580,000	-\$2,000,000	-18.9%
GRAND TOTAL	\$779,674,900	\$607,866,211	\$779,674,900	\$843,312,300	\$63,637,400	8.2%

I. Scholarship and Grant Programs

The majority of the State 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 2021 exceeds the number of these programs funded in FY 2021. 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 2022 budget request only seek funding for State scholarship and grant programs that were funded in FY 2021.

Monetary Award Program (MAP): The budget recommended in this item provides \$501.3 million for MAP in FY 2022, an increase of \$50 million (11.1 percent) over the FY 2021 appropriation. This increase could significantly improve the coverage of MAP grants for Illinois students, and it 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 2022 would continue our momentum as the MAP tries to catch up with years of rising tuition and fees as well as higher demand. 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 somewhat 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.

For State scholarship and grant programs other than MAP, staff’s FY 2022 recommendation does *not* include the restoration of funding for any program that was zeroed out prior to FY 2016 or that has never been funded.

For all other State scholarship and grant programs funded in FY 2021, staff is recommending that the Commission seek flat funding in FY 2022 with the following exceptions:

AIM HIGH: Increasing the funding for AIM HIGH by an additional \$10 million to \$45 million would ensure sufficient funding for all grant renewals while adding new students to this pilot program, which is intended to bolster enrollment at public universities. AIM HIGH grants are meant to be renewable to students, so universities have designed their programs accordingly. Their ability to provide a consistent level of support to current AIM HIGH recipients is largely contingent on a substantial level of continued funding for the pilot program, which sunsets in 2024.

Minority Teachers of Illinois Program (MTI): Restoring funding to the FY17 level of \$2.5 million would allow MTI to serve more of the program's eligible applicants, consistent with the recent focus on teacher shortages at the K-12 levels. This amount of funding would allow the program to support 500 teachers-in-training at the current award size of \$5,000. 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, not only have there been recent declines in the number of candidates enrolling in and completing teacher preparation programs, but “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 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.” Advocacy groups have recently shone additional light on the program as one that could help to address long-standing educational inequities, with the dual benefit of making college more affordable for aspiring teachers and supporting the educational success of the students that they will teach.

Teacher Loan Forgiveness Program: The recommendation includes an increase to better meet demand for this program. Postsecondary graduates, on the whole, are experiencing unprecedented levels of student loan debt. A number of economists continue to express concern that this debt is requiring graduates to postpone investment in other areas such as home and auto purchasing, which is, in turn, inhibiting economic growth. For a relatively small investment, the state can fund nearly every qualified applicant for this program, which serves a dual purpose of addressing student loan debt and workforce needs: Recipients of the Teacher Loan Forgiveness Program are working in hard-to-staff schools and positions.

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 2021, 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.

Currently, ISAC has an outstanding FFELP portfolio of over \$2.1 billion in guarantees and over \$282 million in defaulted loans. As the FFEL 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.

While we believe that ISAC's participation in FFELP will remain self-sustaining throughout this wind-down, and the Agency will continue to meet Illinois' responsibilities to the federal government and borrowers, FFELP activities no longer produce enough excess annual revenue to continue to cover the rest of the Agency's operating costs (i.e., for activities outside the loan program).

As the FFEL Program portfolio ages, revenue generated from collection of defaulted FFEL Program loans has been winding down, but the pace of the reduction is difficult to predict. The pandemic has added uncertainty to our revenue projections. As a result of COVID-19, the agency has implemented borrower relief measures that are projected to have a significant impact on revenues from FFELP. In addition, depending on policy changes at the federal level, further borrower benefit measures including loan forgiveness may be implemented. This could potentially result in a significant decrease in FFELP revenues or even lead to the end of the program as it stands now. Based on these uncertainties we are unable to project FFELP revenue with confidence for FY 2022.

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 two percent of the MAP appropriation for agency operating costs. In FY 2019, ISAC used 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 \$1 million appropriated from GRF for Outreach, Research, and Training.

ISAC's FY 2020 appropriated budget included \$3.5 million from GRF for Agency Operations, and nearly \$3.5 million from GRF for Outreach, Research, and Training which ISAC fully spent. ISAC also used nearly \$2.9 million (0.6 percent) from its authority to use up to two percent of the MAP appropriation to pay salaries and benefits in FY 2020.

For FY 2021, staff estimated that an increase of \$500,000 (14.3 percent) to \$4 million would be needed for Operations and an increase of \$1.5 million (43.0 percent) to \$5 million would be needed for Outreach, Research and Training. The Governor's proposed FY 2021 budget also contained these increases, but ultimately the FY 2021 budget was funded at FY 2020 levels.

Staff recommends that the Commission request \$4 million in General Funds support for Agency Operations and \$5 million for Outreach, Research & Training for FY 2022. The respective \$500,000 and \$1.5 million increase in these lines are level with our projected needs for FY 2021, so even at this funding level, we would be absorbing a four to five percent cost increase in FY 2022.

Having sufficient funding is critical to the Agency's Operations. 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.

New Public Acts also often affect agency costs in difficult-to-measure but not insignificant ways, such as by requiring staff time (sometimes a lot of it) to interpret the Act, develop and draft rules, develop materials to communicate to the public and train partners at high schools and postsecondary institutions, and in some cases design and program new IT systems for bringing policy changes to fruition.

For example, P.A. 101-21 created the Retention of Illinois Students & Equity (RISE) Act, which became effective January 1, 2020, and is now in its first full application cycle. The Act allows eligible undocumented students and transgender students who are disqualified from federal financial aid to apply for all forms of state financial aid. To implement the Act, ISAC built the Alternative Application for Illinois Financial Aid to provide a pathway for these qualified students to apply for MAP grants. The RISE Act also removed the 75-hour cap on MAP paid credit hours for freshmen and sophomores as of January 1, 2020, although the overall maximum of 135 MAP paid credit hours remains in effect. In combination, these changes were expected to place about \$9 million in additional demand on MAP alone, not counting the substantial staff time or resources

needed to implement the Act. In the six months between the passage of the legislation and the effective date, ISAC created an Alternative Application for Illinois Financial Aid, which nearly emulated the federal Free Application for Federal Student Aid (FAFSA) application process. This high-profile policy and operational change affected every ISAC program and, essentially, all agency materials, communication, and training efforts. Implementing this complex application and policy change in such a short timeframe required extraordinary effort at the agency, with many staff logging additional hours, particularly staff in IT, business analysts, and those providing the additional training, webinars, translation services, etc. needed to assist our partners in a seamless implementation. For the new 2021-22 application period that began this October 1 (coinciding with the launch of the new FAFSA), staff implemented updates and improvements, built and launched a Spanish language version of the application, and developed an array of new training materials and user guides.

ISAC's outreach, research, and training activities are critical to how we work to achieve our mission of college access and affordability for Illinoisans. The agency provides students with two primary types of support: **money**, through resources like the MAP grant that help pay the costs of college, and **knowledge**, through the agency's call center, website, and extensive outreach and training programs, including the ISACorps. ISAC works to make college more accessible and affordable by providing comprehensive, objective, and timely information on education and financial aid for students and their families--giving them access to the tools they need to make the educational choices that are right for them. Then, through the state scholarship and grant programs ISAC administers, ISAC can help students make those choices a reality.

Because the agency is unaffiliated with any particular school or sector, ISAC is able to provide independent, comprehensive, and fact-based information to students and families, policymakers, and institutions alike. We are still tabulating the impact that the ISACorps, our group of recent college graduates who serve as near peer mentors accessible to every community in the state, had in FY 2020, but during FY 2019 alone, Corps members gave more than 600 financial aid presentations, led more than 900 FAFSA completion workshops, and held nearly 900 college preparation sessions with students around the state. They directly interacted with an estimated 70,500 students and 24,500 parents. ISAC's outreach work also serves counselors, financial aid administrators and other professionals, with nearly 50 professional development workshops conducted in FY 2019.

The efforts of ISAC outreach and research staff are particularly intensive during the first three months of the FAFSA-filing "season," a critical time for students and families as they attempt to navigate the financial aid process, understand award letters, and make informed decisions about affordable college choices for the fall. Beginning in 2016, the U.S. Department of Education officially shifted the release date for the FAFSA back three months, allowing students to file their 2017-18 FAFSAs beginning October 1, 2016. Since the FAFSA was available at the same time students were completing their college applications, ISAC launched College Changes Everything® (CCE) Month, when ISAC and partners offer a packed schedule of events to support both college application activities and FAFSA completion. In 2019 the period expanded from a month to a longer fall CCE campaign, and ISAC and its partners conducted more than 1,800 outreach events across the state attended by more than 50,000 students and family members. Events included over 700 FAFSA completion workshops and financial aid presentations, as well

as 275 college application workshops at high schools and other community venues in 290 Illinois cities and towns.

Even during the pandemic, our ISACorps members have continued to provide one-on-one mentoring and guidance via phone, text, email, and teleconferencing (Webex). Financial Aid Workshops and College Application workshops continue to be held using Webex, and Facebook has been used to host live events, including sessions aimed at parents and other adults and professionals helping students. Through Instagram, we continue to promote ISACorps services and to share short informational videos from a newly created series (“The ISAC College Minute”) that answers the most frequent questions families ask.

It’s important to note that the GRF funding requested is not designed to allow ISAC to expand operations, but merely reflects a shift in funding source as the revenue from the Federal Family Education Loan Program continues to decline. The state’s funding for the ISACorps also allows ISAC to continue to qualify for federal GEAR UP funding: To receive approximately \$2.7 million in these federal funds annually, supporting college and career readiness in middle and high schools, the state must provide a dollar-for-dollar match.

Depending on actual FY 2022 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 possibility that ISAC will not use the full authority in FY 2022, staff is recommending that the Commission continue to seek authority to spend up to two percent of the FY 2022 MAP appropriation for agency operations.

III. College Illinois!

Although staff is not recommending that the Commission seek any state funding for state scholarship and grant programs not funded in FY 2021, staff is recommending that the Commission seek a \$35 million appropriation from state General Funds for an initial payment to the Prepaid Tuition Trust Fund to begin to address the unfunded liability related to the College Illinois!® Prepaid Tuition Program. With the plan closed to new contract sales, and since the program did not receive the Governor’s recommended appropriation for FY 2021 to begin to preemptively fulfill the State’s moral obligation to the program participants, it will only become more important in FY 2022 to provide support to the Fund. Moreover, this will send an important signal to contract holders that the General Assembly is committed to fulfilling the moral obligation.

With more than 28,000 contracts outstanding as of June 30, 2020, the program continues to pay tuition and fees for beneficiaries—but the plan’s independent actuaries project that the program would need state support beginning in FY 2025 and would be unable in FY 2026 to make payments without full state support. If the state starts to address this need and honor the state’s commitment now, by beginning level payments that would continue for more than a decade, it would protect beneficiaries, preserve the credibility of the state and its moral obligation, allow the state to budget with more certainty and predictability, prevent the program from needing to make much larger

requests in future years (absent early funding, more than \$90 million is projected to be needed in FY 2026 alone), and potentially save the state tens of millions of dollars over time.

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

Beyond the \$58.6 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 2022 totals \$160 million, which represents a \$30 million (15.8 percent) decrease from the spending level provided in FY 2021 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.

V. 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.

VI. 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 2022 budget requests to the Commission for IDAPP and CI! at the June 2021 Commission Meeting, for consideration prior to the beginning of FY 2022.