

AGENDA ITEM 4.

FISCAL YEAR 2023 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: This item presents staff's recommendation for FY 2023 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 2023 Budget Request for Higher Education at an upcoming winter 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 2023 proposed budget to the General Assembly on February 2nd, 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 2023 appropriated funds budget recommended by staff for approval by the Commission totals \$920.2 million, which represents a \$58.5 million increase (6.8 percent) compared to FY 2022. In this budget, State General Funds would increase by \$67.8 million (12.3 percent),

spending authority from federal funds would decrease by \$12.4 million (-4.3 percent), and spending authority from other state funds would increase by \$3.0 million (15.4 percent) when compared to FY 2022.

Action Requested: That the Commission approve an FY 2023 budget request totaling \$920.2 million as detailed in Table 1.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2023 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 2023 Budget Request for Higher Education, which includes ISAC, at an upcoming winter meeting, whereas the Governor is scheduled to present his FY2023 proposed budget to the General Assembly on February 2nd. Within the two days immediately following the Governor's budget address, ISAC staff will be required to 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. There is considerable speculation about the legislative timeline for spring 2022, which is currently scheduled to adjourn April 8th, well ahead of the typical adjournment date.

ISAC staff is seeking Commission input 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 \$620.7 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 \$263.7 million in federal student loan funds, \$13.3 million in federal scholarship and grant funds, \$22.4 million in other state funds, and \$100,000 in other federal funds.

Compared to this time last year, the state's budgetary outlook has brightened: The most recent five-year budget forecast¹, released by the Governor's Office of Management and Budget on November 9th, indicates that FY 2022 is projected to end with a surplus of about \$418 million. Still, under current statutes and trends, deficits (albeit much smaller than previously estimated) are projected for the remainder of the forecast period, FYs 2023 through 2027.

¹ *Illinois Economic and Fiscal Policy Report*, Governor's Office of Management and Budget. November 9, 2021.
<https://www2.illinois.gov/sites/budget/Documents/Economic%20and%20Fiscal%20Policy%20Reports/FY2022/Economic%20and%20Fiscal%20Policy%20Report%20FY22%20FINAL.pdf>

Appropriators, as always, will be left with difficult choices. As advocates for students, staff believes that the Commission’s FY 2023 funding request must still be driven by the agency’s mission, program demand, and the needs of Illinoisans. Programs that ISAC administers figure prominently in two major plans released during the last year: the new IBHE strategic plan, [A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth](#)², and the action plan of the [Equity Working Group for Black Student Success in Illinois Higher Education](#)³ convened by Chicago State University President Zaldwaynaka (“Z”) Scott. The ISAC Commission Board took action to endorse the IBHE Strategic Plan for Higher Education and ISAC staff were significant participants in both efforts.

Moreover, education and retraining capacity will likely be critical to the State’s continued economic recovery, and we believe additional investment in Illinois’ human resources through ISAC would create an economic return on these increased expenditures. 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 2023 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.

² *A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth*. Illinois Board of Higher Education. https://ibhestrategicplan.ibhe.org/pdf/A_Thriving_Illinois_06-15-21.pdf

³ Report of the Equity Working Group for Black Student Success in Illinois Higher Education. https://csu.edu/provost/documents/ACTION_PLAN.pdf

Table 1:
Illinois Student Assistance Commission
State Fiscal Year 2023 Budget - Staff Recommendation

Line Item	FY 2021	FY 2021	FY 2022	FY 2023 Budget	Difference	
	Appropriation PA 101-637		Expenditures	Appropriation PA 102-017	Request Staff Recommendation	FY23 Recommendation-FY22 Amount
STATE GENERAL FUNDS						
Monetary Award Program	\$451,341,900	\$447,936,189	\$479,566,200	\$529,566,200	\$50,000,000	10.4%
Teacher Loan Forgiveness Program	\$439,900	\$439,900	\$439,900	\$975,000	\$535,100	121.6%
Minority Teacher Scholarships	\$1,900,000	\$1,815,396	\$1,900,000	\$4,200,000	\$2,300,000	121.1%
Golden Apple Scholars Of Illinois	\$6,498,000	\$6,495,500	\$6,498,000	\$6,498,000	\$0	0.0%
Golden Apple Accelerators Program	\$750,000	\$749,997	\$750,000	\$750,000	\$0	0.0%
Dependents Grants	\$1,273,300	\$757,265	\$1,273,300	\$1,273,300	\$0	0.0%
Nurse Educator Loan Repayment Program	\$264,000	\$263,945	\$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	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$0	0.0%
Grant Program for Exonerees	\$150,000	\$5,827	\$150,000	\$150,000	\$0	0.0%
College Illinois! Cash Deposit	\$0	\$30,000,000	\$20,000,000	\$30,000,000	\$10,000,000	50.0%
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%
Agency Administrative & Operational Cost	\$3,500,000	\$3,490,626	\$3,500,000	\$6,000,000	\$2,500,000	71.4%
Statewide Outreach, Training & Research Activities	\$3,497,700	\$3,492,063	\$3,497,700	\$6,000,000	\$2,502,300	71.5%
TOTAL STATE GENERAL FUNDS	\$504,641,200	\$530,473,108	\$552,865,500	\$620,702,900	\$67,837,400	12.3%

Table 1: (Continued)
Illinois Student Assistance Commission
State Fiscal Year 2023 Budget - Staff Recommendation

Line Item	FY 2021 Appropriation PA 101-637	FY 2021 Expenditures	FY 2022 Appropriation PA 102-017	FY 2023 Budget Request Staff Recommendation	Difference FY23 Recommendation-FY22 Amount	Percent
FEDERAL FUNDS						
STUDENT LOAN OPERATING FUND						
Personal Services	\$15,538,600	\$3,315,992	\$15,538,600	\$13,538,600	-\$2,000,000	-12.9%
Retirement	\$8,392,900	\$1,821,918	\$8,392,900	\$7,312,600	-\$1,080,300	-12.9%
Social Security	\$1,181,000	\$240,047	\$1,181,000	\$1,029,000	-\$152,000	-12.9%
Group Insurance	\$6,240,000	\$844,694	\$6,240,000	\$5,436,800	-\$803,200	-12.9%
Contractual Services	\$12,630,700	\$5,020,498	\$12,630,700	\$12,630,700	\$0	0.0%
Contractual - Collection Agency Fees	\$10,000,000	\$1,432,477	\$10,000,000	\$2,000,000	-\$8,000,000	-80.0%
Travel	\$311,000	\$891	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$26,471	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$13,328	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$111,227	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,897,900	\$327,244	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$392	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$2,500,000	\$0	\$2,500,000	\$1,500,000	-\$1,000,000	-40.0%
Transfer to IDAPP	\$1,000,000	\$304	\$1,000,000	\$1,000,000	\$0	0.0%
Early Childhood Access Consortium for Equity (ECACE)S			\$55,000,000	\$115,667,356	\$60,667,356	110.3%
TOTAL	\$61,053,700	\$13,155,483	\$116,053,700	\$163,685,556	\$47,631,856	41.0%
FEDERAL STUDENT LOAN FUND						
Loan Guarantee Program	\$190,000,000	\$60,370,872	\$160,000,000	\$100,000,000	-\$60,000,000	-37.5%
TOTAL	\$190,000,000	\$60,370,872	\$160,000,000	\$100,000,000	-\$60,000,000	-37.5%
FEDERAL SCHOLARSHIPS AND GRANTS						
Federal Grant Program	\$13,000,000	\$2,618,436	\$13,000,000	\$13,000,000	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$300,000	\$58,442	\$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	\$2,677,138	\$13,400,000	\$13,400,000	\$0	0.0%
TOTAL FEDERAL FUNDS	\$264,453,700	\$76,203,493	\$289,453,700	\$277,085,556	-\$12,368,144	-4.3%
OTHER STATE FUNDS						
ISAC Accounts Receivables	\$300,000	\$162,928	\$300,000	\$300,000	\$0	0.0%
Higher Education License Plate Program	\$110,000	\$99,950	\$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	\$52,853	\$100,000	\$100,000	\$0	0.0%
Contracts and Grants Fund	\$10,000,000	\$2,856	\$10,000,000	\$8,000,000	-\$2,000,000	-20.0%
Energy Transition Assistance Fund			\$1,100,000	\$1,100,000	\$0	0.0%
State CURE Fund - Golden Apple Scholars			\$3,502,000	\$3,502,000	\$0	0.0%
State CURE Fund - Golden Apple Accelerators			\$4,250,000	\$4,250,000	\$0	0.0%
DHS Community Svcs Fund - CBHC Professional LRP				\$5,000,000	\$5,000,000	100.0%
TOTAL OTHER STATE FUNDS	\$10,580,000	\$368,587	\$19,432,000	\$22,432,000	\$3,000,000	15.4%
GRAND TOTAL	\$779,674,900	\$607,045,188	\$861,751,200	\$920,220,456	\$58,469,256	6.8%

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 2022 exceeds the number of these programs funded in FY 2022. 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 2023 budget request only seek funding for State scholarship and grant programs that were funded in FY 2022. There are limited but notable exceptions, discussed below, where funding would come from sources other than the State's general funds.

Monetary Award Program (MAP): The budget recommended in this item provides about \$529.6 million for MAP in FY 2023, an increase of \$50 million (10.4 percent) over the FY 2022 appropriation. This increase would be aligned with the Governor's plan to increase funding for the program each year to help meet program needs and serve additional students. Moreover, increased funding for MAP is a key strategy to improve equitable access to education in the state, cited in both the IBHE strategic plan, [A Thriving Illinois](#), and the [Equity Working Group for Black Student Success in Illinois Higher Education](#) convened by Chicago State University. As greater emphasis has been placed on the need for diversity, equity, and inclusion in state services, it is also noteworthy that this need-based program explicitly addresses income inequality and the ability of low-income students to get access to postsecondary education. It addresses racial and ethnic inequality less explicitly, but nonetheless powerfully: Although race is not a factor in awarding MAP, the challenges that MAP addresses—financial need, lower college attainment rates, and student loan debt—are problems that disproportionately affect students who belong to historically underrepresented groups. Around 60% of Black students enrolled at Illinois public universities are attending with the help of a MAP grant.

In thinking about what specific benefits \$50 million in 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, staff consults with the financial aid community and makes a recommendation to the Commission Board on 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, a \$50 million increase for MAP, if used *only* for additional students (and awarding through the *end* of the academic year) could serve an estimated 19,200 more students. If used *only* to increase award size, the maximum grant could increase by \$672 (from \$5,496 to \$6,168), improving affordability, particularly for students at universities. Of course, once the final appropriation is known, the Commission could take an approach that balances both an increase in the number of students served and some improvement of purchasing power. Typically, in more recent years, when additional MAP funding has been provided, the Commission has approved a balanced approach that tries to address both affordability and access.

For State scholarship and grant programs other than MAP, staff's FY 2023 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 other State scholarship and grant programs funded in FY 2022, staff is recommending that the Commission seek flat funding in FY 2023 with the following exceptions:

Minority Teachers of Illinois Program (MTI): 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.

This advocacy had an impact over the winter of 2020-2021: As part of HB 2170, a major education reform measure passed in January by the General Assembly was the result of a lot of work by and support from the Illinois Legislative Black Caucus, the maximum scholarship was increased to \$7,500 (from \$5,000), and more priority categories were added, including bilingual teaching candidates. However, to try to ensure that the number of recipients would increase, *these provisions were made contingent on specific increases to the program’s funding*, laid out in the new law.

In FY 2021, 379 students received the MTI scholarship. An increase of \$2.3M (to \$4.2M), in line with the funding levels specified in the new law, will increase the number of eligible students who can be served from 380 to 560 (assuming all recipients receive the maximum grant) and will increase the maximum award to \$7,500.

Teacher Loan Repayment Program: The Illinois Teacher Loan Repayment Program provides up to \$5,000 in additional loan repayment help for teachers in Illinois who qualify for the federal teacher loan forgiveness program. Recipients must have taught for at least five years in an Illinois elementary or secondary school designated as a low-income school.

Staff recommends requesting \$975,000—an increase of \$535,100—to expand the number of teachers served from around 90 to around 195 (assuming most recipients are eligible for the maximum grant). Staff believes that an appropriation at the requested level would fund nearly every qualified applicant for this program.

As with MTI, this program supports the teacher pipeline and retention of teachers in hard-to-staff schools. Both programs promote staffing and retention at under-resourced and/or high-minority-population school districts. The program directly reduces recipients’ loan debt (which disproportionately affects Black students and graduates, in particular). An increase for the Illinois Teacher Loan Repayment Program would allow us to meet more of the demand for this program that supports teacher retention in hard-to-staff schools. Each year, many teachers who qualify for this assistance go unserved because of limited funding. 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.

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 FY 2001. (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.

At this time, staff is also recommending no more than level funding for the AIM HIGH pilot program, a program that is scheduled to “sunset” in October 2024. Staff are currently collecting data from the participating public universities on the amounts needed to fund renewal grants.

II. Support for Operations and Outreach, Research & Training

The Student Loan Operating Fund (SLOF) is the primary operating fund accounting for the revenues and expenditures of the Federal Family Education Loan Program (FFELP). The source of funds for SLOF is the revenue generated from ISAC’s work as a FFELP guarantor. Between FY06 and FY14, the operating expenditures for ISAC, including for MAP and other state programs and functions, were covered by the revenues generated from the FFEL Program, i.e., the revenues that ISAC earns from collections from defaulted borrowers in the Student Loan Operating Fund (SLOF), saving the state well over \$150 million during that time period.

The federal passage of the Student Aid and Fiscal Responsibility Act in March 2010 ended the FFEL Program and moved all future student loans into the federal Direct Loan Program. No new FFELP loans have been issued since 2010. Since then, ISAC has been overseeing the wind-down of its participation in the program.

As the FFELP portfolio has shrunk and revenues have declined, ISAC management has engaged in a long-term strategic plan to wind down the FFEL Program responsibly to ensure the integrity of all borrower loan balances and information. Another critical goal of this work has been to ensure that the costs of winding down the program are covered by the program’s own revenues and that the program does not become an unfunded liability of the State—i.e., to ensure that the program remains self-sustaining as it is closed out.

As the FFEL Program portfolio has aged, revenue generated from collection of defaulted FFELP loans has wound down, as well, leaving FFELP activities no longer producing enough excess annual revenue to continue to cover entirely the rest of the Agency's operating costs (i.e., for activities outside the loan program).

Last year, we noted in our GOMB submission that further federal policy changes could result in a significant decrease in FFELP revenue or even lead to the end of the program—and this is just what happened as a result of the COVID-19 emergency.

To support borrowers during a challenging period, the federal government implemented several benefits for a limited universe of student loans that did not include the older loans that make up ISAC’s portfolio. After the change in Presidential Administration, however, these federal borrower benefits were extended to the borrowers whose loans ISAC holds, and benefits were applied in arrears. In our efforts to

ensure that our borrowers have access to all benefits due, the agency determined that, unfortunately, our legacy system is not able to meet all federal requirements in a timely way. In order to help ensure that borrowers can get the relief to which they are entitled as soon as possible, the agency has begun work with the U.S. Department of Education and a successor agency to begin the deconversion process—that is, working with Federal Student Aid to try to provide a seamless transition of ISAC’s guaranty portfolio to a successor guarantor.

Unfortunately, the pandemic borrower benefits and the resulting transition of the guaranty portfolio mean that ISAC expects revenue from FFELP to be zero in FY23.

Need for State support for state functions:

Since federal funds are no longer sufficient to subsidize the agency’s work on behalf of the state, ISAC will need additional state resources to comply with mandates and maintain statewide outreach programming.

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.

Although the Governor’s proposed FY 2021 budget, introduced pre-pandemic, would have funded the Operations line at \$4 million and the Outreach, Research, and Training line at \$5 million, the FY 2021 budget was generally funded at FY 2020 levels, and these two lines were held flat for FY 2022.

For FY 2023, staff recommends that the Commission request \$6 million in the Agency Operations line and \$6 million in the Outreach, Research, and Training line. For the current year, FY 2022, these are funded at \$3.5 million and \$3.497 million, respectively.

Having sufficient funding is critical to the Agency’s Operations. Having this separate appropriation for operations would help to ensure that the agency is able to continue appropriately administering scholarships and grants. 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; and more. In addition, an area of increasing importance and cost is maintaining physical and cybersecurity for records that contain millions of pieces of highly sensitive and confidential personal identifying information of program participants. 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. In recent years, the agency has been asked to do more, not less: High-profile examples include standing up the Alternative Application for Illinois Financial Aid (accomplished in about six months, and a project that needs to be continually updated), a complete overhaul of the Minority

Teachers of Illinois (MTI) awarding process currently underway as a result of legislative action, and establishing the Early Childhood Access Consortium for Education scholarship program using parameters from partner agencies.

Notably, the more the state is able to step up to fund agency operations and outreach (state functions that have been subsidized by defaulted borrowers through FFELP), the less the agency would need to tap into the authority to use two percent of the MAP appropriation for operations purposes, preserving more of that appropriation for the grants themselves.

Since FY15, ISAC has also received General Funds support for Outreach, Training, and Research activities. Absent FFEL Program revenue in FY23, we are requesting a \$6 million lump sum for Outreach, Training, and Research activities - an amount that will allow us to maintain an effective and truly statewide presence for our ISACorps and maintain our other current outreach, research, and training activities.

These outreach, research, and training activities are critical to how ISAC works to achieve its 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.

- 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. ISAC 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. ISAC helps students learn about and navigate financial aid, so they can leverage the aid available to them and minimize student loan debt. In helping students to make choices that fit their needs and maximize their ability to connect with financial resources, we believe that these services also help to protect the state's significant investment in MAP, since they may make students more likely to be able to persist and complete once enrolled. The ISACorps provides free support services to tens of thousands of students each year across the state. **The need for this support has only grown since the State enacted the Governor's initiative to require FAFSA completion for high school graduation.**
 - In an extremely challenging academic year (2020-21) when FAFSA completion rates fell in nearly every state and territory, Illinois was one of just three states that had an increase in filing rates. More importantly, Illinois rates were up across all categories: low- and high-income schools, schools with and without high concentrations of students of color, and schools in rural, urban, and suburban environments. ISAC's support for FAFSA completion was a significant driver of this achievement and an important piece of the agency's efforts to promote educational equity.
 - Notably, 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.

- 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 and direct aid where it is most needed. The ISAC-created FAFSA Symposium convenes school staff and others from around the state to share best practices in FAFSA completion; training on the Postsecondary and Career Expectations (PaCE) Framework supports schools in cultivating a college-going culture where students are ready for career or postsecondary education after high school; and the College Changes Everything (CCE) conference is the state's premier college access event for high school and college staff, community-based organizations, and others to share innovative ideas, forge new connections, and learn from each other.
- 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 help 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. The division is currently heavily involved with tracking and analyzing wide-ranging changes to federal financial aid and the FAFSA.

Without new FFELP revenue, these outreach and training activities, research, and phone and web-based student and family support will only be able to be maintained if the state supports them. Likewise, state funding will be needed to pay for the direct and indirect costs of the State's scholarship and grant operations, the majority of which are employee-related costs. Maintaining these services to students, schools, and families, will require State General Funds. Again, these lines do not represent new initiatives; however, they do represent a shift of funding from other funds into State General Funds. In recent years, the Agency Operations and Outreach, Research, and Training lines have totaled about \$7 million; the Commission requested \$9 million total last year. Projected costs have grown to about \$12 million for FY23 due to the cumulative effects of COLAs, cybersecurity enhancements, work on succession planning, etc. This funding level also anticipates no revenue from FFELP in FY2023.

Staff is also recommending that the Commission continue to seek authority to spend up to two percent of the FY 2023 MAP appropriation for agency operations.

III. College Illinois!

With around 25,000 contracts outstanding as of June 30, 2021, the prepaid tuition program continues to pay tuition and fees for beneficiaries—but the plan's independent actuaries project that the funds in the plan are projected to be adequate to make all required tuition payments only through FY 2026 unless supplemental funding is received from the State. (Supplemental funding of a little over \$14 million would be needed in FY 2027, and funding of nearly \$67.5 million would be needed in FY 2028.)

Staff is recommending that the Commission seek a \$30 million appropriation from state General Funds into the Prepaid Tuition Trust Fund to continue to address the unfunded liability related to the College Illinois! ® Prepaid Tuition Program.

For FY 2021 and FY2022, the Governor proposed paying down the program's liability over time, beginning annual, approximately level contributions from general funds. By starting immediately to make level payments that would continue for more than a decade, this would honor the state's commitments,

allow the state to budget with more certainty and predictability, minimize the impact on the budget in any one fiscal year, and potentially save the state tens of millions of dollars over time. The most recent budget bill included two appropriations from the State's General Revenue Fund to the Prepaid Tuition Trust Fund: A supplemental appropriation directed \$30 million to the program at the end of FY21, and \$20 million was transferred at the beginning of FY22.

Along with the aforementioned benefits, this funding sent an important signal to contract holders that the General Assembly is committed to fulfilling the State's moral obligation.

- As of last year's report (June 30, 2020), actuaries had projected that payments of approximately \$36.4 million per year for 12 years (FY22 through FY33) would address the program's needs.
- As of the most current report (June 30, 2021), actuaries project that payments of about \$21.1 million per year for 13 years (FY23 through FY35) would address the program's needs.
 - This drop in the anticipated annual need for funding (from \$36.4m to \$21.1m annually) reflects factors that include the benefits of the contributions made by the state in FY21 and FY22, along with lower-than-projected tuition and fee increases. However, the most significant reason that the fund's status improved at June 30, 2021, was that investment returns during FY21 were much higher (more than 3 times) than predicted. Based on historical data, a well-diversified portfolio should be expected to decline in value in about three out of every ten years, and one of the declines would be expected to be more than 10 percent.
 - The actuarial analysis does not include smoothing like the pension funds use; the report is based on a snapshot in time of the program data, meaning that although this projection of the annual amount needed is lower as of the 2021 report, it could easily rise in subsequent reports.
- To limit annual fluctuations, maintain predictability in budgeting, and protect against future swings in the opposite direction, **staff recommends staying the course with level payments of at least \$30 million annually.** This will roughly adjust the annual level payment—previously estimated at more than \$36 million annually—for the unusually high investment returns the plan has seen over the past few years.

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

Beyond the spending authority being requested 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 2023 (not including pass-through funding for the Early Childhood Access Consortium for Equity Scholarship) totals \$148.0 million, which represents a \$73 million (33.0 percent) decrease from the spending level provided in FY 2022 and a \$209.3 million (58.6 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 the pending transfer of loans to a successor guarantor, though administrative obligations will continue for some time to come.

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.

This category includes several items this year that *should be considered placeholders, to be resolved or refined as soon as feasible in cooperation with GOMB and partner agencies. These include the following:*

- In Other State Funds, we've requested level funding from the Energy Transition Assistance Fund to support a **grant program for the dependents of displaced energy workers** who are from jobs in coal and related industries. The program was created as part of the Clean Energy Jobs Act (CEJA). We will need to seek guidance (likely from DCEO) to determine whether this is the appropriate level of funding for the new program in FY23.
- Also, in Other State Funds, we've included an appropriation from the IDHS Community Services Fund to support the **Community Behavioral Health Care Provider Loan Repayment Program**. The program was established in state law and ISAC rules a couple of years ago without a funding source and subject to appropriation. IDHS, in consultation with several state senators, has determined that this program would be a good use for some of their funds from adult-use cannabis that are ear-marked for mental health and addiction services. The mechanics (e.g., whether we will ultimately need this separate appropriation or would be able to establish an inter-governmental agreement that would authorize the spending) are still being determined, so this line could ultimately be changed or eliminated. We welcome GOMB feedback on the most appropriate mechanics for this process.
- For new federal funds appropriated in the FY22 budget that are meant to be spent across multiple fiscal years, we don't yet have reliable estimates of what will be spent in year one (FY22). We've therefore included the anticipated total, multi-year amount of funding in the FY23 request for each of these lines—i.e., a re-appropriation of the FY22 appropriation (in case it is not yet spent by the beginning of FY23) plus what we have been told is expected to be available for FY23. As we work with partners to develop better estimates of FY22 spending on these new and expanded initiatives, and as we see how much demand exists for these programs once they launch for the current fiscal year, we may be able to refine (i.e., lower) these numbers. These lines include:

- authority to spend dollars from the Student Loan Operating Fund (transferred into ISAC's operating fund from IDHS) for the purposes of the new **Early Childhood Access Consortium for Equity (EC ACE) Scholarship program**, and
- authority to spend from the state's Local CURE Fund for **Golden Apple and Golden Apple Accelerators**.

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 2023 budget requests to the Commission for IDAPP and CI! at the June 2022 Commission Meeting, for consideration prior to the beginning of FY 2023.