

AGENDA ITEM 6.

FISCAL YEAR 2026 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: This item presents staff's recommendation for FY 2026 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 in January and February, respectively.

Both the IBHE budget recommendation for ISAC and the recommendation for ISAC included in the Governor's budget request may differ from the Commission Board's request.

Following the Governor's FY 2026 budget address to the General Assembly (expected on or before the third Wednesday in February), agency staff will submit detailed information to legislative staff regarding both the Commission Board's recommendation and the impact of the Governor's recommended budget for ISAC programs and operations.

As in past years, the enclosed 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 (for ISAC, this is primarily 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 or "Other State Funds," 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, professional licensing fees, private or federal grant money). In many instances, 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 2026 appropriated funds budget recommended by staff for approval by the Commission totals \$1.01 billion, which represents an increase of \$88.9 million (9.6 percent) compared to FY 2025 appropriation.

In this budget, State General Funds would increase by \$89.5 million (10.7 percent), spending authority from federal funds would decrease by \$2.6 million (-4.2 percent), and spending authority from other state funds would increase by \$2.0 million (7.1 percent) when compared to FY 2025.

Action Requested: That the Commission approve an FY 2026 budget request totaling \$1.01 billion as detailed in Table 1.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2026 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 2026 Budget Request for Higher Education, which includes ISAC, at its upcoming January meeting, whereas the Governor will present his FY 2026 proposed budget to the General Assembly on or before the third Wednesday in February. 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 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 are 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 about \$923.2 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 \$47.7 million in federal student loan funds, \$11.7 million in federal scholarship and grant funds, and \$30.2 million in other state funds.

The state has recently enjoyed a run of strong budget years, and a five-year budget forecast¹ released by the Governor’s Office of Management and Budget in November projects a small General Funds surplus at the end of the current FY 2025. However, GOMB also projects that, if current statutes and trends were unchanged, the upcoming FY 2026 would end with the state in a \$3.173 billion General Funds *deficit*, and deficits should be expected for the remainder of the forecast period, through FY 2030. For FY 2026, “the ability to fund new programs will be severely limited,” the report notes.

Appropriators, as always, will be left with difficult choices. As advocates for students, staff believes that the Commission’s FY 2026 funding request must still be driven by the agency’s mission, program demand, and the needs of Illinoisans. Many of the key strategies that ISAC employs are featured in major plans to address those needs, including the strategic plan for higher

¹ *Illinois Economic and Fiscal Policy Report*, Governor’s Office of Management and Budget. November 1, 2024. https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/economic-and-fiscal-policy-reports/Economic_and_Fiscal_Policy_Report_FY25_FINAL_11.1.24.pdf

education, [A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth](#)², the action plan of the [Equity Working Group for Black Student Success in Illinois Higher Education](#)³, and the Latino Policy Forum's [Illinois Latino College Landscape Study](#)⁴. These reports highlighted the value of need-based aid, support for college planning and financial aid applications, outreach to parents, and other services that ISAC provides, particularly through the division of College Access and Outreach.

These plans highlight the importance of postsecondary education to help individuals meet their own goals, but they also reinforce that access to education and training serve important public purposes. Improving access to college is an investment that can simultaneously help individuals to achieve self-sufficiency and create a long-term economic return for the state.

The General Assembly and the Governor have demonstrated in recent budgets that they value student financial aid: They have continued to boost funding for several of the agency's biggest programs (e.g., Monetary Award Program (MAP), AIM HIGH, the Minority Teachers of Illinois (MTI) Scholarship) and created several new scholarship and loan repayment programs. They have not only directed additional General Funds to the agency's budget but also identified several novel sources of funding to support new programs. Staff's FY 2026 recommendation would sustain and, in a small number of cases, build upon these recent budgets.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY 2026 recommended funding request, which staff believes would allow the agency to continue the recent progress towards reversing long-standing negative trends in affordability; and to preserve the programs and services that have recently demonstrated so much value to Illinoisans.

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

⁴ *Illinois Latino College Landscape Study*, Latino Policy Forum. <https://www.latinopolicyforum.org/issues/education/illinois-latino-college-landscape-study>

Table 1.
Illinois Student Assistance Commission
State Fiscal Year FY 2026 Budget - Staff Recommendation

Line Item	FY2025		FY2026	Difference	
	P.A. 103-0589 Appropriation	Projected Expenses	ISAC Staff Recommendation	FY26 Recommended-FY25 Approp	
				Amount	Percent
STATE GENERAL FUNDS					
Monetary Award Program (GRF, EAF)	\$711,566,200	\$711,566,200	\$785,066,200	\$73,500,000	10.3%
GRF	\$446,566,200	\$446,566,200	\$520,066,200	\$73,500,000	16.5%
EAF	\$265,000,000	\$265,000,000	\$265,000,000	\$0	0.0%
Agency State Operations	\$7,840,000	\$7,840,000	\$8,440,000	\$600,000	7.7%
Statewide Outreach, Training & Research Activities	\$7,840,000	\$7,840,000	\$8,440,000	\$600,000	7.7%
Grant Program for Exonerees	\$150,000	\$150,000	\$150,000	\$0	0.0%
NDIGO Foundation	\$550,000	\$550,000	\$550,000	\$0	0.0%
Social Worker Scholarships and loan repayment	\$6,000,000	\$6,000,000	\$6,000,000	\$0	0.0%
AIM High Grant Program	\$50,000,000	\$50,000,000	\$50,000,000	\$0	0.0%
Prepare for Illinois' Future Program	\$9,988,350	\$9,988,350	\$10,000,000	\$11,650	0.1%
IGROW Tech Scholarship Program	\$2,000,000	\$2,000,000	\$2,000,000	\$0	0.0%
Illinois Veteran Grants and Illinois National Guard Grants	\$6,000,000	\$6,000,000	\$6,000,000	\$0	0.0%
Human Services Professional Loan Repayment Program	\$250,000	\$250,000	\$0	(\$250,000)	-100.0%
College Illinois! Deposit	\$0	\$0	\$0	\$0	0.0%
Journalism Student Scholarship Program	\$0	\$0	\$0	\$0	0.0%
TOTAL GENERAL REVENUE FUND	\$802,184,550	\$802,184,550	\$876,646,200	\$74,461,650	9.3%
Other EAF					
Teacher Loan Forgiveness Program	\$975,000	\$975,000	\$975,000	\$0	0.0%
Minority Teacher Scholarships	\$8,000,000	\$8,000,000	\$8,000,000	\$0	0.0%
Golden Apple Scholars Of Illinois (Beginning FY13)	\$10,750,000	\$10,750,000	\$10,750,000	\$0	0.0%
Golden Apple Scholars Of Illinois for the Golden Apple Accelerators Program	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
Dependents Grants	\$1,300,000	\$1,300,000	\$1,300,000	\$0	0.0%
Nurse Educator Loan Repayment Program	\$500,000	\$500,000	\$500,000	\$0	0.0%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,400	\$55,000	\$28,600	108.3%
Illinois Scholars Program	\$0	\$0	\$0	\$0	0.0%
ECACE - State Funded	\$5,000,000	\$5,000,000	\$20,000,000	\$15,000,000	300.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	0.0%
Child Welfare Student Loan Forgiveness Program	\$0	\$0	\$0	\$0	0.0%
Community College Transfer Grant Program	\$0	\$0	\$0	\$0	0.0%
Grant for a Person Raised by a Grandparent	\$0	\$0	\$0	\$0	0.0%
Grant Program for Medical Assistants in Training	\$0	\$0	\$0	\$0	0.0%
Silas Purnell Illinois Incentive for Access Grants	\$0	\$0	\$0	\$0	0.0%
Illinois State Scholarships	\$0	\$0	\$0	\$0	0.0%
Illinois Veteran Grants	\$0	\$0	\$0	\$0	0.0%
Merit Recognition Scholarship	\$0	\$0	\$0	\$0	0.0%
National Guard Grants	\$0	\$0	\$0	\$0	0.0%
Public Interest Attorney Loan Repayment Program	\$0	\$0	\$0	\$0	0.0%
Grant Program for Participants in SIU-C Achieve Program	\$0	\$0	\$0	\$0	0.0%
Teach Illinois Scholarship Program	\$0	\$0	\$0	\$0	0.0%
Police Training Academy Job Training Program	\$0	\$0	\$0	\$0	0.0%
Adult Vocational Community College Scholarship Program	\$0	\$0	\$0	\$0	0.0%
TOTAL EDUCATIONAL ASSISTANCE FUND	\$31,551,400	\$31,551,400	\$46,580,000	\$15,028,600	47.6%
TOTAL STATE GENERAL FUNDS	\$833,735,950	\$833,735,950	\$923,226,200	\$89,490,250	10.7%

Table 1. (continued)
Illinois Student Assistance Commission
State Fiscal Year FY 2026 Budget - Staff Recommendation

Line Item	FY2025		FY2026	Difference	
	P.A. 103-0589 Appropriation	Projected Expenses	ISAC Staff Recommendation	FY26 Recommended-FY25 Approp Amount	FY26 Recommended-FY25 Approp Percent
FEDERAL FUNDS					
STUDENT LOAN OPERATING FUND					
Personal Services	\$13,538,600	\$13,538,600	\$13,538,600	\$0	0.0%
Retirement	\$7,312,600	\$7,312,600	\$7,312,600	\$0	0.0%
Social Security	\$1,029,000	\$1,029,000	\$1,029,000	\$0	0.0%
Group Insurance	\$5,436,800	\$5,436,800	\$5,436,800	\$0	0.0%
Contractual Services	\$8,374,300	\$8,374,300	\$8,374,300	\$0	0.0%
Contractual - Collection Agency Fees	\$0	\$0	\$0	\$0	0.0%
Travel	\$311,000	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,377,200	\$1,377,200	\$1,377,200	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$0	\$0	\$0	\$0	0.0%
Default Fees	\$0	\$0	\$0	\$0	0.0%
Operational Expenses, MAP & Permanent Improvements	\$0	\$0	\$0	\$0	0.0%
Default Fees	\$0	\$0	\$0	\$0	0.0%
Operational Expenses, MAP & Permanent Improvements	\$0	\$0	\$0	\$0	0.0%
Transfer to IDAPP	\$1,000,000	\$1,000,000	\$1,000,000	\$0	0.0%
Contingent allocation for MAP grants	\$0	\$0	\$3,500,000	\$3,500,000	0.0%
Early Childhood Education Program - Federal	\$8,000,000	\$8,000,000	\$4,500,000	(\$3,500,000)	-43.8%
TOTAL	\$47,741,100	\$47,741,100	\$47,741,100	\$0	0.0%
FEDERAL STUDENT LOAN FUND					
Loan Guarantee Program	\$0	\$0	\$0	\$0	0.0%
TOTAL	\$0	\$0	\$0	\$0	0.0%
FEDERAL SCHOLARSHIPS AND GRANTS					
FSITF: Federal Grants (GEAR UP)	\$11,320,000	\$11,320,000	\$11,320,000	\$0	0.0%
FSITF: John R. Justice LRP	\$300,000	\$300,000	\$300,000	\$0	0.0%
Federal LEAP/SLEAP - Monetary Award Program	\$0	\$0	\$0	\$0	0.0%
State CURE Fund for Golden Apple Scholars	\$1,300,000	\$1,300,000	\$0	(\$1,300,000)	-100.0%
State CURE Fund-Golden Apple Accelerators	\$1,300,000	\$1,300,000	\$0	(\$1,300,000)	-100.0%
Transfer to ED -Paul Douglas Funds Collected	\$100,000	\$100,000	\$100,000	\$0	0.0%
Federal Robert C. Byrd Fellowships	\$0	\$0	\$0	\$0	0.0%
TOTAL	\$14,320,000	\$14,320,000	\$11,720,000	-\$2,600,000	-18.2%
TOTAL FEDERAL FUNDS	\$62,061,100	\$62,061,100	\$59,461,100	-\$2,600,000	-4.2%
OTHER STATE FUNDS					
ISAC Accounts Receivables	\$300,000	\$300,000	\$300,000	\$0	0.0%
UGF: Higher Education License Plate	\$110,000	\$110,000	\$110,000	\$0	0.0%
OLDBF: Optometric Education Scholarship	\$50,000	\$50,000	\$50,000	\$0	0.0%
NGNMGF: ING Grant	\$20,000	\$20,000	\$20,000	\$0	0.0%
GASF: Golden Apple Scholars of Illinois	\$100,000	\$100,000	\$100,000	\$0	0.0%
C&G: Outreach, Research, & Training	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
C&G: Human Services LRP	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
C&G: Community Behavioral Health Care Pro LRP	\$7,500,000	\$7,500,000	\$7,500,000	\$0	0.0%
ETAF: Displaced Energy Worker Dep't Transition Scholarship	\$1,100,000	\$1,100,000	\$1,100,000	\$0	0.0%
NDPF: Nursing Education Scholarship	\$4,000,000	\$4,000,000	\$4,000,000	\$0	0.0%
Scratch-off lotto scholarships - Illinois DREAM	\$2,500,000	\$2,500,000	\$3,500,000	\$1,000,000	40.0%
Scratch-off lotto scholarships - UNCF	\$2,500,000	\$2,500,000	\$3,500,000	\$1,000,000	40.0%
TOTAL	\$28,180,000	\$28,180,000	\$30,180,000	\$2,000,000	7.1%
GRAND TOTAL	\$923,977,050	\$923,977,050	\$1,012,867,300	\$88,890,250	9.6%

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, many State scholarship and grant programs that exist in statute were left unfunded in FY 2025. 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 the legislature has either stopped funding or never chose to fund in the first place, staff is recommending that the FY 2026 budget request only seek funding for State scholarship and grant programs that were funded in FY 2025. This is consistent with past agency practice.

Monetary Award Program (MAP)

The budget recommended in this item provides about \$785.1 million for MAP in FY 2026, an increase of \$73.5 million over the FY 2025 appropriation. This increase is the amount projected⁵ to be needed to accomplish the goal of once again offering grants to all eligible applicants throughout the academic year (leaving no eligible applicants in suspended status, or “on the waitlist”) while also ensuring that the program can cover 50% of public university tuition and fees, both of which are goals of *A Thriving Illinois*, the IBHE strategic plan for higher education.

A need-based grant, MAP is explicitly intended to respond to inequity of opportunity: The program helps students to attain a postsecondary education that might otherwise be unaffordable or result in greater levels of student loan debt.

Prior to MAP receiving an additional \$222 million across FY 2023 and FY 2024, components of the formula had become very outdated. While a maximum MAP award in FY 2002 could cover 100% of a public university student’s tuition and mandatory fees and all eligible applicants were offered an award, that year was followed by a period of increasing college costs and simultaneous growth in the number of eligible applicants. These pressures created a tension that continues today: the effort to balance the size of the grant against the number of recipients to make the program as effective and as fair as possible.

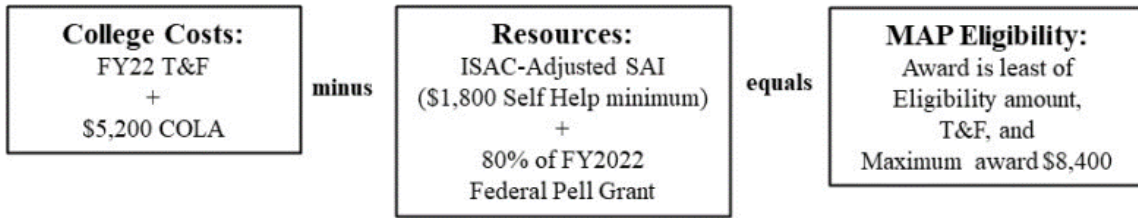
For many years, to strike that balance, the formula was not updated to maintain tuition and fee coverage, because the cost of doing so was too high and would have resulted in fewer students receiving awards. Rationing mechanisms intended to stretch the appropriation to more students included:

- using FY 2004 tuition and fee amounts from FY 2006 through FY 2017,
- holding the living allowance at \$4,875 from FY 2002 through FY 2021,
- capping awards at \$4,968 from FY 2002 through FY 2019, and,
- in many years, cutting the size of all grants by a uniform proportion using a reduction factor.

Figure One shows the formula with FY 2025 component amounts.

⁵ The projection is based on FY 2023 claim rates, FY 2024 application volume levels, and an assumed 2.6% increase in average tuition and fees.

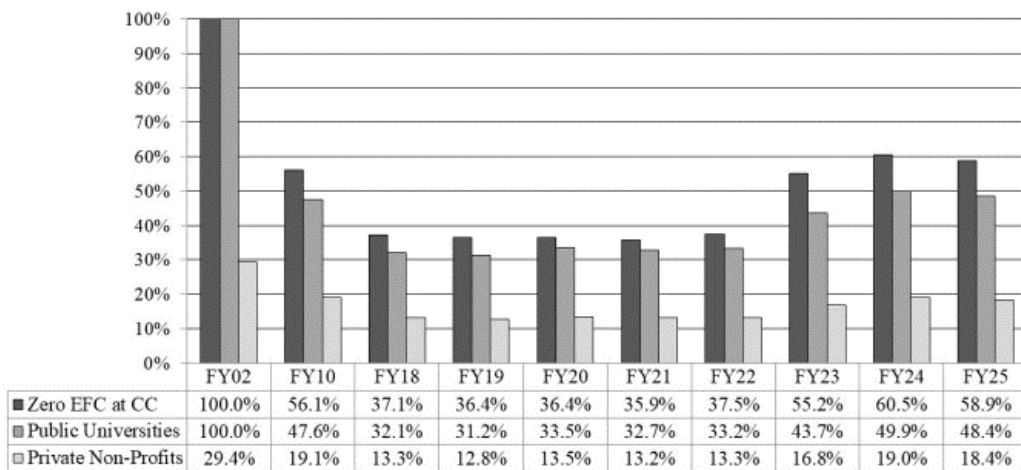
Figure One: The Current MAP Eligibility Formula



In thinking about what specific benefits any amount of 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.

In FY 2002, the highest MAP awards fully covered tuition and fees at community colleges and public universities, as shown in Figure Two. Coverage declined as application volume increased and funding did not keep pace. Formula improvements, made possible by a total \$222 million of increases in FY2023-24, moved the bars noticeably upward: The goal of 50 percent coverage at public institutions, set in *A Thriving Illinois*, was surpassed for community colleges in FY 2023, and reached (with rounding) for public universities in FY 2024. Unfortunately, MAP purchasing power will decline in FY 2025 as tuition and fees have increased, but the eligibility formula did not change. More MAP funding will be needed each year to keep up with tuition and fee increases and continue offering grants to all eligible students.

Figure Two: MAP Tuition and Fee Coverage



The balance between improving MAP purchasing power and providing basic access, by offering awards to all eligible students, depends in part upon demand for the student aid—and as noted in the September Commission meeting, MAP application volume is increasing again. For a historical

perspective, announced applicants (undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school) increased more than 85 percent between FY 2001 and FY 2013, when application volume peaked. That was followed by a decade-long decline in applications, but in FY2024, eligible applicants increased more than 6 percent from the previous year. Improved MAP tuition and fee coverage, provided by larger awards in FY2023 and FY2024, likely had a positive effect on FY2024 application volume.

For FY 2025, it appears likely that application volume (especially eligibles) will exceed FY 2024, in spite of the error-ridden federal launch of the 2024-25 FAFSA. MAP claims are expected to be higher, due in part to expanded eligibility as a result of FAFSA Simplification changes.

The increases in demand in FY 2024 and 2025 have tempered some of the excitement about another welcome development credited to higher appropriations: In FY 2022 and FY 2023, MAP grants were offered to all eligible students *for the first time since FY 2001*. However, with applications increasing in FY 2024 and FY 2025, award announcements have again needed to be suspended before the end of the academic year, leaving some eligible applicants on a waiting list.

Unfortunately, for FY 2026, MAP is once again in the position of needing more funding not only to keep pace with tuition and fee increases, but also to offer awards to all eligible students.

Other State Scholarship and Grant Programs: For other State scholarship and grant programs funded in FY 2025, staff is recommending that the Commission seek flat funding in FY 2026 with the following exceptions:

- **Early Childhood Access Consortium for Equity (ECACE) Scholarship:** ISAC administered this scholarship from FY 2022 through FY 2024 with federal funds paid to the Illinois Department of Human Services (DHS), using program parameters and eligibility criteria set in cooperation with the Illinois Board of Higher Education, Illinois Community College Board, and other parties. In FY 2024, more than 4,700 students collectively claimed about \$76 million in scholarships through the program, including many who were recruited by ECACE Navigators to return to college. With the expiration of federal funding for the program at the end of the 2023-24 academic year, the General Assembly and Governor opted to establish the program as an on-going, State-funded program at a much smaller scale, providing \$5 million in FY 2025. While this level of funding is similar to what the State provides for other scholarships and grants, the abrupt drop of more than 93% has undeniably been a shock to the system, leaving many students frustrated and uncertain about their ability to complete programs.
 - For FY 2025, in an application window of about a month, ISAC received nearly 3,000 applications for the ECACE Scholarship, including around 1,820 timely, complete applications from students who had received a scholarship in the program's final federally funded year. Even after reducing the maximum scholarship size to \$7,500 (rather than allowing scholarships equal to a student's total cost of attendance), the agency was only able to offer grants to about a third of these timely, renewing applicants. The scholarships were further rationed based on financial need, but the funding was still insufficient to offer grants to all of the timely renewing applicants who had the lowest possible Student Aid Index (SAI, a

federal measure of a student's ability to pay for college). Funding at a higher level would allow the program to serve more of those students who were attracted back to the classroom by the federally-funded scholarship.

- Staff recommends that the Commission seek \$20 million for the program in FY 2026, an increase of \$15 million (300.0%) above the FY 2025 level. This would allow the agency to support more of the students who returned to college because of the federally-funded ECACE Scholarship, many of whom may not be far from completing their programs. While the initial priority for the program in the next few years is expected to be serving more of these renewing students, funding at the \$20 million level may also allow a small number of new participants to receive scholarships. This could help to ensure that members of the early childhood workforce continue to enter the pipeline and to attain the qualifications needed to advance in their careers and meet the needs of the field.
- **Veterans' Home Medical Provider Loan Repayment Program:** Staff recommends an increase in the modest funding level for the Veterans' Home Medical Provider Loan Repayment Program, taking the program from \$26,400 to \$55,000 (an increase of \$28,600 or 108.3%). The program consistently spends its full appropriation, and the agency is confident that additional demand exists, particularly with the establishment of a new Chicago veterans' home.

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 was eliminated or unfunded years ago.

II. Support for Operations and Outreach, Research & Training

As its name suggests, the Student Loan Operating Fund (SLOF) was the primary fund accounting for the revenues and expenditures of ISAC's work as a guarantor in the Federal Family Education Loan Program (FFEL) Program. Between FY 2006 and FY 2014, the revenue that ISAC generated from the FFEL Program was sufficient not only for that program to be self-sustaining, but also to pay for the agency's operating expenditures—including for MAP, for training and outreach programs, for research and reporting, and for all of ISAC's other state programs and functions. This arrangement saved the state well over \$150 million during that period.

This changed, though, when the federal passage of the Student Aid and Fiscal Responsibility Act ended the FFEL Program and moved all future student loans into the federal Direct Loan Program. No new FFEL loans have been issued since 2010, leaving ISAC's portfolio to age and gradually shrink, along with its potential for producing revenue.

Beginning in FY 2014, the state acknowledged that the agency would once again need state general funds to maintain its services, and the agency was given authority to use up to 2% of the MAP appropriation, if needed, to help cover agency operating costs. Then, as FFEL Program revenue continued to decline, new lines were added for *Agency Operations* and *Outreach, Research, and Training*, backfilling the loss of federal dollars from both the loan program and the now-defunct

federal College Access Challenge Grant, which previously supported the Illinois Student Assistance Corps, one of ISAC's signature outreach initiatives.

After years of ISAC's slowly winding down its participation as a FFEL Program guarantor, the COVID-19 emergency brought it to an abrupt end. To support Americans during this challenging period, the federal government implemented extraordinary benefits and flexibility for some student loan borrowers, some of which could not be administered quickly using ISAC's legacy system. The agency worked quickly with the U.S. Department of Education and a successor agency to try to provide a seamless transition of ISAC's guaranty portfolio to a successor guarantor with systems that could accommodate the changing program.

Unfortunately, because of the impact of the pandemic borrower benefits and the resulting transition of the portfolio, ISAC received its last revenue as a FFELP guarantor in FY 2022.

Need for State support for state functions:

Since federal funds are no longer available to subsidize the agency's work on behalf of the state, ISAC continues to need state resources to comply with mandates and maintain statewide outreach programming and partner training.

For FY 2026, staff recommends that the Commission request \$8.44 million in the Agency Operations line and \$8.44 million in the Outreach, Research, and Training line. For the current year, FY 2025, each line is funded at \$7.84 million. In total, this reflects a 4% increase across operational dollars available to ISAC when you include the 2% of MAP that can be used for operations.

Staff believes that funding at these levels will be necessary to continue to deliver the agency's programs in FY 2026 at the levels of activity required in FY 2025 and meet all agency responsibilities. Recently, both the volume of the agency's work and its complexity have rapidly increased, which has strained resources. With around 30% of ISAC's workforce eligible to retire at any time, at a time when hiring has become extremely competitive, it is critical that the agency have adequate funding to ensure that the right people and resources (e.g., technological solutions, data protection, adequate training, etc.) are in place to deliver its mission.

Notably, the more the agency can rely on funding from these two lines to fund its work, the less it needs to take advantage of its flexibility to use up to 2% of the MAP appropriation for operating costs, leaving more of the MAP appropriation to be used for grants to students.

Having sufficient funding is critical to the Agency's Operations. This separate appropriation for operations helps to ensure that the agency continues to administer scholarships and grants appropriately. Beyond simply approving payments, functions include developing administrative rules and procedures; determining eligibility for programs, including tracking lifetime use of programs to ensure statutory limits are enforced; handling appeals; reviewing schools for compliance; responding to requests for information from the Governor's Office and General Assembly; ensuring compliance with the Grant Accountability and Transparency Act (GATA); and implementing mandatory statewide accounting systems and procedures. Maintaining physical

and cybersecurity for sensitive records of program participants remains an important responsibility, and it continues to be a significant cost. 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. In fact, the agency has seen a rapid growth in responsibilities over the last few years.

- Adding certificates to MAP created new tasks in nearly every division of the agency. The disruptive overhaul of the FAFSA has done so to a much greater extent.
- Significant legislative changes to the Minority Teachers of Illinois program required new, manual processes for awarding, and a transfer of the Nurse Educator Scholarship Program to ISAC required conversion of manual processes to add automation and controls appropriate for a program that has doubled in size.
- Several new programs have been created and/or funded for the first time in FY 2023-2025, including many that are supported by novel funding sources, some of which required ISAC to act as a grantee under the Grant Accountability and Transparency Act (GATA) for the first time. Others have required radically rethinking awarding processes and/or extensive, time-consuming analysis and inter-agency program development work.
- With the proliferation of new specialty programs have come many new outside partners. Staff are engaging with and sometimes training staff at community behavioral health centers, nursing schools, early childhood education programs, and colleges of social work; municipal leaders; operators of coal-fired power plants and coal mines, and others who are not accustomed to working with financial aid.
- The Alternative Application for Illinois Financial Aid is updated at least annually and will require more substantial revisions over the next year in response to the legislative expansion of students eligible for aid under the RISE Act
- ISAC's Finance & Accounting division has implemented SAP (the state's new enterprise management system), a large and complicated lift for our agency.
- The agency is implementing a new Human Capital Management system that is mandated by the State.

While glad to be entrusted with these initiatives and to work with sister agencies to support Illinoisans in innovative ways, these changes and expansions are straining ISAC resources, especially agency staff.

Notably, the more the state can fund agency operations and outreach, the less the agency will 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.

The pandemic has shifted the American employment landscape dramatically. It remains to be seen where civil service falls on the career desirability spectrum for talented and caring individuals. ISAC has posted jobs in the past several years for which no applications were submitted and jobs for which one application was received, although the same posting might have received 100 applications in the past. While applicant pools have recently improved somewhat, it is still a very

competitive job market. As the state invests in program funding, it is critical that it invests in the people to operate the programs. Appropriate staffing and succession planning are also critical investments to retain and develop the trained staff needed to deliver on ISAC's mission.

As noted above, staff is recommending a \$600,000 increase to both its Operations lump sum line item and the lump sum line item used to fund ISAC's Outreach, Training, and Research activities. ISAC has received General Funds support for these activities since FY 2015.

Staff is also recommending that the Commission continue to seek authority to spend up to two percent of the FY 2026 MAP appropriation for agency operations.

With respect to the \$8.44 million lump sum for Outreach, Training, and Research activities, staff believes that this is an amount that will allow us to maintain an effective and truly statewide presence for our ISACorps and maintain other important outreach, research, and training activities. These activities are keys to ISAC's work to achieve its mission of college access and affordability for Illinoisans. The agency's outreach and training programs have also been critical in implementing the state's "universal FAFSA" policy for high school seniors, preparing schools for the upcoming requirement of adopting Postsecondary and Career Expectations (PaCE) frameworks, and, meeting the acute needs of students and families struggling through the rocky transition to the "simplified" FAFSA,

As the Commission is aware, ISAC's outreach efforts help potential students make more informed choices at the outset that can set them up for greater 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, along with the type of program or school that 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 demand for this support has only grown since the State enacted the Governor's initiative to require FAFSA completion for high school graduation, not to mention the extraordinary disruption of last year's FAFSA changes.**

- 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, how to connect students and families to the resources available to support them, and how to 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 and technical assistance with 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. In recent years, ISAC’s training team has offered hundreds of free webinars attended by thousands of student loan borrowers eager to understand rapidly changing federal opportunities, including changes to the Public Service Loan Forgiveness program.

- 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; provides cost estimates for numerous legislative proposals, 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 is 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 requires State General Funds.

III. Prepare for Illinois’ Future Test Preparation Program

This budget recommendation includes continued funding of \$10 million for a “universal” test preparation pilot that was approved as part of the FY 2023 budget but has yet to launch fully. Agency staff are optimistic that the vendor procurement process is nearly complete and the program will launch in FY 2025. Staff therefore recommends requesting funding once again in FY 2026, when the program will hopefully be available to public university students (and perhaps others) for the entire academic year.

IV. Student Loan Operating Fund (SLOF)

As noted in Item II above, the Student Loan Operating Fund (SLOF) was the agency’s primary source of operational funding for more than a decade, as it was the repository for revenue earned in the Federal Family Education Loan (FFEL) Program. With the agency’s exit from FFELP and the return of state funding to support agency operations, SLOF is no longer the agency’s primary means of paying for on-going expenses.

However, having authority to spend from SLOF is still desirable. Staff recommends continuing to seek sufficient spending authority from this fund to sustain any new federally mandated operations (such as new FAFSA data protection requirements for federal tax information) and to allow the agency to take advantage of any federally- or privately-funded revenue opportunities that arise. Essentially, this request for contingency spending authority is beyond what staff believes the agency is *most likely* to need. Maintaining this extra spending authority in SLOF has no negative impact on State GRF funding, and it helps to ensure that ISAC can respond to non-State-funding opportunities that may arise throughout the fiscal year. If no opportunities arise, then this spending authority simply lapses.

For FY 2026, staff have also adjusted our recommendation for spending authority from SLOF to establish a new line that could help ISAC address some of the uncertainty that is inherently involved in MAP projections and has been greatly exacerbated by federal need analysis updates and the major disruptions surrounding the recent changes to the FAFSA. Predicted and actual demand for the program do not need to deviate much, percentage-wise, for there to be a multi-million dollar difference between predicted and actual demand for MAP: For example, if actual MAP claims are just one percentage point higher than projected, that translates to an additional \$7 million of pressure on the program. Staff would like to establish authority to tap into up to \$3.5 million from SLOF in the event that claims for MAP are higher than expected and the program's appropriation is unable to meet the full demand from the students who actually enroll and claim a grant. While we would not plan to use this line unless needed, it would provide a backup to the inherently difficult modeling of MAP spending. The current working title for the line is "Contingent allocation for student MAP Grants."

A final minor change related to SLOF is a \$3.5 million reduction in the request for authority to return funds to the Illinois Department of Human Services from the Early Childhood Access Consortium for Equity (ECACE) Scholarship. The ECACE Scholarship was begun with federal funds granted to ISAC by the Illinois Department of Human Services; this line ensured that when institutions returned dollars to ISAC, the agency could in turn direct those dollars back to IDHS. Most of this reconciliation should be complete, but staff still recommends requesting authority to return up to \$4.5 million to IDHS if needed.

V. Other State Funds

To administer many of the agency's scholarship, grant, and loan repayment programs, ISAC also requires spending authority from Other State Funds created by the General Assembly to serve special purposes. In some instances, the agency may not need to use the full spending authority (e.g., if the actual amount of cash in a special fund is less than the maximum spending authority, ISAC would only be able to award the actual amount available). Staff is recommending that the Commission seek level spending authority for its Other State Funds appropriations, with the exception of funds derived from lottery sales.

During the spring 2023 legislative session, the General Assembly established two new beneficiaries of scratch-off lottery tickets: United Negro College Fund (UNCF) Illinois and the Illinois DREAM Fund Commission will each receive proceeds to be used for scholarship programs. While these organizations complete the administrative steps required for grantees to receive state dollars, they have not launched. Staff recommends that the Commission request authority to spend up to \$3.5 million for each of these new programs in FY 2026. This is an increase over the FY 2025 authority for these programs (\$2.5 million each), and it is based on staff's current estimates of available funding for the programs. Since neither scholarship program has launched, more dollars are likely to be available for use in FY 2026 than would be available on an ongoing basis.

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 2026 budget requests to the Commission for IDAPP and CI! at the June 2025 Commission Meeting, for consideration prior to the beginning of FY 2026. (Note: The most recent College Illinois! actuarial soundness report indicates that the program is fully funded as of June 30, 2024. Staff therefore does not recommend that the Commission seek supplemental state funding for the Prepaid Tuition Program in FY 2026.)