

AGENDA ITEM 5.

FISCAL YEAR 2018 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: This item presents for the Commission's consideration staff's recommendation for FY2018 appropriated funding.

On April 25, 2016, ISAC received an FY2016 appropriation from the Education Assistance Fund (EAF) sufficient to pay fall 2015 MAP claims. On June 30, 2016, ISAC received an FY2017 appropriation from the Fund for the Advancement of Education (FAE), which could be used to pay FY2016 expenses, and was sufficient to pay the remainder of FY2016 MAP claims. The June 30, 2016, appropriations also provided EAF funding sufficient to partially pay FY2016 expenses for the Grants for Dependents of Police, Fire and Correctional Officers killed or disabled in the line of duty, and the Golden Apple Scholars Program. No other ISAC program was funded in FY2016.

As of this writing, the State is several months into FY2017 with ISAC having no appropriations from State General Funds (the General Revenue Fund (GRF), EAF, or FAE) to pay FY2017 program expenses. Unfortunately, when spending authority will be provided and the level of spending which will ultimately be allowed remains indeterminate. This continues to cause a number of problems. For example, as was the case in FY2016, colleges and universities have been forced to decide whether they can honor fall-term MAP grants—allowing recipients to enroll without yet being assured of reimbursement from the State—in the hope that the final MAP appropriation will be sufficient to at least cover first-term costs. Spring-term registration already began in October at some institutions, and without an idea of final MAP funding, many institutions will be unable to tell students that spring-term MAP grants can be covered. Students historically eligible for other ISAC programs like Minority Teachers of Illinois (MTI) and Grants for Dependents of Police, Fire and Correctional Officers killed or disabled in the line of duty face even more uncertainty.

In addition, the public universities and community colleges have even greater uncertainty surrounding the amount of their State appropriation. It is almost certain that the budgetary uncertainty is having a negative impact on enrollment patterns, and the longer the budget impasse continues, the more severe the impact is likely to be.

The Commission's FY2018 recommendations will be shared with staff at the Illinois Board of Higher Education (IBHE) and Governor's Office of Management and Budget (GOMB) to inform their recommendations, as well, and will be conveyed to the General Assembly. The IBHE board is scheduled to approve its FY2018 Budget Request for Higher Education at its December meeting. The Governor is currently scheduled to present his FY2018 Budget to the General Assembly in mid-February, after which ISAC staff will submit detailed information to legislative staff regarding the agency's budget request.

Action Requested: That the Commission approve an FY2018 budget request totaling \$764.3 million as detailed in Table 1.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2018 APPROPRIATED FUNDS BUDGET**

Introduction

ISAC staff meet 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 funding levels for ISAC for the upcoming fiscal year. The IBHE is scheduled to approve a Fiscal Year 2018 Budget Request for Higher Education, which includes ISAC, at its December meeting, whereas the Governor is scheduled to present his FY2018 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. The legislature is supposed to pass 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, 2017.

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 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 ensure that those various recommendations remain consistent with the Commission's expectations.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY2018 recommended funding request, which staff believes is needed to help reverse negative trends in affordability. In the context of continued state funding pressures, this request may look ambitious. While this level of funding may be unlikely, the request serves an important purpose by conveying, better than a flat or reduced budget would, the needs of Illinois students and borrowers to those who appropriate funding. Furthermore, staff believes that a significant investment in student financial aid would bolster Illinois' economic growth.

By source of funds, this request consists of \$444.3 million in State General Funds (the General Revenue Fund (GRF), the Education Assistance Fund (EAF), and the Fund for the Advancement of Education (FAE)). It also seeks the authority to spend up to \$293.7 million in federal student loan funds, \$15.3 million in federal scholarship and grant funds, \$10.6 million in other state funds, and \$400,000 in other federal funds.

Unless there are significant changes in revenues in the coming months, it will be difficult for the State to find the funding that staff believes is needed to fund ISAC-administered programs at their optimal levels. The State is several months into FY2017 with ISAC having no appropriations from State General Funds to pay FY2017 program expenses, and the level of spending which will ultimately be allowed remains uncertain.

“Stopgap” Funding Measures and ISAC Programs

On April 25, 2016 ISAC received an FY2016 appropriation from EAF sufficient to pay fall 2015 MAP claims. Under the “stopgap” budget approved on June 30, 2016 (PA 99-524), ISAC received an FY2017 appropriation from FAE, which could be used to pay FY2016 expenses and was sufficient to pay the remainder of FY2016 MAP claims. FY2016 expenditures for MAP totaled \$319.8 million, which was \$37.3 million (10.5 percent) less than the \$357.2 million claimed for MAP in FY2015. This reduction in spending does not indicate a commensurate decline in demand for MAP. The announcement of MAP eligibility was suspended as of February 22, 2015, for FY2016. Historically, if claim rates for eligible applicants were lower than projected, the grants for additional eligible applicants would be released and then claims paid. Because of the budget impasse, ISAC did not release additional MAP awards even after it became apparent that the level of awards claimed would be well below the prior year. We did not feel it was appropriate to release additional awards when it was very uncertain whether or not the awards that had already been made would be paid. As a result, the number of suspended eligible applications (161,200) was larger than the number of non-suspended eligible applicants (159,000).

Also, under the “stopgap” budget approved on June 30, FY2017, EAF lump sum dollars were made available that could be used to pay outstanding FY2016 awards under ISAC’s non-MAP programs. The General Assembly’s budget negotiating working group designated \$513,000 from the FY2017 EAF lump sum appropriation to partially pay outstanding FY2016 claims under the Grant Program for the Dependents of Police, Fire, and Correctional Officers killed or disabled in the line of duty. Because there were \$1.087 million in total FY2016 claims for this program, this allocation was sufficient to pay only the fall 2015 term, leaving significant portions of these students’ 2015-16 tuition and fees unpaid.

Although a survey of schools is underway, ISAC doesn’t yet have a comprehensive understanding of how the FY2016 shortfall is being handled by the schools where Dependents’ Grant recipients were enrolled in 2015-16. Staff has learned, however, that a recipient attending a private college has been placed on financial probation and told that he will be unable to enroll in the spring if payments have not caught up. A student who attended a public university reported that the school had claimed his tax refund to help cover the unpaid balance. Representatives of a small number of community colleges have indicated that their schools would also charge students for unpaid grant amounts from FY2016. The largest unpaid claim amount for a single family, from which three children were enrolled simultaneously, totals more than \$27,000.

Finally, under the “stopgap” budget approved on June 30, the negotiating working group designated \$3.2 million from a FY2017 EAF lump sum appropriation for outstanding FY2016 costs for the Golden Apple Scholars Program. State funding was sufficient to pay 2015-16 scholarships and stipends for the Golden Apple Scholars. Because this funding represent half of the FY2015 appropriation for this program, however, FY2016 funding was not sufficient to fully reimburse the Golden Apple Foundation for Excellence in Teaching for its cost of providing Scholars with the crucial mentoring, guidance, and in-service support that will significantly increase the likelihood that they will complete their full teaching commitments and elect to continue teaching in targeted disciplines and hard-to-staff schools.

After MAP, partial funding for the Dependents’ Grant, and funding for Golden Apple at a reduced level, no other ISAC program was funded in FY2016.

Like Golden Apple Scholars, recipients of the Minority Teachers of Illinois (MTI) Program must repay their scholarships if they do not earn a teaching certificate or do not fulfill their commitment to teach in a hard-to-staff school. Lack of funding for FY2016 meant that students who had received scholarships prior to FY2016 will have their previous scholarships convert to loans if they cannot find alternate sources of funding to supplant the scholarships forgone in FY2016.

Impact of FY2017 Uncertainty

The lack of FY2017 appropriations to pay FY2017 claims continues to cause a number of problems. For example, as was the case in FY2016, many colleges and universities have decided to honor fall-term MAP grants to allow recipients to enroll, despite there not yet being an appropriation for MAP, in the hope that the final MAP appropriation will be sufficient to at least cover first-term costs. Spring-term registration began in October at some institutions, but without certainty regarding final MAP funding, many institutions will be unable to tell students that spring-term MAP grants can be covered. Students historically eligible for other ISAC programs like Minority Teachers of Illinois (MTI) and Grants for Dependents of Police, Fire and Correctional Officers killed or disabled in the line of duty continue to face even more uncertainty.

In addition, the public universities and community colleges have even greater uncertainty surrounding the amount of their State appropriation. In the two “stopgap” budgets combined, which funded MAP at 100 percent of its FY2016 claims, public universities and community colleges were only funded at 83 percent and 70 percent, respectively, of their FY2015 funding. It is almost certain that the budgetary uncertainty is having a negative impact on enrollment patterns, and the longer the budget impasse continues, the more catastrophic the impact is likely to be.

The uncertainty surrounding the FY2016 and FY2017 budgets have re-affirmed the need for continuity and predictability in budgeting. This item presents staff’s recommended FY2018 funding priorities to the Commission for approval. The following agenda item presents a FY2018 Appropriated Funds Budget in four separate sections: I) Scholarship and Grant Programs; II) Support for Operations and Outreach; III) Federal Student Loan Fund Program Funds; and IV) Special Purpose State Funds.

**Table 1:
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATE FISCAL YEAR 2018 BUDGET - STAFF RECOMMENDATION**

Line Item <u>STATE GENERAL FUNDS</u>	FY15 Budget Approved	FY15 Budget Revised	FY16 Appropriation	FY17 Commission Request	FY17 Governor's Budget	FY17 Appropriation **	FY18 Budget Recommendation	Difference FY18-FY15	
								Approved Amount	Percent
Monetary Award Program *	\$373,254,500	\$364,856,300	\$169,798,700	\$423,254,500	\$364,856,300	\$151,000,000	\$423,254,500	\$50,000,000	13.4%
Personal Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Social Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Contractual Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Agency Operations Costs - Per Court Order	\$0	\$0	\$7,941,462	\$0	\$0	\$8,242,225	\$0	\$0	0.0%
Agency Operations	\$0	\$0	\$0	\$4,000,000	\$1,000,000	\$0	\$4,000,000	\$4,000,000	100.0%
Statewide Outreach, Training, & Research Activities	\$1,020,700	\$997,700	\$0	\$5,000,000	\$3,200,000	\$0	\$5,000,000	\$3,979,300	389.9%
TOTAL GENERAL REVENUE FUND	\$374,275,200	\$365,854,000	\$177,740,162	\$432,254,500	\$369,056,300	\$159,242,225	\$432,254,500	\$57,979,300	15.5%
Dependents Grants	\$1,050,000	\$1,026,400	\$0	\$1,300,000	\$1,105,200	\$513,000	\$1,300,000	\$250,000	23.8%
Minority Teacher Scholarships	\$2,500,000	\$2,443,800	\$0	\$2,500,000	\$1,900,000	\$0	\$2,500,000	\$0	0.0%
Teacher Loan Forgiveness Program	\$500,000	\$488,800	\$0	\$975,000	\$496,400	\$0	\$975,000	\$475,000	95.0%
Golden Apple Scholars Of Illinois (Beginning FY13)	\$6,647,600	\$6,498,000	\$0	\$6,647,600	\$3,323,800	\$3,249,000	\$6,647,600	\$0	0.0%
Illinois Future Teachers Corps Scholarships	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Nurse Educator Loan Repayment Program	\$300,000	\$293,300	\$0	\$505,000	\$293,300	\$0	\$505,000	\$205,000	68.3%
Veterans' Home Medical Providers' Loan Repayment	\$30,000	\$29,300	\$0	\$75,000	\$25,000	\$0	\$75,000	\$45,000	150.0%
Illinois Scholars Program	\$40,000	\$39,100	\$0	\$0	\$0	\$0	\$0	(\$40,000)	0.0%
National Guard Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois Veteran Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois Incentive for Access Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Merit Recognition Scholarship	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois State Scholars	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Nurse Educator Scholarships	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Forensic Science Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Teach Illinois Scholarship Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Public Interest Attorney Loan Repayment Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Child Welfare Student Loan Forgiveness Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Community College Transfer Grant Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Grant for a Person Raised by a Grandparent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
SIU Achieve Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Grant Program for Medical Assistants in Training	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Grant Program for Exonerees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
TOTAL EDUCATIONAL ASSISTANCE FUND	\$11,067,600	\$10,818,700	\$0	\$12,002,600	\$7,143,700	\$3,762,000	\$12,002,600	\$935,000	8.4%
TOTAL STATE GENERAL FUNDS	\$385,342,800	\$376,672,700	\$177,740,162	\$444,257,100	\$376,200,000	\$163,004,225	\$444,257,100	\$58,914,300	15.3%

* Allows for up to two percent of MAP appropriation to be used for agency operations.

** FY17 appropriations from State General Funds were used to pay FY16 expenses.

**Table 1 (continued):
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATE FISCAL YEAR 2018 BUDGET - STAFF RECOMMENDATION**

Line Item	FY15 Budget Approved	FY15 Budget Revised	FY16 Appropriation	FY17	FY17	FY17	FY18 Budget Recommendation	Difference FY18-FY15	
				Commission Request	Governor's Budget	Appropriation		Approved Amount	Percent
FEDERAL FUNDS									
STUDENT LOAN OPERATING FUND									
Personal Services	\$17,208,900	\$17,208,900	\$17,208,900	\$17,208,900	\$15,538,600	\$15,538,600	\$15,538,600	(\$1,670,300)	-9.7%
Retirement	\$7,059,100	\$7,059,100	\$7,765,100	\$7,765,100	\$7,085,600	\$7,085,600	\$8,392,900	\$1,333,800	18.9%
Social Security	\$1,316,600	\$1,316,600	\$1,316,600	\$1,316,600	\$1,181,000	\$1,181,000	\$1,181,000	(\$135,600)	-10.3%
Group Insurance	\$7,000,000	\$7,000,000	\$7,700,000	\$7,700,000	\$6,240,000	\$6,240,000	\$6,240,000	(\$760,000)	-10.9%
Contractual Services	\$12,630,700	\$12,630,700	\$12,630,700	\$12,630,700	\$12,630,700	\$12,630,700	\$12,630,700	\$0	0.0%
Contractual - Collection Agency Fees	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$13,000,000	(\$2,000,000)	-13.3%
Travel	\$311,000	\$311,000	\$311,000	\$311,000	\$311,000	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$282,200	\$282,200	\$282,200	\$282,200	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$501,000	\$501,000	\$501,000	\$501,000	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$540,000	\$540,000	\$540,000	\$540,000	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,897,900	\$1,897,900	\$1,897,900	\$1,897,900	\$1,897,900	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$38,400	\$38,400	\$38,400	\$38,400	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$3,500,000	\$3,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	(\$1,000,000)	-28.6%
SLOF Payment to IDAPP	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	100.0%
TOTAL	\$67,285,800	\$67,285,800	\$67,691,800	\$68,691,800	\$64,746,400	\$64,746,400	\$64,053,700	-\$3,232,100	-4.8%
FEDERAL STUDENT LOAN FUND									
Loan Guarantee Program	\$290,000,000	\$290,000,000	\$261,000,000	\$260,000,000	\$260,000,000	\$260,000,000	\$230,000,000	(\$60,000,000)	-20.7%
TOTAL	\$290,000,000	\$290,000,000	\$261,000,000	\$260,000,000	\$260,000,000	\$260,000,000	\$230,000,000	-\$60,000,000	-20.7%
FEDERAL SCHOLARSHIPS AND GRANTS									
Federal Grant Funding	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$300,000	(\$200,000)	-40.0%
Federal LEAP/SLEAP - Monetary Award Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Transfer to ED -Paul Douglas Funds Collected	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$0	0.0%
Federal Robert C. Byrd Fellowships	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
TOTAL	\$15,900,000	\$15,900,000	\$15,900,000	\$15,900,000	\$15,900,000	\$15,900,000	\$15,700,000	-\$200,000	-1.3%
TOTAL FEDERAL FUNDS	\$373,185,800	\$373,185,800	\$344,591,800	\$344,591,800	\$340,646,400	\$340,646,400	\$309,753,700	-\$63,432,100	-17.0%
OTHER STATE FUNDS									
ISAC Accounts Receivables	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$0	0.0%
Higher Education License Plate Program	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$0	0.0%
Optometric Education Scholarship Program	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$0	0.0%
IVG- National Guard Grant Fund	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$0	0.0%
Golden Apple Scholars of Illinois Fund	\$140,000	\$140,000	\$225,000	\$270,000	\$225,000	\$312,600	\$100,000	(\$40,000)	-28.6%
Contracts and Grants Fund	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$0	0.0%
TOTAL OTHER STATE FUNDS	\$10,620,000	\$10,620,000	\$10,705,000	\$10,750,000	\$10,705,000	\$10,792,600	\$10,580,000	-\$40,000	-0.4%
TOTAL - APPROPRIATED FUNDS	\$769,148,600	\$760,478,500	\$533,036,962	\$799,598,900	\$727,551,400	\$514,443,225	\$764,590,800	-\$4,557,800	-0.6%
NON APPROPRIATED FUNDS									
College Illinois! Operations	\$11,225,600	\$11,225,600	\$11,365,500	NA	NA	\$11,509,700	TBD	TBD	TBD
IDAPP Operations	\$1,547,000	\$1,547,000	\$1,440,000	NA	NA	\$1,041,000	TBD	TBD	TBD

I. Scholarship and Grant Programs

As shown in Table 1, the number of scholarship and grant programs funded by Congress and the Illinois General Assembly has continued to diminish. The only remaining federal program for which staff is recommending seeking authority is the John R. Justice Loan Repayment program for public interest attorneys. Staff is recommending that the Commission seek \$300,000 in spending authority for this program in FY2018, which represents a decrease of \$200,000 (40 percent) from the level of spending authority approved for FY2017. Federal funding for the program has decreased significantly since the program was established.

Although a number of State programs, which historically fulfilled an important need, also remain unfunded, staff is recommending that the FY2018 budget request only seek funding for State programs that were funded in FY2015.

The budget recommended in this item provides \$423.3 million for MAP in FY2017, an increase of \$50 million (13.4 percent) over the original FY2015 appropriation. In FY2015, the average MAP grant covered about one half of tuition and fee costs at community colleges and about one-third of tuition and fee costs at public universities. About 45 percent of eligible FY2015 MAP applicants had their applications held in suspended status due to lack of funding. These trends simply do not represent the commitment needed if Illinois is to meet the goal of having 60 percent of its adult population earning a high-quality postsecondary certificate or degree by 2025.

Between FY2015 and FY2017, tuition and fees at Illinois public institutions increased by 10.2 percent. If tuition and fees increase by 2.9 percent between FY2017 and FY2018, the 13.4 percent increase in MAP being recommended by staff will mirror the increase in tuition and fees between FY2015 and FY2018.

The recommended budget also provides a \$250,000 (23.8 percent) increase in funding for the Grant Programs for Dependents of Fire, Police, or Correctional Officers killed or disabled in the line of duty. An increase is necessary in these programs to meet anticipated increases in tuition and fee costs, with which the program was not able to keep pace in FY2015. As a result of the FY2015 shortfall, for the summer term, just 55% of the costs were covered and the remainder was left for recipients to pay. It is projected that the recommended increase will fund the grants for the full year even with the compounding increase in tuition and fees between FY2015 and FY2018.

Finally, staff is recommending increases in a number of the Loan Forgiveness Programs that ISAC administers. Postsecondary graduates, on the whole, are experiencing unprecedented levels of student loan debt, and a number of economists continue to express concern that this debt is postponing graduates' 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 these programs. These applicants have already graduated, and in that respect, can no longer move Illinois closer to its goal of "60 percent by 2025." However, recipients of the Teacher Loan Forgiveness Program can help to increase the number of high school graduates and reduce disparities in educational attainment. Nurse Educator Loan Repayment Program recipients are directly increasing the number of Illinois citizens receiving certified training as nurses. Stakeholders affirm that shortages of qualified applicants remain in all of the fields associated with state-funded, ISAC-administered loan repayment programs: teachers for hard-to-staff schools, nurse educators, and veterans' home medical providers.

This recommended request includes an increase from \$30,000 in the Governor's FY2015 approved budget to \$75,000 in FY2018 for the Veterans' Home Medical Provider Loan Repayment Program. The program was expanded by PA 099-0813 at the request of the Illinois Department of Veterans' Affairs (IDVA), and it now includes physicians and other medical personnel in addition to nurses.

Staff is recommending that the Commission request funding equal to the FY2015 approved budget for MTI and the Golden Apple Scholars Program. 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 three fiscal years and has not covered all claims since FY2001. (The General Assembly did appropriate nearly \$1.3 million to the Illinois Community College Board in FY2015 to partially reimburse nineteen specific community colleges.) 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 administrative responsibility for processing applications, determining eligibility, and tracking entitlement units for both IVG and ING.

II. Support for Operations and Outreach

Between FY2006 and FY2014, 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. As noted in previous budget submissions, ISAC's student loan operations remain self-sustaining, but they cannot continue to fully fund the rest of the agency's core operations. State funding will be needed each year to maintain non-loan services. In FY2015, ISAC used two percent of the MAP appropriation for operations as provided for in the appropriation, and spending from GRF for operations (totaling about \$6.0 million) continued in FY2016 under a court order that directed agencies to continue paying salary and benefits. Given the decline in SLOF revenues, staff expects that two percent of MAP will continue to be needed to support agency operations in FY2017.

In addition to this authority in the MAP budget line, staff also recommends that the Commission request an additional \$4 million in General Funds support for operations as a separate line item in FY2018. 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 over several years to ensure overall statutory eligibility limits are enforced; handling appeals; auditing schools for compliance with program laws and regulations; 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.

In FY2015, ISAC also received about a \$1.0 million appropriation for Outreach, Training, and Research activities. ISAC was asked to reserve approximately half of this appropriation in January of 2015 by the Governor's Office of Management and Budget (GOMB), a request with which ISAC was able to comply because of higher-than-projected FY2015 Federal Family Education Loan (FFEL) Program revenue. With FFEL revenue projected to decline this year, staff is recommending that the Commission request a \$5 million lump sum for Outreach, Training, and Research activities - an amount that will ensure that ISAC can maintain

an effective and truly statewide presence for its ISACorps and maintain its other current outreach, research, and training activities.

ISAC works towards its mission of college access and affordability for Illinoisans by providing 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 outreach and training programs. The agency 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. The ISACorps provides free support services to tens of thousands of students each year across the state.
- ISAC trains high school and college personnel, as well as other professionals who work with students, on how to administer state and federal programs to ensure program integrity and to direct aid where it is most needed.
- ISAC's Division of Research, Planning, and Policy Analysis collects, analyzes, and publishes program data; researches policies and practices in other states; monitors federal changes in law and regulation; evaluates the projected impact of proposed policy changes on low-income students and their success, and more. The division's research and analysis helps to inform policy decisions, avoid negative unintended consequences from policy changes, and better evaluate what programs and investments offer the best results for each taxpayer dollar.

With the wind-down of the FFEL Program, the agency's loan business will clearly be unable to subsidize these outreach activities, research, or phone and web-based student and family support at the level it has in years past. Likewise, the agency will no longer be able to generate enough FFEL revenue to pay for all direct and indirect costs of 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 in the future. Again, the Operations and Outreach lines do not represent new initiatives; however, they do represent a shift of funding from other funds into State General Funds.

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

Beyond the \$63.7 million being requested in spending authority from SLOF for operating expenses, ISAC needs further 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 one 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 FY2018 totals \$230 million, which represents a \$30 million (11.5 percent) decrease from the spending level sought and provided in FY2017 and a \$60 million (20.7 percent) decrease compared to FY2015.

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

IV. Other State Funds

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

V. Non-Appropriated Funds

ISAC is also responsible for two non-appropriated functions, the Illinois Designated Account Purchase Program (IDAPP) and the College Illinois! Prepaid Tuition Program (CI!). By statute, specific spending authority is not required annually for these two ventures. This flexibility was intended to allow these two programs additional flexibility to react to potentially volatile markets. Staff will be providing specific FY2018 budget requests to the Commission for IDAPP and CI! at the June 2017 Commission Meeting, for consideration prior to the beginning of FY2017.