

## AGENDA ITEM 6.

### FISCAL YEAR 2020 APPROPRIATED FUNDS BUDGET

**Submitted for:** Action

**Summary:** This item presents staff's recommendation for FY 2020 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 2020 Budget Request for Higher Education at its December 4<sup>th</sup> meeting. The recommendation for ISAC included in the IBHE budget will likely differ somewhat from the ISAC recommendation presented here.

The Governor is currently scheduled to present his FY 2020 proposed budget to the General Assembly in mid-February, after which ISAC will submit detailed information to legislative staff regarding the agency's budget request and the impact of the Governor's recommended budget for ISAC programs and operations.

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

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

In summary, the FY 2020 appropriated funds budget recommended by staff for approval by the Commission totals \$822.3 million, which represents a \$97.2 million increase (13.4 percent) compared to FY 2019. In this budget, State General Funds would increase by \$107.5 million (24.5 percent), spending authority from federal funds would decrease by \$10.3 million (-3.7 percent), and spending authority from other state funds would remain level when compared to FY 2019.

**Action Requested:** That the Commission approve an FY 2020 budget request totaling \$822.3 million as detailed in Table 1.

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FISCAL YEAR 2020 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 2020 Budget Request for Higher Education, which includes ISAC, at its December 4<sup>th</sup> meeting, whereas the Governor is scheduled to present his FY2020 proposed budget to the General Assembly in mid-February. In the days immediately following the Governor's budget address, ISAC staff will complete and file the agency's Illinois State Legislature (ISL) Submission to provide the General Assembly with detailed information about these requests. Typically, the legislature passes a budget before adjourning at the end of May, allowing time for the Governor's consideration before the new State fiscal year begins July 1.

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

By source of funds, this request consists of \$547.2 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 \$251.1 million in federal student loan funds, \$13.3 million in federal scholarship and grant funds, \$10.6 million in other state funds, and \$100,000 in other federal funds.

On June 4, 2018, Public Act 100-586, which appropriated funding for FY 2019, was enacted. The enacted State FY 2019 budget benefited from the additional tax revenue which resulted from PA 100-22 passed in July of 2017. Although the additional revenue helped the State pass a budget before the beginning of the fiscal year, a number of budget experts still assert that appropriations exceed projected revenues by more than a billion dollars for FY 2019. In mid-August 2018, a state filing for bond buyers indicated that without one-time sources of revenue such as the sale of the Thompson Center, future Illinois General Funds budgets could be \$1.2 billion out of balance with expected spending exceeding expected revenue. Also in late October 2018, the backlog of past due bills unpaid by the State was estimated at approximately \$7 billion. In other words, despite additional borrowing and the additional revenue expected as a result of PA 100-22, FY 2020 will likely be yet another difficult budget year even if Illinois' economic condition remains relatively stable.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY2020 recommended funding request, which staff believes is needed to help reverse negative trends in affordability. In the context of continued state funding pressures, the request is ambitious. While this level of funding may be unlikely, the request serves an important purpose by conveying 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' long-term economic growth.

**Table 1:  
Illinois Student Assistance Commission  
State Fiscal Year 2020 Budget - Staff Recommendation**

Line Item	FY 2018	FY 2018	FY 2019	FY 2020 Budget	Difference	
	Appropriation PA100-21	Expenditures *	Appropriation PA 100-586	Request Staff Recommendation	FY20 Recommendation-FY19 Amount	Percent
<b>STATE GENERAL FUNDS</b>						
Monetary Award Program	\$401,341,900	\$397,415,400	\$401,341,900	\$501,341,900	\$100,000,000	24.9%
Teacher Loan Forgiveness Program	\$439,900	\$439,800	\$439,900	\$975,000	\$535,100	121.6%
Minority Teacher Scholarships	\$1,900,000	\$889,500	\$1,900,000	\$2,500,000	\$600,000	31.6%
Illinois Future Teachers Corps Scholarships (IFTC)	\$0	\$0	\$0	\$0	\$0	0.0%
Golden Apple Scholars Of Illinois (Beginning FY 13)	\$6,498,000	\$6,494,300	\$6,498,800	\$6,498,800	\$0	0.0%
Dependents Grants	\$1,192,100	\$947,500	\$1,237,400	\$1,300,000	\$62,600	5.1%
Nurse Educator Loan Repayment Program	\$264,000	\$264,000	\$264,000	\$505,000	\$241,000	91.3%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,100	\$26,400	\$125,000	\$98,600	373.5%
AIM HIGH Grant Pilot Program	\$0	\$0	\$25,000,000	\$25,000,000	\$0	0.0%
Illinois Scholars Program	\$35,200	\$0	\$0	\$0	\$0	0.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	\$0	0.0%
Child Welfare Student Loan Forgiveness Program	\$0	\$0	\$0	\$0	\$0	0.0%
Community College Transfer Grant Program	\$0	\$0	\$0	\$0	\$0	0.0%
Forensic Science Grants	\$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 Exonerates	\$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%
Nurse Educator Scholarships	\$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%
Teach Illinois Scholarship 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	\$0	\$0	\$2,000,000	\$4,000,000	\$2,000,000	100.0%
Statewide Outreach, Training & Research Activities	\$997,700	\$995,600	\$997,700	\$5,000,000	\$4,002,300	401.2%
<b>TOTAL STATE GENERAL FUNDS</b>	<b>\$412,695,200</b>	<b>\$407,472,200</b>	<b>\$439,706,100</b>	<b>\$547,245,700</b>	<b>\$107,539,600</b>	<b>24.5%</b>

\* Expenditures Rounded to nearest \$100

**Table 1: (Continued)**  
**Illinois Student Assistance Commission**  
**State Fiscal Year 2020 Budget - Staff Recommendation**

Line Item	FY 2018 Appropriation PA100-21	FY 2018 Expenditures *	FY 2019 Appropriation PA 100-586	FY 2020 Budget Request Staff Recommendation	Difference FY20 Recommendation-FY19 Amount	Percent
<b>FEDERAL FUNDS</b>						
<b>STUDENT LOAN OPERATING FUND</b>						
Personal Services	\$15,538,600	\$7,175,400	\$15,538,600	\$15,538,600	\$0	0.0%
Retirement	\$8,392,900	\$3,368,900	\$8,392,900	\$8,392,900	\$0	0.0%
Social Security	\$1,181,000	\$521,700	\$1,181,000	\$1,181,000	\$0	0.0%
Group Insurance	\$6,240,000	\$1,938,700	\$6,240,000	\$6,240,000	\$0	0.0%
Contractual Services	\$12,630,700	\$7,805,600	\$12,630,700	\$12,630,700	\$0	0.0%
Contractual - Collection Agency Fees	\$13,000,000	\$5,678,800	\$10,000,000	\$10,000,000	\$0	0.0%
Travel	\$311,000	\$114,800	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$43,900	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$41,100	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$104,100	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,897,900	\$291,100	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$3,000	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$2,500,000	\$0	\$2,500,000	\$2,500,000	\$0	0.0%
Default Fees	\$0	\$0	\$0	\$0	\$0	0.0%
Transfer to IDAPP	\$1,000,000	\$13,400	\$1,000,000	\$1,000,000	\$0	0.0%
<b>TOTAL</b>	<b>\$64,053,700</b>	<b>\$27,100,500</b>	<b>\$61,053,700</b>	<b>\$61,053,700</b>	<b>\$0</b>	<b>0.0%</b>
<b>FEDERAL STUDENT LOAN FUND</b>						
Loan Guarantee Program	\$230,000,000	\$131,243,200	\$200,000,000	\$190,000,000	-\$10,000,000	-5.0%
<b>TOTAL</b>	<b>\$230,000,000</b>	<b>\$131,243,200</b>	<b>\$200,000,000</b>	<b>\$190,000,000</b>	<b>-\$10,000,000</b>	<b>-5.0%</b>
<b>FEDERAL SCHOLARSHIPS AND GRANTS</b>						
Federal Grant Program	\$13,000,000	\$1,418,600	\$13,000,000	\$13,000,000	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$300,000	\$56,900	\$300,000	\$300,000	\$0	0.0%
Federal LEAP/SLEAP - Monetary Award Program	\$0	\$0	\$0	\$0	\$0	0.0%
Transfer to ED -Paul Douglas Funds Collected	\$400,000	\$300	\$400,000	\$100,000	-\$300,000	-75.0%
Federal Robert C. Byrd Fellowships	\$0	\$0	\$0	\$0	\$0	0.0%
<b>TOTAL</b>	<b>\$13,700,000</b>	<b>\$1,475,800</b>	<b>\$13,700,000</b>	<b>\$13,400,000</b>	<b>-\$300,000</b>	<b>-2.2%</b>
<b>TOTAL FEDERAL FUNDS</b>	<b>\$307,753,700</b>	<b>\$159,819,500</b>	<b>\$274,753,700</b>	<b>\$264,453,700</b>	<b>-\$10,300,000</b>	<b>-3.7%</b>
<b>OTHER STATE FUNDS</b>						
ISAC Accounts Receivables	\$300,000	\$156,300	\$300,000	\$300,000	\$0	0.0%
Higher Education License Plate Program	\$110,000	\$96,700	\$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	\$68,000	\$100,000	\$100,000	\$0	0.0%
Contracts and Grants Fund	\$10,000,000	\$19,200	\$10,000,000	\$10,000,000	\$0	0.0%
<b>TOTAL OTHER STATE FUNDS</b>	<b>\$10,580,000</b>	<b>\$390,200</b>	<b>\$10,580,000</b>	<b>\$10,580,000</b>	<b>\$0</b>	<b>0.0%</b>
<b>GRAND TOTAL</b>	<b>\$731,028,900</b>	<b>\$567,681,900</b>	<b>\$725,039,800</b>	<b>\$822,279,400</b>	<b>\$97,239,600</b>	<b>13.4%</b>

\* Expenditures Rounded to nearest \$100

## **I. Scholarship and Grant Programs**

The majority of the scholarship and grant programs that ISAC administers are subject to the appropriation of funds by the General Assembly and Governor. In fact, as shown in Table 1, the number of State scholarship and grant programs that exist in statute but lack funding in FY 2019 exceeds the number of these programs funded in FY 2019. 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 2020 budget request only seek funding for State programs that were funded in FY 2019.

The budget recommended in this item provides \$501.3 million for MAP in FY 2020, an increase of \$100 million (24.9 percent) over the FY 2019 appropriation. At best, in FY 2018, the maximum available MAP grant covered nearly two-thirds of tuition and fee costs at community colleges and nearly one-third of tuition and fee costs at public universities. Notably, however, coverage by the highest possible MAP grant does not apply to all community college students because 80 percent of federal Pell Grant eligibility is considered a resource in the MAP formula, which results in eligibility amounts for many community college students being lower than the FY 2010 tuition and fees used in the formula. About 32 percent of eligible FY 2017 MAP applicants had their applications held in suspended status due to lack of funding. Between FY 2017 and FY 2018, a MAP funding increase of \$36.5 million (10.0 percent) to \$401.3 million did allow improvements in affordability, but funding remained flat from FY2018 to FY2019. Unfortunately, enrollment-weighted mean tuition and fees at public institutions increased by nearly three percent between FY 2018 and FY 2019, partially offsetting those affordability gains. If state policy makers want to continue to invest in the education of Illinoisans and make meaningful progress towards giving them a better chance of obtaining a quality postsecondary degree or certificate without incurring unmanageable levels of debt, continued increases in MAP funding will be needed.

The recommended budget also provides a \$62,600 (5.1 percent) increase in funding over FY 2019 for the Grant Programs for Dependents of Fire, Police, or Correctional Officers killed or disabled in the line of duty. An increase is projected to be necessary in these programs to meet anticipated increases in tuition and fee costs. Also, although FY 2018 funding was ultimately sufficient to pay all claims, the number of students paid in FY 2018 was about 16 percent lower than those who received funding for FY 2015 before the two-year budget impasse. ISAC staff believes that the dramatic decrease in the number paid in FY 2017 and FY2018 may have resulted from the delay in FY 2016 payments caused by the budget impasse. Staff expects the number of dependents enrolled in FY 2019 and FY 2020 to approach the number of recipients in years prior to the impasse, particularly given the General Assembly's recent expansion of program eligibility to include students who joined a disabled officer's family through birth, adoption, or guardianship after the disability occurred. Given the likelihood of increased demand and higher tuition and fees, staff is recommending the 5.1 percent increase to avoid pro-rating claims in FY 2020.

Staff is also recommending a \$600,000 (31.6%) increase for the Minority Teachers of Illinois (MTI) Program to \$2.5 million, the level MTI was funded in FY2015 and the level that

was requested by the Commission for FY 2019. For a number of years, application volume would not have exhausted this level of investment. However, ISAC projects that the entire \$1.9 million appropriated in FY 2019 will be used and application volume will continue to grow in FY2020. In September 2018, the Illinois State Board of Education (ISBE) published Teach Illinois: Strong Teachers, Strong Class Rooms – Policy Solutions to Alleviate Teacher Shortages in Illinois. This Report noted that in Illinois, “Between 2010 and 2016, the number of candidates enrolling in and completing teacher preparation programs decreased by 53 percentage points.” It also stated that in Illinois “The diversity of the teaching pool also is cause for concern. The Illinois student population has become increasingly diverse while the teaching corps remains predominately white and female. Over the last ten years, the percentage of students of color in Illinois increased from 46 percent to 52 percent while the percentage of teachers of color remained static at around 15 percent. The challenge is reflected in college of education enrollment trends. In the 2015-16 school year, 72 percent of all teacher candidates in Illinois identified as white. The state must be attentive to these trends, as a growing body of research shows that students, especially students of color, benefit greatly from a diverse teacher workforce.”

Finally, staff is recommending additional funding for several loan forgiveness programs, which would allow the agency to increase the number of borrowers served through those programs. 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 of \$98,600 (373.5 percent) from the \$26,400 FY 2019 appropriation to \$125,000 in FY2020 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 FY 2019 appropriation for the AIM HIGH Grant Pilot Program 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 seven fiscal years and has not covered all claims since FY2001. (The General Assembly has appropriated funds to the Illinois Community College Board in several recent years to partially reimburse specific community colleges. In FY 2019, this included nearly \$4.3 million for 39 community colleges and systems.) Any IVG or ING costs that are not reimbursed by the State are absorbed or offset by the public institutions. Officials at public institutions often cite inadequate IVG and ING reimbursement as one factor among many driving tuition and fee increases, although the impact varies significantly from school to school. Regardless of funding levels, ISAC retains responsibility for processing applications, determining eligibility, and tracking entitlement units for both IVG and ING.

## **II. Support for Operations and Outreach**

Between FY 2006 and FY 2014, the operations of all ISAC programs, including MAP, were paid for with revenues from ISAC's Student Loan Operating Fund (SLOF), saving the state well over \$150 million in that time. Unfortunately, SLOF revenues come from a discontinued federal student loan program that is now in decline, with no new loans made since 2010. The discontinuation of the program has resulted in reductions in federal payments to the program's guaranty agencies like ISAC, along with other external factors negatively affecting revenues. 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 FY 2018, ISAC used nearly \$4.3 million (1.1 percent) from the MAP appropriation to pay salaries and benefits. Presently, ISAC anticipates using the available two percent of MAP for FY 2019 operations, and, without an increase in state funding for operations, we expect that two percent of MAP will continue to be needed to support agency operations in FY 2020.

In addition to this authority in the MAP budget line, staff also recommends that the Commission request \$4 million in General Funds support for operations in FY 2020. ISAC's FY 2019 appropriated budget included a separate line item of \$2 million from GRF for this purpose. Having this separate appropriation for operations helps ensure that the agency is able to continue appropriately administering scholarships and grants, but as the FFEL Program continues to wind down, staff estimates that \$4 million will be needed in FY 2020. Beyond simply approving payments, these functions include developing administrative rules and procedures; determining eligibility for programs, including tracking use of programs longitudinally to ensure overall statutory eligibility limits are enforced; handling appeals; auditing schools for compliance with program laws and regulations; responding to requests for information from the Governor's Office and General Assembly; ensuring compliance with the Grant Accountability and Transparency Act; maintaining security for records that contain millions of pieces of sensitive personal identifying information, and more. Each of these components helps to ensure the integrity of the state's scholarship and grant programs, protecting taxpayers' dollars while ensuring access for students and borrowers who qualify.

The General Assembly also chose to provide State General Funds for ISAC's Outreach, Research, and Training activities beginning in FY 2015, and just under \$1 million was



appropriated for the line in FY 2018 and FY 2019. 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 and families each year across the state.
- ISAC trains high school and college personnel, as well as other professionals who work with students, on how to administer state and federal programs to ensure program integrity 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 continued wind-down of the FFEL Program, the agency's loan business will clearly be unable to subsidize these outreach activities, research, or phone and web-based student and family support at the level it has in years past. Likewise, the agency will no longer be able to generate enough FFEL revenue to pay for all direct and indirect costs of agency operations, the majority of which are employee-related costs. In order to maintain these services to students, schools, and families in the future, State General Funds will be required. Again, the Operations

and Outreach lines do not represent new initiatives, but represent a shift in funding sources from other funds to State General Funds.

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

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

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

The spending authority presented in the budget for programmatic purposes from FSLF and SLOF for FY 2020 totals \$190 million, which represents a \$10 million (5.0 percent) decrease from the spending level sought and provided in FY 2019 and a \$100 million (34.5 percent) decrease compared to FY 2015.

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

### **IV. Other State Funds**

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

### **V. Non-Appropriated Funds**

ISAC is also responsible for two non-appropriated functions, the Illinois Designated Account Purchase Program (IDAPP) and the College Illinois!® Prepaid Tuition Program (CI!). By statute, specific spending authority is not required annually for these two ventures. This flexibility was intended to allow these two programs additional flexibility to react to potentially volatile markets. Staff will be providing specific FY 2020 budget requests to the Commission for IDAPP and CI! at the June 2019 Commission Meeting, for consideration prior to the beginning of FY 2020.