

AGENDA ITEM 4.
(Revised)
**APPROVAL OF FY2010 BUDGET SPENDING PRIORITIES
FOR ISAC-ADMINISTERED GIFT ASSISTANCE PROGRAMS**

Submitted for: Action

Summary: The General Assembly adjourned in the early morning of June 1st, but legislative leaders and the Governor continue to negotiate spending cuts and potential tax increases or expansions. Legislators may yet return to Springfield to consider a new spending plan for Fiscal Year 2010.

Notably, both chambers did approve a budget, although it has not been sent to the Governor for action and therefore is not yet law. One component of this budget, Senate Bill 1197, would provide each state agency with a lump sum worth just 50% of the Governor's recommended FY2010 funding.

For ISAC, approval of SB 1197 would cut our appropriation from \$440 million to about \$220 million for Fiscal Year 2010 (academic year 2009-10), to be distributed as the Commission deems appropriate among all of the student financial assistance programs that ISAC administers. In addition, ISAC was asked to submit a plan to manage an additional reserve of 25% of our general funds appropriation (given the 50% reduction in funds). Under this plan, the \$220 million in funding approved by the General Assembly for our gift assistance programs would be reduced to \$165 million.

In the event ISAC's appropriation is reduced to \$165 million, staff is recommending \$161.9 million be applied to the Monetary Award Program (MAP), \$4.5 million be used for the Silas Purnell Illinois Incentive for Access (IIA) Program, \$750,000 go to fully fund the dependent grants programs to as required by state statute, and \$1.6 million to the Golden Apple Scholars of Illinois program. No other scholarship, grant, or loan repayment/forgiveness programs administered by ISAC would be paid from the State's general funds for the entire 2010 fiscal year.

On the other hand, if ISAC's FY2010 appropriation is \$220 million, funds will be allocated as allowed by state statute and administrative rules for the need-based, service, teacher/specialty, and matching grant programs.

Action requested: That the Commission approve the funding priorities as stated below:

In the event ISAC's FY2010 appropriation is reduced to \$165 million, ISAC-administered gift assistance programs will be funded as follows:

- \$161.9 million will be applied to Monetary Award Program to fund awards as approved in the FY2010 MAP Recompute Agenda Item. (Includes \$3.7 million from federal LEAP funds.
- \$4.5 million will be used to fund fall term only awards for the Silas Purnell Illinois Incentive for Access Program.

- \$750,000 will provide awards for the dependent grants programs, as required by state statute.
- The Golden Apple Scholars of Illinois program would be funded at \$1.6 million.
- No other scholarships, grants, or loan repayment/forgiveness programs administered by ISAC would be funded for the entire 2010 fiscal year.

In the event ISAC's FY2010 appropriation is \$220 million or some other specified amount, funds will be allocated as allowed by state statute and administrative rules for the need-based, service, teacher/specialty, and matching grant programs.

ILLINOIS STUDENT ASSISTANCE COMMISSION

**APPROVAL OF FY2010 BUDGET SPENDING PRIORITIES FOR ISAC-
ADMINISTERED GIFT ASSISTANCE PROGRAMS**

Legislative leaders and the Governor continue to negotiate spending cuts and potential tax increases or expansions. At the time this Agenda Item was written, legislators are scheduled to return to Springfield to consider a new spending plan for Fiscal Year 2010.

The FY2010 budget as it currently stands is contained in six bills that the General Assembly has approved but, as of this writing, has not sent to the Governor for consideration. These bills are not yet law. For the Commission, the measure demanding the most attention is Senate Bill (SB) 1197, which contains what has been referred to as a “50% budget” for state agencies. The bill provides each agency with a lump sum worth just half of the Governor’s recommended FY2010 funding.

While the ISAC hopes a common-sense budget that is fair to the taxpayers and provides Illinois with vital education funding will still come about, ISAC must plan on operating with reduced appropriations resulting in drastic cuts in needed programs.

Impact on ISAC-Administered Gift Assistance Programs

For ISAC, approval of SB 1197 would cut our appropriation from \$440 million to about \$220 million for the 2009-10 academic year. The funds are to be distributed as the Commission deems appropriate among all of the student financial assistance programs that ISAC administers. For the fall term alone, claims for grant assistance through the Monetary Award Program (MAP) are expected to total \$194 million.

Also, at the request of the Governor’s office, ISAC has submitted a plan to manage an additional reserve of 25% of our general funds appropriation (given the 50% reduction in funds). Under this plan, the \$220 million in funding approved by the General Assembly for our gift assistance programs would be reduced to \$165 million.

Priority of Need-Based Aid

The State of Illinois has a long history of supporting need-based student aid and hundreds of thousands of students rely on this assistance to be able to afford to go to college. The Monetary Award Program (MAP) is the state’s large need-based grant program. About half the recipients come from families with no resources to pay for college. This year, demand for MAP is at a record level with MAP-eligible applications up 28 percent resulting in the earliest award suspension date in history (May 15th). This means 100,000 students would miss out on need-based financial aid even with a budget funded at last year’s levels. With these cuts, an additional 8,000 students will not receive their grants.

Impact of Reduction to \$165 Million

Assuming ISAC receives \$165 million, it is the staff recommendation that \$161.9 million be applied to MAP in order to maintain the priority of need-based aid. The \$161.9 would include \$3.7 million from the Federal Leveraging Education Assistance Program (LEAP/SLEAP) matching funds program for MAP. Putting nearly all the lump sum funds into this program would only provide coverage for 19% of the average tuition and fees at a public university, and many students will still be forced to procure additional loans in order to cover the remaining costs. Most MAP recipients attending public universities and private institutions already have a maximum federal Stafford subsidized loan. PLUS loans are usually not an option for these

students so the only recourse is higher-interest, non-subsidized private/alternative loans that are increasingly difficult to obtain in today's tight credit market. If these loans are available, the cumulative increase in borrowing for Illinois students could be around \$200 million. If these loans cannot be found, many students will drop out of college. Many of these drop-outs would also be receiving federal Pell Grants. Each drop-out costs the state about \$5,350 in Pell funds; the cumulative damage could be as high as \$200 million.

With the reduced funding, ISAC could lose federal (LEAP/SLEAP) funds of about \$4 million in future years. The State may also lose Temporary Assistance for Needy Families (TANF) matching funds – up to \$50 million. These funds come from a match to MAP funds going to independent students with dependents. To the extent that these students do not return to school, we will lose the 1:1 matching dollars.

Continuing with the priority of need-based aid, staff recommends \$4.5 million be used to provide awards through the Silas Purnell Illinois Incentive for Access (IIA) Program at half funding. At last year's level, this grant would provide \$500 to students with absolutely no resources to pay for college and is generally used for computer-related expenses, books, supplies or child care. The \$4.5 million level of funding would fund partial-year awards of \$250 each.

State statute requires the Commission to provide grants to dependents of police, fire and correctional officers killed or disabled in the line of duty when funds are available to do so. Therefore, staff is recommending \$750,000 to fund awards for the 2009-10 academic year.

The only other scholarship program to be funded would be Golden Apple Scholars of Illinois, an award and mentoring program for students training to be teachers. The Golden Apple program receives \$3.9 million annually; this appropriation would be prorated at the same rate as MAP, and would be funded at \$1.6 million.

No other scholarship, grant, or loan repayment/forgiveness programs administered by ISAC would be paid from the State's general funds for the entire 2010 fiscal year. A list of the programs that will not receive any funding and the impact on services and who will not be served is as follows:

Service Programs

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| Illinois Veteran Grant (IVG) | Veterans will have their tuition and fees paid at public universities and community colleges but schools will have to absorb all the cost. |
| Illinois National Guard Grant (ING) | Guard members will have their tuition and fees paid at public universities and community colleges but schools will have to absorb all the cost. |
| Veterans' Home Nurse Loan Repayment Program | Nurses who take jobs in veterans' nursing homes will not receive their \$5,000 per year loan forgiveness. Approximately 20 nurses will be affected. |

Teacher & Specialty Programs

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| Illinois Future Teacher Corps Scholarship | Students, in teacher programs who are majoring in shortage subjects and/or are willing to teach in hard to staff schools will not receive their \$5,000 - \$10,000 scholarship for tuition and fees and room and board. Approximately 350 students will lose their awards. |
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Minority Teachers of Illinois
Scholarship

Minority students who are in teacher programs will not receive their \$5,000 grant for tuition and fees and room and board when they teach in minority schools. Approximately 580 students will lose their awards.

Illinois Teachers/Child Care
Providers Loan Repayment

Qualified providers will not receive up to \$5,000 in loan forgiveness. Approximately 110 teachers will be affected.

Nurse Educator Scholarship

Nurses seeking advanced degrees to fill nursing teacher shortages will not receive tuition and fee payments or \$10,000 stipends. Approximately 80 nurses will lose their scholarships.

Nurse Educator Loan Repayment

Nurses who returned to teaching will not have their student loan repaid by this program – up to \$5,000 per year. Approximately 60 nurses will be affected.

Dollars for Scholars & Academy for
Urban School Leadership

About \$260,000 for college outreach programs for low-income students will not be funded.

Matching Grant Program

Student to Student Grants

Matching grants to colleges who provide small grants, up to \$1,000 to needy students for emergencies. Approximately 3,000 students will be affected.

Other Programs

Bonus Incentive Grant (BIG)

Funds (\$140-400) paid to Illinois bond holders who cash in their bonds to be used for their children's education at an Illinois school. Approximately 430 families will be affected.

Impact of \$220 Million Appropriation

If the General Assembly's 50% budget comes to pass, funding would be sufficient to provide some awards for all of the need-based, service, teacher/specialty, and matching grant programs as listed above. Therefore, after considering the financial impact on students in each of those programs if they did not receive some funding for the 2009-10 academic year, staff is recommending awards be allocated as allowed by state statute and administrative rules.

Other Budget Action

Both chambers also approved Senate Bill 2206, which provides agencies with authority to spend non-state funds. For example, the bill authorizes ISAC to make necessary payments from the Student Loan Operating Fund (including, critically, the agency's operating expenses and payments associated with ISAC's guaranty functions), to spend federal dollars such as those received through the Robert C. Byrd Honors Scholarship program and the College Access Challenge Grant, and to use grant moneys that private foundations and organizations have awarded to the agency.

Dollars from some dedicated funds would be "swept" into the General Revenue Fund under one additional measure that both houses approved, Senate Bill 1433. Along with more than \$350 million from other statewide special funds, the bill would skim a total of \$178,902 from ISAC's Accounts Receivable Fund, Contracts and Grants Fund, State College and University Trust Fund, and University Grant Fund. (The latter two are the repositories for Higher Education License Plate program dollars.)

We know that educational achievement is closely linked to economic progress. Obviously, cuts to these vital programs in a time of record need would be catastrophic for the college aspirations of the neediest of our citizens and the future prosperity of our state.

Note that at the writing of this Agenda Item, none of the aforementioned bills have become law, and legislative leaders and the Governor continue to meet regarding FY2010 spending and revenues.

Recommended Spending Priorities

In the event ISAC's FY2010 appropriation is reduced to \$165 million, ISAC-administered gift assistance programs will be funded as follows:

- \$161.9 million would be applied to Monetary Award Program to fund awards as approved in the FY2010 MAP Recompute Agenda Item.
- \$4.5 million would be used to fund fall term only awards for the Silas Purnell Illinois Incentive for Access Program.
- \$750,000 will fund awards for the dependent grants programs, as required by state statute.
- The Golden Apple Scholars of Illinois program would be funded at \$1.6 million
- No other scholarships, grants, or loan repayment/forgiveness programs administered by ISAC would be funded for the entire 2010 fiscal year.

In the event ISAC's FY2010 appropriation is \$220 million, funds will be allocated, as allowed by state statute and administrative rules, for the need-based, service, teacher/specialty, and matching grant programs.