

AGENDA ITEM 6.

APPROVAL OF THE FY2014 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: At the November Commission meeting, staff presented a draft Fiscal Year 2014 Budget Request for the Commission's consideration.

During the discussion, the Commission asked that the draft request be revised to seek level funding of \$2.5 million for the Minority Teachers of Illinois (MTI) Scholarship Program; the initial proposal had shown a decrease in MTI funding based on declining application volume in prior years. The revised request, attached as Table 1, reflects the Commission's input.

In addition to restoring the MTI request, Table 1 reflects two further changes to the agency's operating budget request. Subsequent to the November meeting, the State Employees Retirement System (SERS) revised its FY 2014 contribution rate upward from 38.437% to 40.312%. In order to pay at this higher rate, staff recommends increasing the request for authority to spend from the Student Loan Operating Fund (SLOF) for retirement contributions.

Staff also recommends that the agency seek additional spending authority for Group Insurance in FY2014. Although the rates for FY2014 have not yet been finalized, the employer contribution from SLOF for Group Insurance has increased approximately 30 percent in FY2013, and rates will likely increase again next year.

ISAC's recommendations will be considered by the Illinois Board of Higher Education (IBHE) when that board approves its FY2014 Budget Request for Higher Education at its February meeting, as well as by the Governor's Office of Management and Budget (GOMB) in developing the Governor's FY2014 Budget. The Governor will present his budget to the General Assembly in late February or early March, and ISAC staff will provide further detail to the General Assembly in conjunction with that presentation.

The purpose of this item is to present staff's recommendation for FY2014 appropriated funding to the Commission for its consideration and approval

In summary, staff's FY2014 appropriated funds budget recommendation totals \$798.3 million, which represents a \$23.3 million increase (3.0 percent) compared to FY2013.

Action requested: That the Commission approve a budget request for FY2014 totaling \$798.4 million, as detailed in Table 1.

By source of funds, this request consists of \$415.7 million in state General Funds, plus authority to spend \$356.2 million in federal Student Loan Funds, \$15.5 million in federal scholarship and grant funds, \$10.6 million in other state funds, and \$400,000 in other federal funds.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2014 APPROPRIATED FUNDS BUDGET REQUEST

Introduction

The Illinois Board of Higher Education (IBHE) is scheduled to approve a Fiscal Year 2014 Budget Request for Higher Education at its February meeting. The Governor is scheduled to present his FY2014 Budget to the General Assembly in late February or early March. ISAC staff will also complete the agency's Illinois State Legislature (ISL) Submission the week the Governor presents his budget.

In preparation for these events, ISAC staff began meeting with both the IBHE and the Governor's Office of Management and Budget (GOMB) in early November to discuss funding levels for ISAC for FY2014. At the November Commission meeting, staff presented a preliminary recommendation for FY2014 funding priorities to the Commission for its consideration and discussion. Based on the Commission's advice and counsel at that meeting, staff has revised the preliminary recommendation. Specifically, staff is now recommending level funding of \$2.5 million for the Minority Teachers of Illinois (MTI) Scholarship Program. The draft budget had requested less funding based on prior years' application volume.

Two further changes have been made to the request for spending on operations, as well. Subsequent to the November Commission meeting, the State Employees' Retirement System (SERS) revised its FY2014 contribution rate from 38.437% to 40.312%. Based on the higher rate, staff has increased the request for retirement contribution from the Student Loan Operating Fund (SLOF). Also, the employer contribution from SLOF for Group Insurance has increased approximately 30 percent in FY2013. The rates for FY2014 have not yet been finalized, but staff is recommending that the Commission approve seeking additional spending authority for Group Insurance in FY2014. Neither the retirement contribution rate nor the group insurance rate is set by ISAC, but the agency is nonetheless required to abide by them on behalf of ISAC employees.

Notably, 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 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 or fees paid for specialty license plates). In many instances, the legislature authorizes spending at levels that exceed the cash that the agency actually receives or spends. Staff often seeks spending authority beyond what will be needed in the most likely budget scenario in order to have sufficient flexibility to meet most contingencies.

The General Assembly will deliberate and hold hearings throughout the spring on a number of issues, including the State budget. It is expected that the legislature will pass a budget before it adjourns at the end of May, allowing time for the Governor's consideration before the new State fiscal year begins July 1, 2013.

Table 1 on the following two pages provides a summary of staff's preliminary recommendation for the FY2014 budget presented at the November meeting, as well as the funding level for FY2014 which staff recommends that the Commission approve. This table also compares the staff recommendation for FY2014 to the FY2013 appropriation. Changes from the preliminary discussion presented in November are shaded.

**Table 1:
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATE FISCAL YEAR 2014 BUDGET STAFF RECOMMENDATION**

Line Item	FY13 Budget Approved	F14 November Discussion	FY14 Staff Recommendation	Difference	
				Amount	Percent
STATE GENERAL FUNDS					
Monetary Award Program*	\$371,309,400	\$392,464,100	\$392,464,100	\$21,154,700	5.7%
Personal Services	\$0	\$3,244,300	\$3,244,300	\$3,244,300	NA
Social Security	\$0	\$248,200	\$248,200	\$248,200	NA
Contractual Services	\$0	\$573,400	\$573,400	\$573,400	NA
College Illinois! Marketing	\$0	\$4,000,000	\$4,000,000	\$4,000,000	NA
Outreach	\$0	\$6,300,000	\$6,300,000	\$6,300,000	NA
TOTAL GENERAL REVENUE FUND	\$371,309,400	\$406,830,000	\$406,830,000	\$35,520,600	9.6%
Illinois Incentive for Access Grants	\$0	\$0	\$0	\$0	NA
Teacher Loan Forgiveness Program	\$500,000	\$500,000	\$500,000	\$0	0.0%
Minority Teacher Scholarships	\$2,500,000	\$2,000,000	\$2,500,000	\$0	0.0%
Illinois Future Teachers Corps Scholarships	\$0	\$0	\$0	\$0	NA
Golden Apple Scholars Of Illinois (Beginning FY13)	\$4,900,000	\$4,900,000	\$4,900,000	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	NA
Dependents Grants	\$1,050,000	\$1,100,000	\$1,100,000	\$50,000	4.8%
National Guard Grants	\$0	\$0	\$0	\$0	NA
Illinois Veteran Grants	\$0	\$0	\$0	\$0	NA
Nurse Educator Scholarships	\$0	\$0	\$0	\$0	NA
Nurse Educator Loan Repayment Program	\$300,000	\$300,000	\$300,000	\$0	0.0%
Veterans' Home Nurse Loan Repayment Program	\$30,000	\$30,000	\$30,000	\$0	0.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	NA
Illinois Scholars Program	\$40,000	\$40,000	\$40,000	\$0	0.0%
Governors Discretionary Appropriation	\$0	\$0	\$0	\$0	NA
TOTAL EDUCATION ASSISTANCE FUND	\$9,320,000	\$8,870,000	\$9,370,000	\$50,000	0.5%
TOTAL STATE GENERAL FUNDS	\$380,629,400	\$415,700,000	\$416,200,000	\$35,570,600	9.3%

Table 1 (continued):
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATE FISCAL YEAR 2014 BUDGET STAFF RECOMMENDATION

Line Item	FY13 Budget Approved	F14 November Discussion	FY14 Staff Recommendation	Difference	
				Amount	Percent
FEDERAL FUNDS					
STUDENT LOAN OPERATING FUND					
Personal Services	\$17,208,900	\$17,208,900	\$17,208,900	\$0	0.0%
Retirement	\$4,883,400	\$6,500,000	\$6,937,300	\$2,053,900	42.1%
Social Security	\$1,316,600	\$1,316,600	\$1,316,600	\$0	0.0%
Group Insurance	\$4,867,400	\$5,500,000	\$6,000,000	\$1,132,600	23.3%
Contractual Services	\$12,630,700	\$12,630,700	\$12,630,700	\$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	\$1,897,900	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$3,500,000	\$3,500,000	\$3,500,000	\$0	0.0%
Default Fees	\$0	\$0	\$0	\$0	NA
Operations Expenses, MAP & Permanent Improvements	\$0	\$0	\$0	\$0	NA
Collection Agency Fees/Default Aversion Fee Reversals	\$15,000,000	\$15,000,000	\$15,000,000	\$0	0.0%
TOTAL	\$62,977,500	\$65,226,700	\$66,164,000	\$3,186,500	5.1%
FEDERAL STUDENT LOAN FUND					
Loan Guarantee Program	\$290,000,000	\$290,000,000	\$290,000,000	\$0	0.0%
TOTAL	\$290,000,000	\$290,000,000	\$290,000,000	\$0	0.0%
FEDERAL SCHOLARSHIPS AND GRANTS					
Federal College Access Challenge Grant Program	\$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	\$0	0.0%
Federal LEAP/SLEAP - Monetary Award Program	\$0	\$0	\$0	\$0	NA
Transfer to ED -Paul Douglas Funds Collected	\$400,000	\$400,000	\$400,000	\$0	0.0%
Federal Robert C. Byrd Fellowships	\$0	\$0	\$0	\$0	NA
TOTAL	\$15,900,000	\$15,900,000	\$15,900,000	\$0	0.0%
TOTAL FEDERAL FUNDS	\$368,877,500	\$371,126,700	\$372,064,000	\$3,186,500	0.9%
OTHER STATE FUNDS					
ISAC Accounts Receivables	\$300,000	\$300,000	\$300,000	\$0	0.0%
Higher Education License Plate Program	\$90,000	\$90,000	\$90,000	\$0	0.0%
Optometric Education Scholarship Program	\$50,000	\$50,000	\$50,000	\$0	0.0%
IVG- National Guard Grant Fund	\$20,000	\$20,000	\$20,000	\$0	0.0%
Illinois Future Teachers Corps Scholarship Fund	\$60,000	\$140,000	\$140,000	\$80,000	133.3%
Contracts and Grants Fund	\$25,000,000	\$10,000,000	\$10,000,000	-\$15,000,000	-60.0%
TOTAL OTHER STATE FUNDS	\$25,520,000	\$10,600,000	\$10,600,000	-\$14,920,000	-58.5%
GRAND TOTAL APPROPRIATED FUNDS	\$775,026,900	\$797,426,700	\$798,864,000	\$23,837,100	3.1%
NON APPROPRIATED FUNDS					
College Illinois! Administration	\$5,873,400	TBD	TBD	TBD	TBD
IDAPP Administration	\$3,430,200	TBD	TBD	TBD	TBD

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, the Commission need not seek specific spending authority from the General Assembly for these two ventures, allowing for additional flexibility in potentially volatile markets. Staff will be providing specific FY2014 budget requests for IDAPP and CI! to the Commission closer to the beginning of FY2014.