

AGENDA ITEM 6.

FISCAL YEAR 2017 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: At the last Commission meeting, staff presented a draft of recommended FY2017 funding priorities for the Commission. This item presents for the Commission's approval that same recommendation for FY2017 appropriated funding.

As of this writing, the State is several months into FY2016 with agencies having no spending authority from State General Funds (the General Revenue Fund (GRF) and the Education Assistance Fund (EAF)) or special purpose funds, and the level of spending which will ultimately be allowed remains uncertain. This has caused a number of problems. For example, many colleges and universities have honored fall-term MAP grants to allow recipients to enroll without receiving reimbursement from the State in the expectation that the final MAP appropriation will be sufficient to at least cover first-term costs. Students 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. Because it is unclear if these programs will ultimately receive any FY2016 appropriation, some institutions have not credited these grants. Spring-term registration began in October at some institutions, and without an idea of final MAP funding, many institutions will be unable to tell students whether or not spring-term MAP grants can be covered until the State has an enacted budget. In addition, the public universities and community colleges have an even greater uncertainty surrounding the amount of their State appropriation for FY2016. There is also a growing concern that, because of the cash flow of the State and the backlog of unpaid bills at the Comptroller's Office, schools will not actually receive cash payments during FY2016 even when a FY2016 budget is passed. 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 Commission's 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 FY2017 Budget Request for Higher Education at its December meeting. The Governor is currently scheduled to present his FY2017 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.

In summary, the FY2017 appropriated funds budget presented here totals \$799.6 million, which represents a \$30.5 million increase (4.0 percent) compared to the FY2015 approved budget. In this budget, State General Funds would increase by \$58.9 million (15.3 percent) compared to FY2015, spending authority from federal funds would remain level compared to FY2016 approved levels, and spending authority from special purpose funds would increase by \$130,000 (1.2 percent) when compared to FY2015. (As a reminder, while FY2016 spending has not yet been approved for GRF, EAF, or other state funds, the FY2016 budget for federal funds has been approved.)

Action Requested:

That the Commission approve an FY2017 budget request totaling \$799.6 million as detailed in Table 1.

By source of funds, this request consists of \$444.3 million in State General Funds, in addition to the authority to spend \$328.7 million in federal student loan funds, \$15.5 million in federal scholarship and grant funds, \$10.7 million in other state funds, and \$400,000 in other federal funds.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2017 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 2017 Budget Request for Higher Education, which includes ISAC, at its December meeting, whereas the Governor is scheduled to present his FY2017 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 expected 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, 2016.

ISAC staff is seeking the Commission's approval of the proposed FY2017 budget 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 on the following two pages provides a summary of the FY2017 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.

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 FY2016 with agencies having no spending authority from State General Funds (the General Revenue Fund (GRF) and the Education Assistance Fund (EAF)) or Special Purpose Trust Funds, and the level of spending which will ultimately be allowed remains uncertain.

The uncertainty surrounding the FY2016 budget has re-affirmed the need for continuity and predictability in budgeting. This item presents staff's recommended FY2017 funding priorities to the Commission for approval. The following agenda item presents a FY2017 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 2017 BUDGET - STAFF RECOMMENDATION**

Line Item	FY15 Budget Approved	FY15 Budget Revised	FY16 Commission Request	FY16 Governor's Budget	FY16 General Assembly Action	FY17 Budget Recommendation	Difference FY17-FY15 Approved	
STATE GENERAL FUNDS		**					Amount	Percent
Monetary Award Program *	\$373,254,500	\$364,856,300	\$423,254,500	\$373,254,500	\$397,073,100	\$423,254,500	\$50,000,000	13.4%
Personal Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Social Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Contractual Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Agency State Operations	\$0	\$0	\$3,000,000	\$0	\$0	\$4,000,000	\$4,000,000	100.0%
Statewide Outreach, Training, & Research Activities	\$1,020,700	\$997,700	\$4,000,000	\$0	\$947,800	\$5,000,000	\$3,979,300	389.9%
College Illinois! Marketing	\$0	\$0	\$1,000,000	\$0	\$0	\$0	\$0	0.0%
TOTAL GENERAL REVENUE FUND	\$374,275,200	\$365,854,000	\$431,254,500	\$373,254,500	\$398,020,900	\$432,254,500	\$57,979,300	15.5%
Dependents Grants	\$1,050,000	\$1,026,400	\$1,200,000	\$1,050,000	\$975,100	\$1,300,000	\$250,000	23.8%
Minority Teacher Scholarships	\$2,500,000	\$2,443,800	\$2,500,000	\$2,500,000	\$2,321,600	\$2,500,000	\$0	0.0%
Teacher Loan Forgiveness Program	\$500,000	\$488,800	\$1,000,000	\$500,000	\$464,400	\$975,000	\$475,000	95.0%
Golden Apple Scholars Of Illinois (Beginning FY13)	\$6,647,600	\$6,498,000	\$6,647,600	\$3,323,800	\$6,498,000	\$6,647,600	\$0	0.0%
Illinois Future Teachers Corps Scholarships	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Nurse Educator Loan Repayment Program	\$300,000	\$293,300	\$500,000	\$300,000	\$278,600	\$505,000	\$205,000	68.3%
Veterans' Home Nurse Loan Repayment Program	\$30,000	\$29,300	\$50,000	\$25,000	\$27,800	\$75,000	\$45,000	150.0%
Illinois Scholars Program	\$40,000	\$39,100	\$0	\$0	\$37,100	\$0	(\$40,000)	0.0%
National Guard Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois Veteran Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois Incentive for Access Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Merit Recognition Scholarship	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Illinois State Scholars	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Nurse Educator Scholarships	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Public Interest Attorney Loan Repayment Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Child Welfare Student Loan Forgiveness Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Community College Transfer Grant Program	\$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%
SIU Achieve Program	\$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%
Grant Program for Exonerees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
TOTAL EDUCATIONAL ASSISTANCE FUND	\$11,067,600	\$10,818,700	\$11,897,600	\$7,698,800	\$10,602,600	\$12,002,600	\$935,000	8.4%
TOTAL STATE GENERAL FUNDS	\$385,342,800	\$376,672,700	\$443,152,100	\$380,953,300	\$408,623,500	\$444,257,100	\$58,914,300	15.3%

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

** PA 99-001 only affected GRF/EAF - other amounts shown are original FY15 appropriation.

**Table 1 (continued):
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATE FISCAL YEAR 2017 BUDGET - STAFF RECOMMENDATION**

Line Item	FY15 Budget Approved	FY15 Budget Revised	FY16 Commission Request	FY16 Governor's Budget	FY16 General Assembly Action	FY17 Budget Recommendation	Difference FY17-FY16	
							Approved Amount	Percent
FEDERAL FUNDS								
STUDENT LOAN OPERATING FUND								
Personal Services	\$17,208,900	\$17,208,900	\$17,208,900	\$17,208,900	\$17,208,900	\$17,208,900	\$0	0.0%
Retirement	\$7,059,100	\$7,059,100	\$7,765,100	\$7,765,100	\$7,765,100	\$7,765,100	\$0	0.0%
Social Security	\$1,316,600	\$1,316,600	\$1,316,600	\$1,316,600	\$1,316,600	\$1,316,600	\$0	0.0%
Group Insurance	\$7,000,000	\$7,000,000	\$7,700,000	\$7,700,000	\$7,700,000	\$7,700,000	\$0	0.0%
Contractual Services	\$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	\$0	0.0%
Travel	\$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	\$0	0.0%
Printing	\$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	\$0	0.0%
Telecommunications	\$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	\$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	\$0	0.0%
SLOF Payment to IDAPP	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000	100.0%
TOTAL	\$67,285,800	\$67,285,800	\$67,691,800	\$67,691,800	\$67,691,800	\$68,691,800	\$1,000,000	1.5%
FEDERAL STUDENT LOAN FUND								
Loan Guarantee Program	\$290,000,000	\$290,000,000	\$261,000,000	\$261,000,000	\$261,000,000	\$260,000,000	-\$1,000,000	-0.4%
TOTAL	\$290,000,000	\$290,000,000	\$261,000,000	\$261,000,000	\$261,000,000	\$260,000,000	-\$1,000,000	-0.4%
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	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$0	0.0%
Federal LEAP/SLEAP - Monetary Award Program	\$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	\$0	0.0%
Federal Robert C. Byrd Fellowships	\$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	\$0	0.0%
TOTAL FEDERAL FUNDS	\$373,185,800	\$373,185,800	\$344,591,800	\$344,591,800	\$344,591,800	\$344,591,800	\$0	0.0%
							Difference FY17-FY15	
							Approved	
							Amount	Percent
OTHER STATE FUNDS								
ISAC Accounts Receivables	\$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	\$0	0.0%
Optometric Education Scholarship Program	\$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	\$0	0.0%
Golden Apple Scholars of Illinois Fund	\$140,000	\$140,000	\$140,000	\$225,000	\$225,000	\$270,000	\$130,000	92.9%
Contracts and Grants Fund	\$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	\$10,620,000	\$10,705,000	\$10,705,000	\$10,750,000	\$130,000	1.2%
TOTAL - APPROPRIATED FUNDS	\$769,148,600	\$760,478,500	\$798,363,900	\$736,250,100	\$763,920,300	\$799,598,900	\$30,450,300	4.0%
NON APPROPRIATED FUNDS								
College Illinois! Operations	\$11,225,600	\$11,225,600	NA	NA	NA	TBD	TBD	TBD
IDAPP Operations	\$1,547,000	\$1,547,000	NA	NA	NA	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. Both the federally-funded Robert C. Byrd Scholarship and the Leveraging Educational Assistance Program (LEAP) have been discontinued, and staff is therefore not recommending seeking spending authority for these programs for FY2017. The remaining federal program for which staff is recommending seeking authority is the John R. Justice Loan Repayment program for public interest attorneys.

Although a number of State programs, which historically fulfilled an important need, also remain unfunded, staff is recommending that the FY2017 budget request only seeks funding for State programs which 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%) 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. Nearly half (45 percent) of eligible FY2015 MAP applicants had their applications held in suspended status due to lack of funding. These trends simply cannot continue if Illinois is truly committed to the goal of having 60 percent of its adult population earning a high-quality postsecondary certificate or degree by 2025.

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 that shortfall, for the summer term, just 55% of the costs were covered and the remainder was left for recipients to pay. Level funding for FY2017 practically guarantees that grants will be prorated again this year. Given increases in college costs, spring awards may be prorated and summer awards eliminated entirely for this fiscal year.

Staff is also recommending increases to better meet demand for three Loan Forgiveness Programs. Postsecondary graduates, on the whole, are experiencing unprecedented levels of student loan debt. An increasing number of economists are expressing concern that this debt is postponing graduates' investment in home and auto purchases, which is, in turn, inhibiting economic recovery. For a relatively small investment, the State can fund nearly every qualified applicant for three ISAC-run loan repayment programs. Because these applicants have already graduated, investments in loan repayment do not immediately move Illinois closer to its goal of "60 percent by 2025." However, by working in hard-to-staff schools, recipients of the Teacher Loan Forgiveness Program contribute to increasing the number of high school graduates and reducing disparities in educational attainment. Likewise, Nurse Educator Loan Repayment Program recipients are fulfilling what the Illinois Center for Nursing attests is an on-going shortage of nursing faculty, and they are thereby directly increasing the number of Illinois citizens receiving training as nurses.

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

In FY2015, the enacted budget included an appropriation of \$1.0 million from State General Funds for outreach, training and research activities, though ISAC reserved approximately half of this \$1 million appropriation midway through FY2015 in response to GOMB efforts to manage a statewide budget deficit. In addition, ISAC had authority to use up to two percent of the revised FY2015 MAP appropriation (nearly \$7.3 million) for agency operations.

Prior to FY2015, ISAC last received a specific appropriation for operations from General Funds in FY2005 (\$4.5 million). Between FY2006 and FY2014, ISAC was able to sustain the operations of the state and federal grant, loan, and student recognition programs entirely without State General Funds. ISAC's administration, management and oversight of appropriated funds, including all operations in support of MAP and other programs, were paid for by revenues earned through the Federal Family Education Loan Program (FFELP) and deposited into the agency's Student Loan Operating Fund (SLOF).

The passage of the Student Aid and Fiscal Responsibility Act in March 2010 ended the FFEL Program and, effective July 2010, moved all new federal student loan disbursements into the Direct Loan Program, setting the agency on course for a reduction in future FFELP revenues and a need to obtain increasing levels of General Funds support. ISAC has highlighted this situation in its budget submissions and related appropriation hearings for the past several years. While the timing of needing General Funds support was unclear, the eventual need was inevitable.

The need for state funding for operations became critical when the federal Bipartisan Budget Act (BBA) (Public Law 113-67) was approved in late December 2013 and included a cut in what is known as the rehabilitation retention rate for student loans effective July 1, 2014, the first day of State FY2015. Rehabilitation retention is the agency's largest single source of revenue.

In addition, due to a decrease in MAP spending between FY2012 and FY2013, Illinois did not meet Maintenance of Effort (MOE) requirements for the College Access Challenge Grant (CACG), and \$4.6 million in federal funding was withheld for FY2015. With the \$1.0 million state appropriation for Outreach, Research, and Training and an additional \$3.5 million of funding from SLOF, ISAC was able to fund the ISACorps in a diminished capacity for FY2015. Due to strategic changes in the collections strategy for FFELP loans, ISAC revenues declined less precipitously in FY2015 than originally projected and ISAC has been able to continue the ISACorps in its diminished capacity for FY2016.

Even with the adjustments made in FY2015, it is likely that ISAC revenue into SLOF will decline substantially in FY2016. First, the natural decline in the portfolio size will likely cause diminished revenue. In addition, several recent external factors are expected to accelerate the reduction in ISAC's revenues from that program.

Despite the cuts made by the 2013 Bipartisan Budget Act, ISAC's primary source of revenue from FFELP is still the rehabilitation program. In FY2015 the agency earned over \$18 million from rehabilitating

borrowers who had previously defaulted on their FFELP loans, and then selling those loans to new lenders as the program requires. However, an immediate concern for the agency is the current market for the sale of rehabilitated student loans.

Due to decreased cash liquidity among student loan lenders, over the last several months we have been seeing an ongoing reduction in the number of lenders willing to purchase rehabilitated loans. Industry-wide, some guaranty agencies no longer have purchasers for their loans. ISAC has also seen a reduction in available purchasers. We recently received news that one of ISAC's lenders will no longer purchase these loans, and it is not clear how long other purchasers will remain in the market. We have also seen a decline in the price that is being paid for the loans.

In addition, this summer the Department of Education issued new guidance for guarantors regarding the interpretation of FFELP regulations, and this guidance will also have a negative impact on revenues from the program. The size of the FFELP portfolio continues to decrease and a growing percentage (close to 50%) of the defaults are not eligible to be rehabilitated.

Given the anticipated diminished capacity for SLOF to fund outreach activities in future years, staff believes additional state funding must be secured to maintain a strong statewide outreach presence in FY2017.

The recommendation includes a request for an increase in the State appropriation for outreach, research, and training, bringing it to \$5.0 million in FY2017. Outreach, research, and training are central components of ISAC's mission. ISAC's outreach efforts include three primary components:

- Direct assistance to students and families in navigating the college-going process, offered statewide by the Illinois Student Assistance Corps (ISACorps)
- Professional development for financial aid administrators, teachers, and high school guidance counselors on college access and financial aid
- Partnerships with community organizations, non-profits, sister agencies, and others to advance college access and affordability

These supports are essential in helping to level the playing field for low-income students and those whose families lack experience with college. Without these students' success, the state cannot reach its goal of having 60% of Illinois adults earning a degree or credential of value by 2025, which will help ensure that Illinois develops a workforce that is prepared for the jobs of the future, and can grow its economy.

Diminishing SLOF revenues will seriously imperil ISAC's ability to operate state-funded programs, and without the authority to use up to two percent of the MAP appropriation for agency operations, it is unclear if this ability could have been fully preserved for FY2015. Beyond this authority in the MAP budget line, staff recommends requesting an additional \$4 million in General Funds support for operations as a separate line item in FY2017 to reflect the expected continuing decline in FFELP revenue. Having this separate appropriation to sustain operations would help to ensure that the agency is able to continue appropriately meeting its mission.

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

Beyond the \$68.7 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 Revenue 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 FY2017 totals \$260 million, which represents a \$30 million (10 percent) decrease from the spending level sought and provided in FY2015 and a one million decrease compared to FY2016.

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 modest 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 FY2017 budget requests to the Commission for IDAPP and CI! at the June 2016 Commission Meeting, for consideration prior to the beginning of FY2017.