

AGENDA ITEM 4.

FISCAL YEAR 2024 APPROPRIATED FUNDS BUDGET

Submitted for: Action

Summary: This item presents staff's recommendation for FY 2024 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 2024 Budget Request for Higher Education at its January meeting. The recommendation for ISAC included in the IBHE budget may differ somewhat from the ISAC recommendation presented here and what is approved by the Commission Board.

The Governor will present his FY 2024 proposed budget to the General Assembly on or before the third Wednesday in 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 2024 appropriated funds budget recommended by staff for approval by the Commission totals \$967.1 million, which represents a decrease of nearly \$8.7 million (-0.9 percent) compared to FY 2023. In this budget, State General Funds would increase by \$52.8 million (7.9 percent), spending authority from federal funds would decrease by \$60.6 million (-21.5 percent), and spending authority from other state funds would decrease by \$857,000 (-3.7 percent) when compared to FY 2023.

Action Requested: That the Commission approve an FY 2024 budget request totaling \$967.1 million as detailed in Table 1.

ILLINOIS STUDENT ASSISTANCE COMMISSION

FISCAL YEAR 2024 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 2024 Budget Request for Higher Education, which includes ISAC, at its upcoming January meeting, whereas the Governor will present his FY 2024 proposed budget to the General Assembly on or before the third Wednesday in February. 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 Commission input 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 are typically 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 \$723.7 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 \$220.8 million in federal student loan funds, \$13.3 million in federal scholarship and grant funds, \$22.6 million in other state funds, and \$100,000 in other federal funds.

Compared to this time last year, the state's budgetary outlook has brightened: The most recent five-year budget forecast¹, released by the Governor's Office of Management and Budget on November 14th, indicates that FY 2023 is projected to end with a General Funds surplus of nearly \$1.7 billion. Still, under current statutes and trends, the surplus is projected to be considerably smaller in FY2024, with deficits again projected for the remainder of the forecast period, FYs 2025 through 2028.

Appropriators, as always, will be left with difficult choices. As advocates for students, staff believes that the Commission's FY 2024 funding request must still be driven by the agency's mission, program demand, and the needs of Illinoisans. Programs that ISAC administers figure prominently in two major plans: the IBHE strategic plan for higher education, [A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth](#)², and the action plan of the [Equity Working Group for Black Student Success in Illinois Higher Education](#)³ convened by Chicago State University President Zaldwaynaka ("Z") Scott. The ISAC Commission Board took action to endorse the IBHE Strategic Plan for Higher Education and ISAC staff were significant participants in both efforts.

¹ *Illinois Economic and Fiscal Policy Report*, Governor's Office of Management and Budget. November 14, 2022. <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/economic-and-fiscal-policy-reports/fy2023/Economic%20and%20Fiscal%20Policy%20Report%20FY23%2011.14.22%20FINAL.pdf>

² *A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth*. Illinois Board of Higher Education. https://ibhestrategicplan.ibhe.org/pdf/A_Thriving_Illinois_06-15-21.pdf

³ Report of the Equity Working Group for Black Student Success in Illinois Higher Education. https://csu.edu/provost/documents/ACTION_PLAN.pdf

Moreover, education and retraining capacity will likely be essential to the State's long-term economic health, and we believe additional investment in Illinois' human resources through ISAC would create an economic return on these increased expenditures. Improving access to college is an investment that not only helps individuals to achieve self-sufficiency but will also feed the growth of Illinois' tax base—which will help sustain Illinois government's services to its citizens in the long run, too.

The General Assembly and the Governor have shown a substantial commitment to student financial aid funding by providing nearly \$250 million in funding to the Illinois Prepaid Tuition Trust Fund (for College Illinois!) in FY 2022 while increasing the MAP appropriation by \$200 million (50 percent) since FY 2019. Funding for the Minority Teachers of Illinois (MTI) Scholarships has also doubled since FY 2019. In FY 2023, two additional programs were funded: the Post-Master of Social Work School Social Work Professional Educator License Scholarship and the School and Municipal Social Work Shortage Loan Repayment Program.

Additional investments have also been made in the FY 2023 budget as several ISAC-administered programs were funded for the first time from sources other than General Funds, and the staff's FY 2024 recommendation maintains those budget lines as-is. Those include funding the Community Behavioral Health Care Loan Repayment Program from the DHS Community Services Fund, funding the new Displaced Energy Worker Scholarship Program from the DCEO Energy Transition Assistance Fund, and continuing to fund the Nursing Education Scholarship from the Nursing Dedicated and Professional Fund.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY 2024 recommended funding request, which is intended to build on the momentum of FY 2023 funding increases to make progress towards reversing long-standing negative trends in affordability; and to preserve the programs and services that the agency offers to Illinoisans.

**Table 1:
Illinois Student Assistance Commission
State Fiscal Year 2024 Budget - Staff Recommendation**

Line Item	FY 2022	FY 2022	FY 2023	FY 2024 Budget	Difference	
	Appropriation PA 102-017		Expenditures	Appropriation PA 102-698	Request Staff Recommend	FY24 Recommend-FY23 Amount
STATE GENERAL FUNDS						
Monetary Award Program	\$479,566,200	\$478,281,912	\$601,566,200	\$651,566,200	\$50,000,000	8.3%
Teacher Loan Forgiveness Program	\$439,900	\$439,900	\$439,900	\$975,000	\$535,100	121.6%
Minority Teacher Scholarships	\$1,900,000	\$1,766,701	\$4,200,000	\$7,000,000	\$2,800,000	66.7%
Golden Apple Scholars Of Illinois	\$6,498,000	\$6,498,000	\$6,498,000	\$6,498,000	\$0	0.0%
Golden Apple Accelerators Program	\$750,000	\$749,942	\$750,000	\$750,000	\$0	0.0%
Dependents Grants	\$1,273,300	\$767,334	\$1,273,300	\$1,273,300	\$0	0.0%
Nurse Educator Loan Repayment Program	\$264,000	\$263,379	\$500,000	\$500,000	\$0	0.0%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,400	\$26,400	\$26,400	\$0	0.0%
AIM HIGH Grant Pilot Program	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$0	0.0%
Grant Program for Exonerees	\$150,000	\$4,922	\$150,000	\$150,000	\$0	0.0%
NDIGO Foundation for Youth/Student Communications Internship Program	\$0	\$0	\$500,000	\$0	-\$500,000	-100.0%
Teacher Reimbursement Grant Program	\$0	\$0	\$2,000,000	\$0	-\$2,000,000	-100.0%
Post-MSW School Social Work Professional Educator License Scholarship/ School Social Work Shortage Loan Repayment Program	\$0	\$0	\$6,000,000	\$6,000,000	\$0	0.0%
College Illinois! Cash Deposit	\$250,000,000	\$250,000,000	\$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%
Grant for a Person Raised by a Grandparent	\$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%
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%
Police Academy Job Training Program	\$0	\$0	\$0	\$0	\$0	0.0%
Community Behavioral Health Care Professional Loan Repayment Program	\$0	\$0	\$0	\$0	\$0	0.0%
Agency Administrative & Operational Cost	\$3,500,000	\$3,499,599	\$6,000,000	\$7,000,000	\$1,000,000	16.7%
Statewide Outreach, Training & Research Activities	\$3,497,700	\$3,497,038	\$6,000,000	\$7,000,000	\$1,000,000	16.7%
TOTAL STATE GENERAL FUNDS	\$782,865,500	\$780,795,127	\$670,903,800	\$723,738,900	\$52,835,100	7.9%

Table 1: (Continued)
Illinois Student Assistance Commission
State Fiscal Year 2024 Budget - Staff Recommendation

Line Item	FY 2022 Appropriation PA 102-017	FY 2022 Expenditures	FY 2023 Appropriation PA 102-900	FY 2024 Budget Request Staff Recommendation	Difference FY24 Recommendation-FY23 Amount	Percent
FEDERAL FUNDS						
STUDENT LOAN OPERATING FUND						
Personal Services	\$15,538,600	\$1,598,419	\$13,538,600	\$13,538,600	\$0	0.0%
Retirement	\$8,392,900	\$899,681	\$7,312,600	\$7,312,600	\$0	0.0%
Social Security	\$1,181,000	\$114,559	\$1,029,000	\$1,029,000	\$0	0.0%
Group Insurance	\$6,240,000	\$372,003	\$5,436,800	\$5,436,800	\$0	0.0%
Contractual Services	\$12,630,700	\$6,116,361	\$12,630,700	\$10,000,000	-\$2,630,700	-20.8%
Contractual - Collection Agency Fees	\$10,000,000	\$307,207	\$2,000,000	\$0	-\$2,000,000	-100.0%
Travel	\$311,000	\$26,199	\$311,000	\$311,000	\$0	0.0%
Commodities	\$282,200	\$36,313	\$282,200	\$282,200	\$0	0.0%
Printing	\$501,000	\$22,471	\$501,000	\$501,000	\$0	0.0%
Equipment	\$540,000	\$165,159	\$540,000	\$540,000	\$0	0.0%
Telecommunications	\$1,897,900	\$322,012	\$1,897,900	\$1,897,900	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$1,527	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$2,500,000	\$3,722	\$1,500,000	\$1,500,000	\$0	0.0%
Transfer to IDAPP	\$1,000,000	\$0	\$1,000,000	\$1,000,000	\$0	0.0%
Early Childhood Access Consortium for Equity (ECAACE)Scholarship	\$55,000,000	\$6,162,053	\$120,000,000	\$114,000,000	-\$6,000,000	-5.0%
TOTAL	\$116,053,700	\$16,147,686	\$168,018,200	\$157,387,500	-\$10,630,700	-6.3%
FEDERAL STUDENT LOAN FUND						
Loan Guarantee Program	\$160,000,000	\$53,810,241	\$100,000,000	\$50,000,000	-\$50,000,000	-50.0%
TOTAL	\$160,000,000	\$53,810,241	\$100,000,000	\$50,000,000	-\$50,000,000	-50.0%
FEDERAL SCHOLARSHIPS AND GRANTS						
Federal Grant Program	\$13,000,000	\$2,851,378	\$13,000,000	\$13,000,000	\$0	0.0%
John R. Justice Student Loan Repayment Program	\$300,000	\$57,680	\$300,000	\$300,000	\$0	0.0%
Transfer to ED -Paul Douglas Funds Collected	\$100,000	\$530	\$100,000	\$100,000	\$0	0.0%
TOTAL	\$13,400,000	\$2,909,588	\$13,400,000	\$13,400,000	\$0	0.0%
TOTAL FEDERAL FUNDS	\$289,453,700	\$72,867,515	\$281,418,200	\$220,787,500	-\$60,630,700	-21.5%
OTHER STATE FUNDS						
ISAC Accounts Receivables	\$300,000	\$0	\$300,000	\$300,000	\$0	0.0%
University Grant Fund: Higher Education License Plate Program	\$110,000	\$93,000	\$110,000	\$110,000	\$0	0.0%
Optometric Licensing & Disciplinary Board Fund: Optometric Education Scholarship	\$50,000	\$50,000	\$50,000	\$50,000	\$0	0.0%
National Guard and Naval Militia Grant Fund: Illinois National Guard Grant	\$20,000	\$0	\$20,000	\$20,000	\$0	0.0%
Golden Apple Scholarship Fund: Golden Apple Scholars of Illinois	\$100,000	\$42,349	\$100,000	\$100,000	\$0	0.0%
ISAC Contracts & Grants (C&G) Fund: Training Activities	\$10,000,000	\$0	\$5,000,000	\$5,000,000	\$0	0.0%
C&G Fund:Community Behavioral Health Care Professional Loan Repayment	\$0	\$0	\$5,000,000	\$5,000,000	\$0	0.0%
Energy Transition Assistance Fund: Displaced Energy Worker Scholarship	\$1,100,000	\$0	\$1,100,000	\$1,100,000	\$0	0.0%
State CURE Fund: Golden Apple Scholars	\$3,502,000	\$67,774	\$3,502,000	\$3,000,000	-\$502,000	-14.3%
State CURE Fund: Golden Apple Accelerators	\$4,250,000	\$355,078	\$4,250,000	\$3,895,000	-\$355,000	-8.4%
Nursing Dedicated and Professional Fund: Nursing Education Scholarship	\$0	\$0	\$4,000,000	\$4,000,000	\$0	0.0%
TOTAL OTHER STATE FUNDS	\$19,432,000	\$608,201	\$23,432,000	\$22,575,000	-\$857,000	-3.7%
GRAND TOTAL	\$1,091,751,200	\$854,270,843	\$975,754,000	\$967,101,400	-\$8,652,600	-0.9%

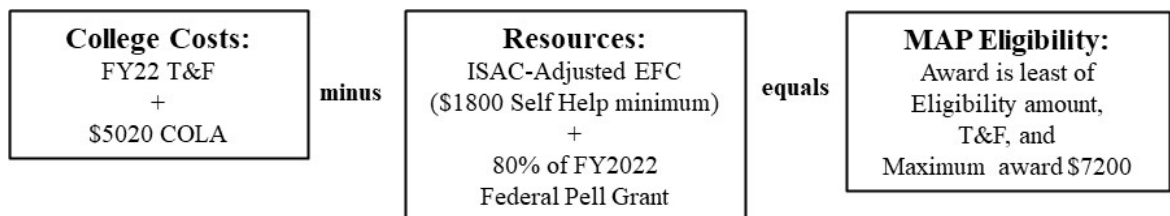
I. Scholarship and Grant Programs

The majority of the State 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 2023 exceeds the number of these programs funded in FY 2023. 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 years ago, staff is recommending that the FY 2024 budget request only seek funding for State scholarship and grant programs that were funded in FY 2023. There are limited but notable exceptions, discussed below, where funding would come from sources other than the State's General Funds.

Monetary Award Program (MAP): The budget recommended in this item provides about \$601.6 million for MAP in FY 2024, an increase of \$50 million (8.3 percent) over the FY 2023 appropriation. A need-based grant, MAP is explicitly intended to respond to inequity of opportunity. Targeted based on financial need, the program helps students to attain a postsecondary education that might otherwise be unaffordable or result in greater levels of student loan debt. Although race is not a factor in awarding MAP, the challenges that MAP addresses—financial need, lower college attainment rates, and student loan debt—are problems that disproportionately affect students who belong to historically underrepresented groups. A \$50 million requested increase for **MAP** aligns with the Governor's plan to increase funding for the program each year to help meet program needs and serve additional students. Increased funding for MAP is a key strategy to improve equitable access to education in the state, cited in both the IBHE strategic plan for higher education, [A Thriving Illinois](#), and the [Equity Working Group for Black Student Success in Illinois Higher Education](#) convened by Chicago State University. Over 60% of Black students and over 50% of Latino/Latina students at Illinois public universities attend with the help of a MAP grant.

Prior to MAP receiving an additional \$122 million in FY 2023, components of the formula had become very outdated, although some advances were made with increased funding in FY 2018, FY 2020, and FY 2022. The expense of updating the formula to maintain tuition and fee coverage was high and would have resulted in fewer students receiving awards due to lack of additional funding. The formula used FY 2004 tuition and fee amounts from FY 2006 through FY 2017. The living allowance remained at \$4,875 from FY 2002 through FY 2021, and the formula used a \$4,968 maximum award from FY 2002 through FY 2019. For most of those years until FY 2020, a reduction factor, which reduced the size of the award, was applied to all awards to stretch the appropriation further. Figure One shows the formula with FY 2023 component amounts.

Figure One: The Current MAP Eligibility Formula



In thinking about what specific benefits \$50 million in new funding could offer for students, it's important to note that the Commission approves the final MAP formula in the Spring after the appropriation is final each year. Once the final funding amount is known, staff consults with the financial aid community and makes a recommendation to the Commission Board on how any funding increase would be distributed—i.e., how much new funding would go towards providing a greater *number* of grants vs. *bigger* grants that cover more costs.

In FY 2002, the highest MAP awards covered all of tuition and fees at community colleges and public universities though applications from nearly 17,000 of the 210,000 MAP-eligible applicants (8.1%) remained in suspended status. Coverage then steadily declined as application volume increased and funding did not keep pace. Even with appropriation increases in three of the five years prior to FY 2023, coverage could best be described as holding steady. The number of eligible MAP applicants with applications in suspended status at the end of a fiscal year peaked in FY 2013 at nearly 170,000. This number has steadily declined since then – even through years of level and reduced MAP appropriations.

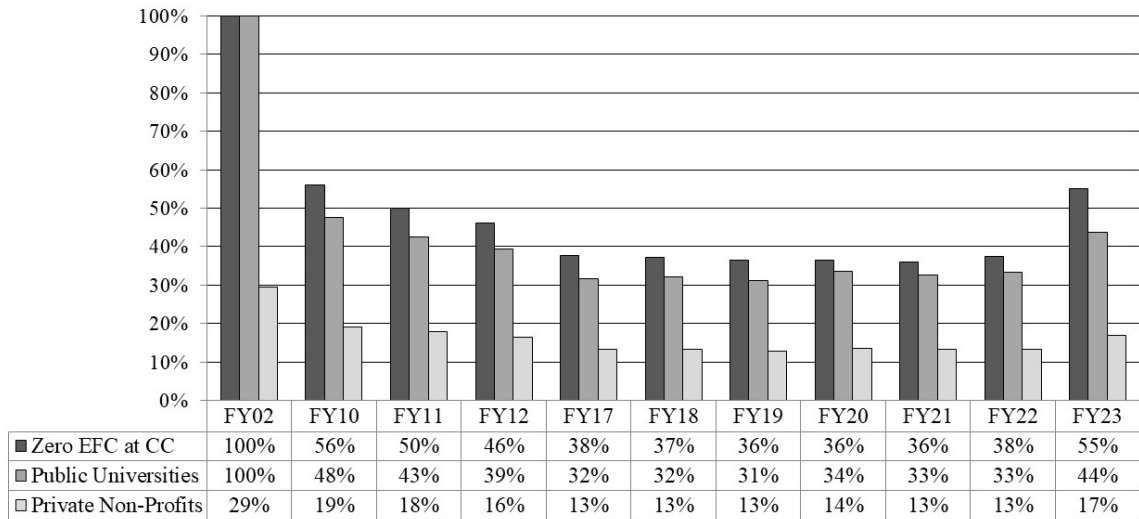
In FY 2022, for the first time in more than two decades, no applications from MAP-eligible applicants remained in suspended status at the end of the fiscal year. With the addition of \$122 million in FY 2023, MAP was expanded to include eligible students enrolled in credit bearing certificate programs of less than one academic year at public schools, typically community colleges. This MAP expansion, which was part of PA 102-699, provides eligible applicants with aid for career opportunities offered by more than 2,000 short-term certificate programs. FY 2023 MAP payments have just begun, and MAP claims tied to these short-term certificates are being tracked.

FY 2023 is also the first year in well over a decade that the original suspension date for MAP eligibility did not occur before the beginning of the fall term. Later suspense dates such as this are especially helpful for non-traditional students who aren't confident that everything will fall into place to allow them to enroll (transportation, childcare, course material costs, employers who give consistent part-time hours, etc.) until the term begins.

In FY2002, the highest MAP awards covered all of tuition and fees at community colleges and public universities, as shown in Figure Two. Coverage then steadily declined as application volume increased and funding did not keep pace. Even with appropriation increases in three of the five years prior to FY2023, coverage could best be described as holding steady.

Formula improvements from the \$122 million boost in FY 2023 also moved the bars noticeably upward in terms of the grant's purchasing power. Tuition and fee coverage exceeds 50 percent for the first time since FY 2010 at community colleges and has risen back to FY 2011 and FY 2012 coverage levels at public and private universities. On average, for FY23 the grant is expected to cover about 55% of tuition and fees at a community college, about 38% at a public university, and about 17% at a private not-for-profit institution. Unfortunately, more funding will be needed in FY 2024 to keep up with tuition and fee increases and continue serving a similar number of students.

Figure Two: MAP Tuition and Fee Coverage



A \$50 million increase for MAP could allow the grant to regain more of the ground lost over nearly two decades, beginning in 2002. The higher education strategic plan calls for the state to build to a \$1 billion funding level for MAP over ten years, a level at which it was projected that the grant could cover about *half* of the average tuition and fees at a public university while the program also serves all eligible students who apply.

For State scholarship and grant programs other than MAP, staff’s FY 2024 recommendation does *not* include the restoration of funding for any program that was zeroed out prior to FY 2016 or that has never been funded.

For other State scholarship and grant programs funded in FY 2023, staff is recommending that the Commission seek flat funding in FY 2024 with the following exceptions:

Teacher Reimbursement Grant Program: Staff is not recommending that the Commission seek FY 2024 funding for the Teacher Reimbursement Grant Program. Funding of \$2,000,000 was added to the final FY23 budget by legislators, but no program exists and there was no other direction provided about the appropriation. (A bill to establish a program that could be described as a teacher reimbursement grant did pass the House in spring 2022 but was never called for a vote in the Senate.) Since the program does not exist, the agency has not spent these funds and does not currently have a plan to do so. It should therefore be possible to move these dollars to support another priority without a concrete negative impact.

NDIGO Foundation: At this time, staff is also not recommending the Commission seek funding for the NDIGO Foundation in FY 2024. This FY 2023 appropriation provided \$500,000 to the Foundation for a journalism internship program. To date, staff have not received guidance to indicate that this grant is intended to be long-term.

Minority Teachers of Illinois Program (MTI): In September 2018, the Illinois State Board of Education (ISBE) published *Teach Illinois: Strong Teachers, Strong Classrooms – Policy Solutions to Alleviate Teacher Shortages in Illinois*. This report noted that in Illinois, not only have there been recent declines in the number of candidates enrolling in and completing teacher preparation programs, but “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 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.”

Advocacy groups have recently shone additional light on the program as one that could help to address long-standing educational inequities, with the dual benefit of making college more affordable for aspiring teachers and supporting the educational success of the students that they will teach.

This advocacy had an impact over the winter of 2020-2021: In January 2021, the Illinois Legislative Black Caucus championed HB 2170, a major education reform measure, that included changes to MTI *contingent on specific increases to the program’s funding*. That funding increase was achieved in FY 2023. With \$4.2 million, the maximum scholarship was increased to \$7,500 (from \$5,000), and more priority categories were added, including bilingual teaching candidates.

The number of eligible students who can be served has risen from 380 to 560 (assuming all recipients receive the maximum grant).

The requested level of funding for MTI for FY 2024 (\$7 million, an increase from the current \$4.2 million) is the amount that ISAC projects would be needed to fund all eligible applicants if application numbers remain steady with recent years.

Teacher Loan Repayment Program: The Illinois Teacher Loan Repayment Program provides up to \$5,000 in additional loan repayment help for teachers in Illinois who qualify for the federal teacher loan forgiveness program. Recipients must have taught for at least five years in an Illinois elementary or secondary school designated as a low-income school.

Staff recommends requesting \$975,000—an increase of \$535,100—to expand the number of teachers served from around 90 to around 195 (assuming most recipients are eligible for the maximum grant). Staff believes that an appropriation at the requested level would fund nearly every qualified applicant for this program.

As with MTI, this program supports the teacher pipeline and retention of teachers in hard-to-staff schools. Both programs promote staffing and retention at under-resourced and/or high-minority-population school districts. The program directly reduces recipients’ loan debt (which disproportionately affects Black students and graduates, in particular). An increase for the Illinois Teacher Loan Repayment Program would allow us to meet more of the demand for this program that supports teacher retention in hard-to-staff schools. Each year, many teachers who qualify for this assistance are frustrated because the program’s funding is too limited.

Other Programs: 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 years ago. 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 since FY 2012 and has not covered all claims since FY 2001. (The General Assembly has appropriated funds to the Illinois Community College Board in several recent years to reimburse community colleges. Since FY 2021, this has included nearly \$4.3 million annually 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.

Because of the way the AIM HIGH Grant Pilot Program is forward funded, FY 2023 was the request for the fifth year of AIM HIGH funding, to use in academic year 2023-24. At this point, ISAC has received *actual* institutional expenditure reports for AIM HIGH for the first three years of the Program (academic years 2019-20, 2020-21, and 2021-22), as schools are required to report expenditures and data on the Program at the end of each award year. Staff recommends that the Commission seek level funding of \$35 million for the program for FY 2024. Notably, this assumes that the program will be legislatively extended rather than being allowed to sunset on October 1, 2024, as currently scheduled. ISAC believes this to be a likely scenario given the legislative interest and public university enthusiasm for the program, but an extension of the program is not a foregone conclusion.

II. Support for Operations and Outreach, Research & Training

The Student Loan Operating Fund (SLOF) is the primary operating fund accounting for the revenues and expenditures of the Federal Family Education Loan Program (FFELP). The source of funds for SLOF is the revenue generated from ISAC's work as a FFELP guarantor. Between FY06 and FY14, the operating expenditures for ISAC--including for MAP and other state programs, as well as functions like outreach, research, and training--were covered by the revenues generated from the FFEL Program, i.e., the revenues that ISAC earns from collections from defaulted borrowers in the Student Loan Operating Fund (SLOF), saving the state well over \$150 million during that time period.

The federal passage of the Student Aid and Fiscal Responsibility Act in March 2010 ended the FFEL Program and moved all future student loans into the federal Direct Loan Program. No new FFELP loans have been issued since 2010. Since then, ISAC has been overseeing the wind-down of its participation in the program.

As the FFELP portfolio has shrunk and revenues have declined, ISAC management engaged in a long-term plan to wind down the FFEL Program responsibly to ensure the integrity of all borrower loan balances and information. Another critical goal of this work had been to ensure that the costs of winding down the program are covered by the program's own revenues and that the program does not become an unfunded liability of the State—i.e., to ensure that the program remains self-sustaining as it was closed out. This goal was achieved.

As the FFEL Program portfolio aged, revenue generated from collection of defaulted FFELP loans wound down, as well, leaving FFELP activities no longer producing enough excess annual revenue to continue to cover entirely the rest of the Agency's operating costs (i.e., for activities outside the loan program).

The agency has also been aware that further federal policy changes could result in a significant decrease in FFELP revenue or even lead to the end of the program—and this is just what happened because of the COVID-19 emergency.

To support borrowers during a challenging period, the federal government implemented several benefits for a limited universe of student loans that did not include the older loans that make up ISAC's portfolio. After the change in Presidential Administration, however, these federal borrower benefits were extended to the borrowers whose loans ISAC held, and benefits were applied in arrears. In efforts to ensure that ISAC borrowers had access to all benefits due, the agency determined that, unfortunately, its legacy system was not able to meet all federal requirements in a timely way. To help ensure that borrowers could get the relief to which they were entitled as soon as possible, the agency informed the U.S. Department of Education about its inability to implement the borrower benefits and at their direction successfully transferred ISAC's FFELP guaranty and defaulted portfolio to a successor guarantor.

As of May 1, 2022, ISAC has officially exited the FFELP program and there will be no revenue from FFELP in FY 2023 and beyond.

The agency still has some FFELP related activities to finish, transferring records, decommissioning systems, etc. that will take place over the next year or two.

Need for State support for state functions:

Since federal funds are no longer available to subsidize the agency's work on behalf of the state, ISAC will continue to need additional state resources to comply with mandates and maintain statewide outreach programming and partner training.

For FY 2024, staff recommends that the Commission request \$7.0 million in the Agency Operations line and \$7.0 million in the Outreach, Research, and Training line. For the current year, FY 2023, these are each funded at \$6.0 million.

Having sufficient funding is critical to the Agency's Operations. Having this separate appropriation for operations helps to ensure that the agency continues to administer scholarships and grants appropriately. 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 (GATA); and implementing mandatory statewide accounting systems and procedures. Maintaining physical and cybersecurity for records that contain millions of pieces of highly sensitive and confidential personal identifying information of program participants remains an important responsibility, and it continues to be a significant cost. 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 recent years, the agency has been asked to do more, not less. In fact, the agency has seen a rapid growth in responsibilities over the last few years, particularly in FY 2023.

- For this fiscal year, the addition of certificates to MAP created new tasks in nearly every division of the agency.
- An overhaul of the Minority Teachers of Illinois program has required new, manual processes for awarding, and a transfer of the Nurse Educator Scholarship Program to ISAC is requiring the conversion of manual processes to add automation and controls appropriate for a program that has doubled in size.
- Several new programs were created and/or funded for the first time for FY 2023, including many that are supported by novel funding sources, some of which have required ISAC to act as a grantee under the Grant Accountability and Transparency Act (GATA) for the first time. The Early Childhood Access Consortium for Education scholarship program is

among the new ISAC-administered programs subject to GATA, created according to parameters that were developed by partner agencies.

- The Alternative Application for Illinois Financial Aid (stood up in about six months) needs to be updated at least annually.
- Immediately after winding down FFEL near the end of FY 2022, ISAC's Finance & Accounting division was required to implement SAP (the state's new enterprise management system).

While glad to be entrusted with these initiatives and to work with sister agencies to support Illinoisans in innovative ways, these changes and expansions are straining resources, including staff.

Notably, the more the state can fund agency operations and outreach, the less the agency will need to tap into the authority to use two percent of the MAP appropriation for operations purposes, preserving more of that appropriation for the grants themselves.

The pandemic has shifted the American employment landscape dramatically. It remains to be seen where civil service falls on the career desirability spectrum for talented and caring individuals. ISAC has recently posted jobs for which no applications were submitted and jobs for which one application was received, although the same posting might have received 100 applications in the past. As the state invests in program funding it is critical that it invests in the people to operate the programs. Appropriate staffing and succession planning are also critical investments to retain and develop the trained staff needed to deliver on ISAC's mission.

Staff is recommending a \$1 million (16.7%) increase to both its Operations lump sum line item and the lump sum line item used to fund ISAC's Outreach, Training, and Research activities. ISAC has received General Funds support for these activities since FY 2015. Absent FFEL Program revenue in FY 2024, we are requesting a \$7.0 million lump sum for Outreach, Training, and Research activities - an amount that will allow us to maintain an effective and truly statewide presence for our ISACorps and maintain our other current outreach, research, and training activities.

These outreach, research, and training activities are critical to how ISAC works to achieve its mission of college access and affordability for Illinoisans. The agency provides 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 extensive outreach and training programs, including the ISACorps. ISAC 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. In helping students to make choices that fit their needs and maximize their ability to connect with financial

resources, we believe that these services also help to protect the state's significant investment in MAP, since they may make students more likely to be able to persist and complete once enrolled. The ISACorps provides free support services to tens of thousands of students each year across the state. **The need for this support has only grown since the State enacted the Governor's initiative to require FAFSA completion for high school graduation.**

- In an extremely challenging academic year (2020-21) when FAFSA completion rates fell in nearly every state and territory, Illinois was one of just three states that had an increase in filing rates. More importantly, Illinois rates were up across all categories: low- and high-income schools, schools with and without high concentrations of students of color, and schools in rural, urban, and suburban environments. ISAC's support for FAFSA completion was a significant driver of this achievement and an important piece of the agency's efforts to promote educational equity.
- Notably, the state's funding for the ISACorps also allows ISAC to continue to qualify for federal GEAR UP funding: To receive approximately \$2.7 million in these federal funds annually, supporting college and career readiness in middle and high schools, the state must provide a dollar-for-dollar match.
- 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 direct aid where it is most needed. The ISAC-created FAFSA Symposium convenes school staff and others from around the state to share best practices in FAFSA completion; training on the Postsecondary and Career Expectations (PaCE) Framework supports schools in cultivating a college-going culture where students are ready for career or postsecondary education after high school; and the College Changes Everything (CCE) conference is the state's premier college access event for high school and college staff, community-based organizations, and others to share innovative ideas, forge new connections, and learn from each other. This year, ISAC's training team offered hundreds of free webinars attended by thousands of student loan borrowers eager to understand the temporary expansion of the Public Service Loan Forgiveness program.
- 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 help 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. The division is currently heavily involved with tracking and analyzing wide-ranging changes to federal financial aid and the FAFSA.

Without new FFELP revenue, these outreach and training activities, research, and phone and web-based student and family support will only be able to be maintained if the state supports them. Likewise, state funding will be needed to pay for the direct and indirect costs of the State's scholarship and grant operations, the majority of which are employee-related costs. Maintaining these services to students, schools, and families requires State General Funds. Projected costs for Agency Operations and Outreach, Research, and Training have grown to about \$12 million for FY23 due to the cumulative effects of COLAs, cybersecurity enhancements, work on succession planning, etc.

Staff is also recommending that the Commission continue to seek authority to spend up to two percent of the FY 2024 MAP appropriation for agency operations.

III. College Illinois!

At the time of this writing, the final annual actuarial soundness report on the College Illinois! Prepaid Tuition Program has not yet been publicly released. An FY 2022 supplemental appropriation totaling \$250 million for the program addressed the program's projected spring 2022 unfunded liability. While the market downturn that followed that appropriation means that the new soundness report will once again show an unfunded liability for the program, that unfunded liability will be much smaller than in prior years, and the program is not at risk of being unable to pay beneficiaries for FY 2024. The plan having an unfunded liability as of June 30, 2022 does not automatically mean the plan will require additional funding from the state in future years. That will depend upon future investment returns and the rate of future tuition and fee growth. Changes in tuition and fee growth, demographics, and investment returns, along with the agency's assumptions about all of those trends, will all affect the unfunded liability over time, and the unfunded liability will grow or shrink each year. If the plan were to require additional funding from the state at a future date, ISAC would advocate for it at that time. Staff does not recommend the Commission seek supplemental state funding for the program in FY 2024.

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

Beyond the spending authority being requested 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 closing out the FFEL program and transferring the fund balance back to the U.S. Education.
- The Commission 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 2024 (not including pass-through funding for the Early Childhood Access Consortium for Equity Scholarship) totals \$93.4 million, which represents a \$54.6 million (36.9 percent) decrease from the spending level provided in FY 2023 and a \$215.1 million (69.7 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 takes into account the agency's exit from FFELP and the transfer of loans to a successor guarantor.

V. 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.

In the FY 2023 budget, several ISAC-administered programs were funded for the first time from sources other than General Funds. Those include funding the Community Behavioral Health Care Loan Repayment Program from the DHS Community Services Fund, funding the new Displaced Energy Worker Scholarship Program from the DCEO Energy Transition Assistance Fund, and continuing to fund the Nursing Education Scholarship from the Nursing Dedicated and Professional Fund. Because these programs were not previously paid from General Funds, tapping into these other state funds does not relieve immediate pressure from GRF or EAF, but it does allow the state to provide additional, General Assembly-approved services without adding pressure to General Funds.

Staff is recommending that the Commission seek level spending authority for its Other State Funds appropriations except the two appropriations ISAC received as a result of the American Rescue Plan Act (ARPA) which was signed into law in March 2021. This law established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (“SLFRF”) program.

Funds may be used to cover eligible costs that organizations incurred during the period that began on March 3, 2021, and ends on December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024 are expended by December 31, 2026. The full grant authority is shown in ISAC’s ISL’s even though it’s more of a “one-time total.” If the federal government does not renew this funding and it is used to expand capacity, once the funding sunsets, Illinois will need to back-fill this funding to sustain the expansion.

Illinois’ funds were deposited into State CURE Fund (SAMS# 324). Two programs ISAC administers in conjunction with the Golden Apple Foundation qualified for \$7.752 million in State and Local Fiscal Recovery Funds (SLFRF) intended to be spent over three years. More specifically, ARPA funds were appropriated in the FY 2022 budget to support the Golden Apple Scholars (\$3.502 million) and Golden Apple Accelerators Programs (\$4.25 million), and re-appropriations were sought for FY 2023.

Staff is recommending that the Commission seek spending authority of \$3.0 million for Golden Apple Scholars and nearly \$3.9 million for Golden Apple Accelerators Programs from this funding source for FY 2024, which should be sufficient given the amounts spent in FY 2022 and expected to be spent in FY 2023.

VI. 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 2024 budget requests to the Commission for IDAPP and CI! at the June 2023 Commission Meeting, for consideration prior to the beginning of FY 2024.