

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2024 INTERNAL BUDGET**

Appropriation

ISAC is required by statute to obtain appropriation authority from the Illinois General Assembly for expenditures from all the funds it administers. The only exceptions to this are the Prepaid Tuition Program (College Illinois!) and Illinois Designated Account Purchase Program (IDAPP), which are both classified as non-appropriated funds.

- **Appropriation (State Funded)**

ISAC's State-funded appropriation represents funding authority for all the scholarship and grant programs administered by ISAC and operational expenditures of the agency. The funding for this comes from the State General Revenue Fund or other State funds and is allocated for higher education from State resources.

- **Spending Authority (Other Sources)**

With the exception of IDAPP, the cash disbursements for all funds administered by ISAC are processed by the Illinois Office of the Comptroller. Without the spending authority, payments cannot be processed from these funds, except for College Illinois, which is a non-appropriated fund. **Note that the spending authority authorizes annual spending limits from the funds. It does not represent actual/estimated expenditures from the fund.**

- **Internal Budget**

The internal budget reflects the annual projected revenues and expenditures for the agency.

Illinois General Assembly Appropriation – Fiscal Year 2024 Budget Update

For FY 2024, based on Commission approval at the December 2022 meeting, ISAC recommended a budget totaling \$967 million.

The Illinois General Assembly passed a budget for FY 2024 in May 2023 with over \$1 billion in funding for the agency. The agency's appropriation includes about \$701 million for MAP – 16.6% increase over the prior year. The appropriation also included \$7 million for agency outreach and research and an additional \$7 million for agency operations. This is in addition to the 2% of the MAP appropriation which can be utilized for agency operational expenditures.

The attached Table – FY 2021 - FY 2024 Appropriations, details the agency comparative appropriations by year.

Internal Budget Overview

The internal budget reflects the annual projected revenues and expenditures for the agency. Please note the following about the overall ISAC operational budget:

Funding:

- Most of the agency's administrative expenditures will be met by appropriated funding from the State General Revenue Fund (GRF).
- Beginning in FY 2023, ISAC's role as a FFELP guarantor ended. The FFELP revenue was zero in FY 2023.
- The cost of running the ISACorps will be paid from funding from the State General Revenue Fund.
- ISAC continues to administer the federal GEAR UP Grant in FY 2024 – of approximately \$18 million over seven years for implementing a college access outreach program for students starting in middle school.

Expenditures:

- From the cost side, there are elements of ISAC's costs, such as pension, group insurance, and data processing, which are determined by the State. In past years, we have not received advance notice of changes in these costs before they were assessed, leading to uncertainty in budgeting for these areas.
- Some of the costs related to College Illinois! are volume driven, such as investment management fees that are tied to asset values, or investment gains and account maintenance fees that are tied to contract usage. We have tried to provide in the budget for some of these potential contingencies and will of course continue to be diligent in working to minimize costs and expenditures.

Attached for your reference are comparative financial statements reflecting FY 2022 actual, FY 2023 budget and estimated actual, and recommended FY 2024 budget for all the administrative costs for the agency.

Student Loan Operating Fund (SLOF) - FFELP Guarantor

SLOF is the operating fund which accounted for the revenues and expenditures generated from ISAC's role as a FFELP guarantor. ISAC had been a FFELP guarantor for over 50 years. Effective July 2010, the Student Aid Fiscal Responsibility Act (SAFRA) ended the FFEL Program. Since then, ISAC as the guarantor had been overseeing the wind-down of the program.

Effective May 1st 2022 ISAC formally terminated its role as a FFELP guarantor. The Federal Fund was closed and the funds were transferred to the Department of Education in June 2023. ISAC did not earn any revenue from the FFEL program in FY 2023. SLOF did have some interest income, rental income and miscellaneous revenue from IT projects.

Funding for the Administrative costs of the Agency

The budget passed by the General Assembly for FY 2024 authorizes 2% of the MAP appropriation of \$701 million for the operational costs of the agency. In addition the budget includes a separate appropriation of approximately \$7 million for outreach expenditures to be used for operating the ISACorps and other outreach efforts and another additional line of \$7 million to be used for agency operations.

The total amount authorized for operational costs is \$28 million.

The agency continues to evaluate its organizational structure and reallocate resources based on the agency's mission and related priorities. This is a very difficult, but necessary process for the agency.

However, the agency has reached a point that it needs to replace staff who retire or leave the agency and will no longer be able to reduce its work force. Staffing investments are critical to take on the additional programs and responsibilities with which the agency has been entrusted by the Governor and the General Assembly over the past several years. In addition, a large portion of the agency's workforce is eligible to retire or will soon be eligible to retire. Investments in succession planning to maintain the continuity of the agency's operations are critical.

The primary objective as related to MAP administrative funds is be to use the 2% of the MAP line allocation as a tool strategically and judiciously to ensure maximization of scholarship payment to students while also meeting the needs of the agency's operations.

Expenditures

The overall budgeted amounts proposed in this item reflect a \$5.3 million increase in personnel and contractual costs overall for the agency.

- All personnel costs are paid out of GRF.
- Personnel costs are projected to increase by over \$3.9 million.
- The budget numbers for increases in personnel costs do not include decreases in cost due to employee retirements or hiring lag during the year.
- Note that the promotional and other compensation adjustments are not finalized and will be decided throughout the year based on individual situations and also based on funding availability during the course of the year.
- The budget also includes \$1.3 million increase in contractual, rental and other administrative costs.

It should be noted that, as in previous years, although these increases in expenses are included in the budget, the decision as to whether to implement them will be made in the future, as we see how the budget year is shaping up and take into consideration other relevant factors. Each spending decision is justified at the time it is made.

The major changes in budgeted FY 2024 costs versus FY 2023 estimated actuals are outlined in the tables below.

GENERAL FUNDS & SLOF DETAILS OF INCREASES AND DECREASES IN EXPENDITURES FY 2024 BUDGET OVER FY 2023 ESTIMATED ACTUAL EXPENDITURES FOR THE FISCAL YEAR ENDING JUNE 30, 2024		
PERSONNEL SERVICES		
Reserve for 4% COLA with benefits cost increase in FY 2024	575,000	
Reserve for 12 vacancies in FY 2024	1,100,000	
ISACorps budgeted at full amount without attrition	1,500,000	
LOA-protected positions	275,000	
Reserve for promotions and merit increases	500,000	
TOTAL PERSONNEL SERVICES		\$3,950,000
CONTRACTUAL & ADMINISTRATIVE		
Increase in consulting and computer related costs	750,000	
Increase in College Outreach & Access/ISACorps contractual costs	250,000	
Cost of website development rolled forward to FY 2024	350,000	
TOTAL CONTRACTUAL & ADMINISTRATIVE		\$1,350,000
TOTAL INCREASE IN GRF BUDGET		\$5,300,000

Prepaid Tuition Program – College Illinois!

Program Update and Overview

Each year the Commission is asked to review and approve the planned administrative budget for the College Illinois! 529 Prepaid Tuition Program. The proposed Fiscal Year 2024 administrative budget has been developed to adequately cover administrative costs of the program. The budget reflects estimated expenditures and includes increases for potential unforeseen situations.

Personnel Services

The Personnel Services line includes direct expenses for staff who work for the benefit of College Illinois!. Consistent with past practice, payments charged to College Illinois! will be based on the cost allocation data from the Time Tracker system, using actual time spent on College Illinois! by these staff members. Any time spent on other ISAC programs will not be charged to College Illinois!.

Contractual Services

- **Records Administration and Call Center Services**
The program’s records administration vendor handles lockbox services, account servicing, customer service, financial transaction processing, and payment of contract benefits. These charges are largely volume driven.
- **Financial Services**
This includes costs related to custodial services, actuarial services, investment advisory services, insurance costs, legal services and audit costs.

Investment Expenses

Investment expense is the invoice fees paid to traditional managers (mostly equities and fixed income) and the fees paid to limited partner or subscription funds that are not the private equity/closed-end fund structure.

COLLEGE ILLINOIS!		
DETAILS OF INCREASES AND DECREASES IN EXPENDITURES		
FY 2024 BUDGET OVER FY 2023 ESTIMATED ACTUAL EXPENDITURES		
FOR THE FISCAL YEAR ENDING JUNE 30, 2024		
PERSONNEL SERVICES		
Decrease due to staff turnover	(81,000)	
CONTRACTUAL SERVICES		
Increase in insurance and records administration	207,000.00	
TOTAL INCREASE IN COLLEGE ILLINOIS BUDGET		\$126,000

GEAR UP Grant

ISAC has been awarded a federal grant – GEAR UP Grant of approximately \$18 million over seven years beginning FY 2017 for implementing a college access outreach program starting with middle school students. The grant requires a 100% match from non-federal sources. A portion of the expenditures related to the ISACorps and the College Access and Outreach division of the agency will qualify for this purpose.

The budget for the Gear Up Grant reflects the balance of the carryover funding from the last seven years.

The below table summarizes the variance in expenditures from the prior year to the current year budget.

Illinois Designated Account Purchase Program (IDAPP) – Lender of Student Loans

IDAPP is ISAC's lending arm for student loans. In the past, IDAPP directly originated loans; currently it services the remaining portfolio of FFELP and alternative student loans.

The FFELP student loan disbursements and purchases were funded by bonds issued by IDAPP and collateralized with the student loan portfolio. In 2007, IDAPP entered into a Mid Term Asset Backed Commercial Paper Program to fund its alternative loan program.

IDAPP's administrative costs are met through an administrative cost allowance from the Bond Trusts and the credit facility which originally funded the alternative loan program. IDAPP operations and loan portfolio continue to be in wind-down.
