

## **AGENDA ITEM 5.**

### **FISCAL YEAR 2025 APPROPRIATED FUNDS BUDGET**

**Submitted for:** Action

**Summary:** This item presents staff's recommendation for FY 2025 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 2025 Budget Request for Higher Education at its January meeting, and the Governor is expected to present his FY 2025 proposed budget to the General Assembly on or before the third Wednesday in February. Both the IBHE budget recommendation for ISAC and the recommendation for ISAC included in the Governor's budget request may differ somewhat from the recommendation approved by the Commission Board.

Following the Governor's budget address, agency staff will submit detailed information to legislative staff regarding both the Commission Board's recommendation and the impact of the Governor's recommended budget for ISAC programs and operations.

As in past years, the enclosed 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 (for ISAC, this is primarily 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 or "Other 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, other special funding sources, or private or federal grant money). In many instances, 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 2025 appropriated funds budget recommended by staff for approval by the Commission totals \$960.1 million, which represents a decrease of nearly \$93.2 million (-8.8 percent) compared to FY 2024. In this budget, State General Funds would increase by \$51.7 million (6.6 percent), spending authority from federal funds would decrease by \$170.2 million (-75.0 percent), and spending authority from other state funds would increase by \$5,000,000 (31.9 percent) when compared to FY 2024.

**Action Requested:** That the Commission approve an FY 2025 budget request totaling \$960.1 million as detailed in Table 1.

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FISCAL YEAR 2025 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 2025 Budget Request for Higher Education, which includes ISAC, at its upcoming January meeting, whereas the Governor will present his FY 2025 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 \$882.8 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 \$43.4 million in federal student loan funds, \$13.1 million in federal scholarship and grant funds, \$20.7 million in other state funds, and \$100,000 in other federal funds.

The state has recently enjoyed a couple of strong budget years. However, the most recent five-year budget forecast<sup>1</sup>, released by the Governor's Office of Management and Budget on November 15<sup>th</sup>, 2023, was that, under current statutes and trends, deficits should be expected for the remainder of the forecast period, from FY 2025 through FY 2029.

Appropriators, as always, will be left with difficult choices. As advocates for students, staff believes that the Commission's FY 2025 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 major plans to address those needs, including the IBHE strategic plan for higher education, [A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth](#)<sup>2</sup>, and the action plan of the [Equity Working Group for Black Student Success in Illinois Higher](#)

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<sup>1</sup> *Illinois Economic and Fiscal Policy Report*, Governor's Office of Management and Budget. November 15, 2023. <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/economic-and-fiscal-policy-reports/Economic%20and%20Fiscal%20Policy%20Report%20FY24%20FINAL%2011.15.23.pdf>

<sup>2</sup> *A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth*. Illinois Board of Higher Education. [https://ibhstrategicplan.ibhe.org/pdf/A\\_Thriving\\_Illinois\\_06-15-21.pdf](https://ibhstrategicplan.ibhe.org/pdf/A_Thriving_Illinois_06-15-21.pdf)

[Education](#)<sup>3</sup> convened by Chicago State University President Zaldwaynaka (“Z”) Scott. More recently, the [Illinois Latino College Landscape Study](#)<sup>4</sup> produced by the Latino Policy Forum cited the role of need-based aid in Latino student success, along with the importance of support for college planning, outreach to parents, and other services that ISAC provides, particularly through the division of College Access and Outreach.

These plans highlight the importance of postsecondary education to foster equity and help individuals meet their own goals, but they also reinforce that access to education and training serve important public purposes. Improving access to college is an investment that does more than help individuals to achieve self-sufficiency; it’s essential to the state’s long-term well-being. Staff believes that additional investment in Illinois’ human resources through ISAC will create an economic return on these increased expenditures.

The General Assembly and the Governor have shown a substantial commitment to student financial aid funding in recent years. Notable funding increases have boosted the Monetary Award Program (MAP), AIM HIGH, the Minority Teachers of Illinois (MTI) Scholarship, and the Golden Apple Scholars and Golden Apple Accelerators Programs. Funding has been added for new or new-to-ISAC programs, including the Post-Master of Social Work School Social Work Professional Educator License Scholarship, the School and Municipal Social Work Shortage Loan Repayment Program, and several programs funded from sources other than General Funds. Staff’s FY 2025 recommendation maintains these budget lines as-is.

Table 1 (see pages 3 and 4 of this item) provides a summary of the FY 2025 recommended funding request, which is intended to build on the momentum of FY 2024 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.

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<sup>3</sup> Report of the Equity Working Group for Black Student Success in Illinois Higher Education. [https://csu.edu/provost/documents/ACTION\\_PLAN.pdf](https://csu.edu/provost/documents/ACTION_PLAN.pdf)

<sup>4</sup> *Illinois Latino College Landscape Study*, Latino Policy Forum. <https://www.latinopolicyforum.org/issues/education/illinois-latino-college-landscape-study>

**Table 1:  
Illinois Student Assistance Commission  
State Fiscal Year FY 2025 Budget - Staff Recommendation**

Line Item	FY2024		FY2025	Difference FY25 Recommend-FY24 Approp	
	P.A. 103-0006 Appropriation	Projected Expenses	ISAC Staff Recommendation	Amount	Percent
<b>STATE GENERAL FUNDS</b>					
Monetary Award Program	\$701,566,200	\$701,566,200	\$751,566,200	\$50,000,000	7.1%
GRF	\$401,566,200	\$401,566,200	\$451,566,200	\$50,000,000	12.5%
EAF	\$300,000,000	\$300,000,000	\$300,000,000	\$0	0.0%
Other GRF					
Agency State Operations	\$7,000,000	\$7,000,000	\$7,840,000	\$840,000	12.0%
Statewide Outreach, Training & Research Activities	\$7,000,000	\$7,000,000	\$7,840,000	\$840,000	12.0%
Grant Program for Exonerees	\$150,000	\$0	\$150,000	\$0	0.0%
NDIGO Foundation	\$550,000	\$550,000	\$550,000	\$0	0.0%
Social Worker Scholarships and loan repayment	\$6,000,000	\$5,000,000	\$6,000,000	\$0	0.0%
AIM High Grant Pilot Program	\$50,000,000	\$50,000,000	\$50,000,000	\$0	0.0%
Prepare for Illinois' Future Program	\$10,000,000	\$10,000,000	\$10,000,000	\$0	0.0%
IGROW Tech Scholarship Program	\$2,000,000	\$100,000	\$2,000,000	\$0	0.0%
<b>TOTAL GENERAL REVENUE FUND</b>	<b>\$484,266,200</b>	<b>\$481,216,200</b>	<b>\$535,946,200</b>	<b>\$51,680,000</b>	<b>10.7%</b>
Other EAF					
Teacher Loan Forgiveness Program	\$975,000	\$975,000	\$975,000	\$0	0.0%
Minority Teacher Scholarships	\$8,000,000	\$8,000,000	\$8,000,000	\$0	0.0%
Golden Apple Scholars Of Illinois (Beginning FY13)	\$10,750,000	\$10,750,000	\$10,750,000	\$0	0.0%
Golden Apple Scholars Of Illinois for the Golden Apple Accelerators Program	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
Dependents Grants	\$1,300,000	\$1,300,000	\$1,300,000	\$0	0.0%
Nurse Educator Loan Repayment Program	\$500,000	\$500,000	\$500,000	\$0	0.0%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,400	\$55,000	\$28,600	108.3%
ECACE - State Funded	\$0	\$0	\$20,000,000	\$20,000,000	100.0%
Human Services Professional Loan Repayment Program	\$0	\$0	\$250,000	\$250,000	100.0%
Bonus Incentive Grants	\$0	\$0	\$0	\$0	0.0%
Student to Student Grants	\$0	\$0	\$0	\$0	0.0%
Child Welfare Student Loan Forgiveness Program	\$0	\$0	\$0	\$0	0.0%
Community College Transfer Grant Program	\$0	\$0	\$0	\$0	0.0%
Forensic Science Grants	\$0	\$0	\$0	\$0	0.0%
Grant for a Person Raised by a Grandparent	\$0	\$0	\$0	\$0	0.0%
Grant Program for Medical Assistants in Training	\$0	\$0	\$0	\$0	0.0%
Silas Purnell Illinois Incentive for Access Grants	\$0	\$0	\$0	\$0	0.0%
Illinois State Scholarships	\$0	\$0	\$0	\$0	0.0%
Illinois Veteran Grants	\$0	\$0	\$0	\$0	0.0%
Merit Recognition Scholarship	\$0	\$0	\$0	\$0	0.0%
National Guard Grants	\$0	\$0	\$0	\$0	0.0%
Public Interest Attorney Loan Repayment Program	\$0	\$0	\$0	\$0	0.0%
Grant Program for Participants in SIU-C Achieve Program	\$0	\$0	\$0	\$0	0.0%
Teach Illinois Scholarship Program	\$0	\$0	\$0	\$0	0.0%
Police Training Academy Job Training Program	\$0	\$0	\$0	\$0	0.0%
Adult Vocational Community College Scholarship Program	\$0	\$0	\$0	\$0	0.0%
<b>TOTAL EDUCATIONAL ASSISTANCE FUND</b>	<b>\$326,551,400</b>	<b>\$326,551,400</b>	<b>\$346,830,000</b>	<b>\$20,278,600</b>	<b>6.2%</b>
<b>TOTAL STATE GENERAL FUNDS</b>	<b>\$810,817,600</b>	<b>\$807,767,600</b>	<b>\$882,776,200</b>	<b>\$71,958,600</b>	<b>8.9%</b>

**Table 1 (continued):  
 Illinois Student Assistance Commission  
 State Fiscal Year FY 2025 Budget - Staff Recommendation**

Line Item	FY2024		FY2025	Difference FY25 Recommend-FY24 Approp	
	P.A. 103-0006 Appropriation	Projected Expenses	ISAC Staff Recommendation	Amount	Percent
<b>FEDERAL FUNDS</b>					
<b>STUDENT LOAN OPERATING FUND</b>					
Personal Services	\$13,538,600	\$13,538,600	\$13,538,600	\$0	0.0%
Retirement	\$7,312,600	\$7,312,600	\$7,312,600	\$0	0.0%
Social Security	\$1,029,000	\$1,029,000	\$1,029,000	\$0	0.0%
Group Insurance	\$5,436,800	\$5,436,800	\$5,436,800	\$0	0.0%
Contractual Services	\$10,000,000	\$10,000,000	\$8,500,000	(\$1,500,000)	-15.0%
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	\$1,397,900	(\$500,000)	-26.3%
Operation of Auto Equipment	\$38,400	\$38,400	\$38,400	\$0	0.0%
Federal Loan System Development & Maintenance	\$1,500,000	\$0	\$0	(\$1,500,000)	-100.0%
Transfer to IDAPP	\$1,000,000	\$1,000,000	\$1,000,000	\$0	0.0%
Contingent allocation for MAP grants			\$3,500,000	\$3,500,000	0.0%
Early Childhood Education Program - Federal	\$114,000,000	\$62,837,946	\$0	(\$114,000,000)	-100.0%
<b>TOTAL</b>	<b>\$157,387,500</b>	<b>\$104,725,446</b>	<b>\$43,387,500</b>	<b>(\$114,000,000)</b>	<b>-72.4%</b>
<b>FEDERAL STUDENT LOAN FUND</b>					
Loan Guarantee Program	\$50,000,000	\$1,000,000	\$0	(\$50,000,000)	-100.0%
<b>TOTAL</b>	<b>\$50,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>(\$50,000,000)</b>	<b>-100.0%</b>
<b>FEDERAL SCHOLARSHIPS AND GRANTS</b>					
Federal Student Incentive Trust Fund: Federal Grants	\$13,000,000	\$13,000,000	\$11,320,000	(\$1,680,000)	-12.9%
Federal Student Incentive Trust Fund: John R. Justice LRP	\$300,000	\$300,000	\$300,000	\$0	0.0%
State CURE Fund for Golden Apple Scholars	\$2,849,334	\$2,849,334	\$200,000	(\$2,649,334)	-93.0%
State CURE Fund-Golden Apple Accelerators	\$3,118,832	\$3,118,832	\$1,300,000	(\$1,818,832)	-58.3%
Transfer to ED -Paul Douglas Funds Collected	\$100,000	\$100,000	\$100,000	\$0	0.0%
<b>TOTAL</b>	<b>\$19,368,166</b>	<b>\$19,368,166</b>	<b>\$13,220,000</b>	<b>(\$6,148,166)</b>	<b>-31.7%</b>
<b>TOTAL FEDERAL FUNDS</b>	<b>\$226,755,666</b>	<b>\$125,093,612</b>	<b>\$56,607,500</b>	<b>(\$170,148,166)</b>	<b>-75.0%</b>
<b>OTHER STATE FUNDS</b>					
ISAC Accounts Receivables Fund	\$300,000	\$300,000	\$300,000	\$0	0.0%
University Grant Fund: Higher Education License Plate	\$110,000	\$110,000	\$110,000	\$0	0.0%
Optometric Licensing and Disciplinary Board Fund: Optometric Education Scholarship	\$50,000	\$50,000	\$50,000	\$0	0.0%
National Guard and Naval Militia Grant Fund: ING Grant	\$20,000	\$20,000	\$20,000	\$0	0.0%
Golden Apple Scholars Fund: Golden Apple Scholars of Illinois	\$100,000	\$100,000	\$100,000	\$0	0.0%
ISAC Contract and Grant Fund: Outreach, Research, & Training	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
ISAC Contract and Grant Fund: Community Behavioral Health Care Pro LRP	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
Energy Transition Assistance Fund: Displaced Energy Worker Dep't Transition Scholarship	\$1,100,000	\$1,100,000	\$1,100,000	\$0	0.0%
Nursing Dedicated and Professional Fund: Nursing Education Scholarship	\$4,000,000	\$4,000,000	\$4,000,000	\$0	0.0%
Scratch-off lotto scholarships			\$5,000,000	\$5,000,000	100.0%
<b>TOTAL</b>	<b>\$15,680,000</b>	<b>\$15,680,000</b>	<b>\$20,680,000</b>	<b>\$5,000,000</b>	<b>31.9%</b>
<b>GRAND TOTAL</b>	<b>\$1,053,253,266</b>	<b>\$948,541,212</b>	<b>\$960,063,700</b>	<b>(\$93,189,566)</b>	<b>-8.8%</b>

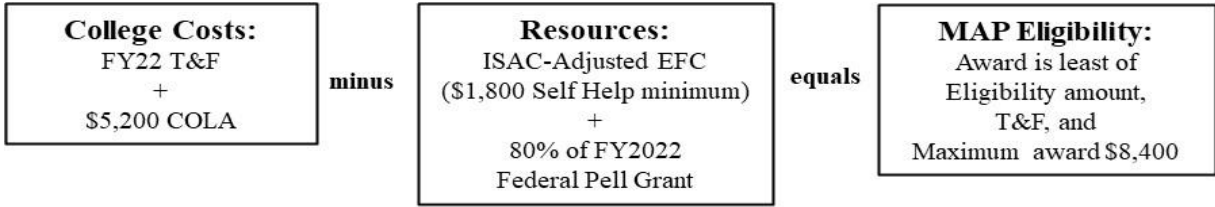
## I. Scholarship and Grant Programs

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 2024 exceeds the number of these programs funded in FY 2024. 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 2025 budget request only seek funding for State scholarship and grant programs that were funded in FY 2024. 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 \$751.6 million for MAP in FY 2025, an increase of \$50 million (7.1 percent) over the FY 2024 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. 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. Sixty-five percent of Black students and 60% of Latino/Latina students at Illinois public universities attend with the help of a MAP grant. Black and Latino students make up a greater proportion of MAP recipients (52%) than of the overall Illinois undergraduate student body (34%).

Prior to MAP receiving an additional \$122 million in FY 2023 and an additional \$100 million in FY24, 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 2024 component amounts.

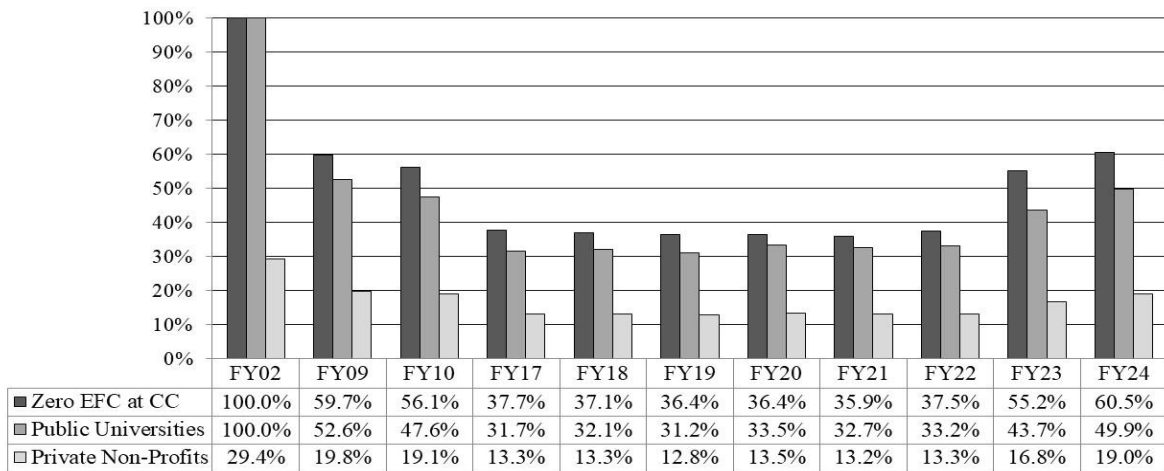
**Figure One: The Current MAP Eligibility Formula**



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 fully covered tuition and fees at community colleges and public universities. Coverage declined as application volume increased and funding did not keep pace. Formula improvements made possible by \$122 million and \$100 million in the past two years moved the bars noticeably upward in Figure 2. Tuition and fee coverage in FY 2024 is now fairly similar to FY 09-FY 10 levels for all sectors. (Coverage analysis is based on sector average tuition and fees, so varies by the actual amounts faced by students.) While the goal of 50 percent coverage at public schools, set in *A Thriving Illinois*, was surpassed for community colleges, and reached for public universities in FY 2024, more MAP funding will be needed each year to keep up with tuition and fee increases and continue offering grants to all eligible students.

**Figure Two: MAP Tuition and Fee Coverage**



The balance between improving MAP purchasing power and providing basic access, by offering awards to all eligible students, depends in part upon demand for the student aid. For a historical perspective, announced applicants (undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school) increased more than 85 percent between FY



2001 and FY 2013, when application volume peaked. By the end of FY 2023, application volume was down 32 percent from the peak, but still 25 percent higher than in FY 2001.

Lower demand since FY 2013 can be attributed to several factors, including an improved job market that kept many independents working instead of seeking post-secondary education. The COVID-19 pandemic also affected enrollment. The increase in MAP tuition and fee coverage provided by larger awards in FY 2023 and FY 2024, as well as the expansion to cover credit bearing short-term certificates, seems to be having a positive effect on MAP application volume in FY 2024.

The downward trend from FY 2013 to FY 2023 now appears to be reversing. While FY 2023 announced volume ended 2.4 percent lower than FY 2022, it had been down more than 7 percent before the fall term began. And, in early November, FY 2024 announced applications were about 3 percent higher than FY 2023 and eligibles were up 4.5 percent. By sector, the greatest increase is for students planning to enroll at community colleges, but application volume is also up at public universities and private non-profit schools. Independent applicant volume is up by more than dependent applications.

Another welcome development credited to higher appropriations, is that in FY 2022 and FY 2023 MAP grants were offered to all eligible students for the first time since FY 2001. At the FY 2013 peak of application volume, nearly 45 percent of eligible applicants were not offered a grant because of limited funding.

The FAFSA Simplification Act, passed by Congress at the end of 2020 as part of the Consolidated Appropriations Act, 2021, will also impact demand for and access to MAP in FY25. The goal of the legislation was to simplify FAFSA filing and expand access to student aid. FAFSA filing will be streamlined by importing filers' financial data from the IRS and asking fewer questions. Need analysis methodology, which is used to convert FAFSA data into a Student Aid Index (SAI, formerly EFC) has also been extensively overhauled. Because the MAP eligibility formula piggybacks on this Federal process, changes in the Federal need analysis methodology will affect some students' eligibility for MAP grants. Due to extensive system changes made necessary by FAFSA Simplification, the 2024-25 FAFSA will not be available until "some time in December." ISAC plans to make the Alternative Application available at the same time.

Analysis has been conducted, based on draft documentation for FY2025 need analysis methodology, in an effort to project effects of FAFSA Simplification on MAP eligibility. Results suggest a net decrease of less than one percent in total MAP eligibility (about a six million dollar decrease out of more than one billion dollars) from FY2024 to FY2025, given the same applicant population. For applicants eligible for MAP in either or both years, projections indicate about 81 percent will see the same size grant, 3 percent become newly eligible in FY2025, 6 percent see an increase, 7 percent see a decrease, and 3 percent completely lose eligibility. Effects vary by sector and dependency type.

It should be noted that this analysis only includes effects of changes for which data was available. Removing the number of family members in college from need analysis is the biggest reason for lost MAP eligibility among dependent students with higher SAIs. Of changes not

addressed in the analysis due to lack of data, the most notable is that owners of small businesses and family farms will now be required to report them as assets. Many applicants with these assets will see an increase in their FY2025 SAI compared to their FY2024 EFC, and a resulting decrease in eligibility for financial aid. The magnitude of that change is unknown.

When there are unusual situations or circumstances that impact a student's federal student aid eligibility, federal regulations give a financial aid administrator discretion or professional judgment on a case-by-case basis and with adequate documentation to make adjustments to the data elements on FAFSA form that impact their Expected Family Contribution (EFC, soon to be Student Aid Index or SAI) to gain a more accurate assessment of a family's ability to contribute to the cost of education. For example, schools may use professional judgment to adjust other data items related to cost of attendance or SAI that reflect costs associated with additional family members enrolled in college. Because of FAFSA Simplification we are expecting financial aid administrators, when possible, to exercise their professional judgement in FY2025 to support students already in school who will be losing or have reduced Pell and MAP eligibility as a result of the changes.

A \$50 million increase for MAP could allow the grant to address current increased application volume we are seeing and a potential increase in demand via professional judgements we expect due to FAFSA Simplification. It could also be used to address tuition and fee inflation and continue to gain ground with regard to tuition and fee coverage.

For State scholarship and grant programs other than MAP, staff's FY 2025 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 2024, staff is recommending that the Commission seek flat funding in FY 2025 with the following exceptions:

- **Early Childhood Access Consortium for Equity (EC ACE) Scholarship:** ISAC has administered this scholarship since FY22 with federal funds paid to the Illinois Department of Human Services (DHS), using program parameters and eligibility criteria set in cooperation with the Illinois Board of Higher Education, Illinois Community College Board, and other parties. In FY23, 2,137 students claimed \$29.6 million in scholarships, and FY24 claims will likely be in a range from \$51 million to \$66 million. Without state funding to replace any part of the federal funds, the program would not be able to continue: Not only would new educators not be entering the pipeline, but students partway through their programs—who have, in many cases, made changes and sacrifices to accommodate returning to school—would lose critical financial support. The current recipients would likely be unable to complete their degrees and credentials without this funding.
  - To maintain the current program with the same grant sizes and eligibility criteria, serving a similar number of students as are currently being paid with federal funds, staff estimate that between \$51 million and \$66 million in state funding would be needed. Note that because claims are still coming in for FY24, this is the first year with the current eligibility criteria, and the program has been ramping up (as would be expected with a new program), projecting claims for FY24 is still very

difficult—let alone demand for FY25. This accounts for the wide range in the projection at this time.

- While maintaining a similarly expansive program would be helpful in meeting state goals, discussions with the Office of the Governor suggest that state funding limitations will require the program to be scaled back in FY 2025 and beyond. The State will have to balance available funding with the needs of students and the workforce needs of the early childhood education and care system, which the scholarship is meant to help address. At this time, the recommended request reflects guidance from the Office of the Governor suggesting that an appropriation in the \$15 to \$20 million range may be achievable. Notably, a \$20 million appropriation would likely not be enough even to fund all renewal applicants using the current program parameters, which include grants that cover as much as the student's total cost of attendance. Absent other changes to the program, with a \$20 million appropriation the grant size would likely need to be reduced to approximately \$7,500 if the program is to fund all estimated renewal applicants. Although the exact impact of providing smaller scholarships is hard to project, it's fair to assume that cuts would affect students' decisions about whether to enroll and how many credits to take—including current students' decisions about whether to remain enrolled and complete their programs.
- **Veterans' Home Medical Provider Loan Repayment Program:** Staff recommends an increase in the modest funding level for the Veterans' Home Medical Provider Loan Repayment Program, taking the program from \$26,400 to \$55,000. The program is consistently spending its full appropriation, and the agency is confident that additional demand exists, particularly with the establishment of a new Chicago veterans' home.
- **Human Services Professional Loan Repayment Program:** The request also includes \$250,000 for the newly established Human Services Professional Loan Repayment Program. Legislators included \$250,000 in general funds in the FY 2024 DHS budget for a loan repayment program in error; it was meant to pay for a program newly assigned to ISAC to administer. Senate staff has informed ISAC that they hope to delete this line from DHS's budget and add it to ISAC's if the General Assembly approves a supplemental appropriations bill for FY 2024. Staff have assumed that the Commission will want to seek this authority in their FY25 recommendation, as well.

**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.

## **II. Support for Operations and Outreach, Research & Training**

As its name suggests, the Student Loan Operating Fund (SLOF) was the primary fund accounting for the revenues and expenditures of ISAC's work as a guarantor in the Federal Family Education Loan Program (FFEL) Program. Between FY 2006 and FY 2014, the revenue that ISAC generated from the FFEL Program was sufficient not only for that program to be self-sustaining, but also to pay for the agency's operating expenditures—including for MAP, for training and outreach programs, for research and reporting, and for all of ISAC's other state programs and functions. This arrangement saved the state well over \$150 million during that period.

This changed, though, when the federal passage of the Student Aid and Fiscal Responsibility Act ended the FFEL Program and moved all future student loans into the federal Direct Loan Program. No new FFEL loans have been issued since 2010, leaving ISAC's portfolio to age and gradually shrink, along with its potential for producing revenue.

As the FFEL Program portfolio aged and federal rules changed, the revenue it could produce decreased, and ISAC's work in the federal loan program could no longer provide enough additional funding to subsidize the rest of the agency's operating costs for the state. Beginning in FY 2014, the state acknowledged that the agency would once again need state general funds to maintain its services, and the agency was given authority to use up to 2% of the MAP appropriation, if needed, to help cover agency operating costs. Then, as FFEL Program revenue continued to decline, new lines were added for *Agency Operations* and *Outreach, Research, and Training*, backfilling the loss of federal dollars from both the loan program and the now-defunct federal College Access Challenge Grant, which previously supported the Illinois Student Assistance Corps, one of ISAC's signature outreach initiatives.

After years of ISAC's slowly winding down its participation as a FFEL Program guarantor, the COVID-19 emergency finally brought it to an end. To support Americans during this challenging period, the federal government implemented extraordinary benefits and flexibility for some student loan borrowers. Some of these benefits were applied retroactively. Unfortunately, the agency determined that its legacy system was not able to meet all federal requirements in a timely way that would ensure that borrowers would quickly get the relief to which they were entitled. After analyzing its options thoroughly, the agency began to work quickly with the U.S. Department of Education and a successor agency to begin the deconversion process—that is, working with Federal Student Aid to try to provide a seamless transition of ISAC's guaranty portfolio to a successor guarantor with systems that could accommodate the changing program to serve borrowers.

Unfortunately, because of the impact of the pandemic borrower benefits and the resulting transition of the portfolio, ISAC received its last revenue as a FFELP guarantor in FY 2022.

### **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 2025, staff recommends that the Commission request \$7.84 million in the Agency Operations line and \$7.84 million in the Outreach, Research, and Training line. For the current year, FY 2024, these are each funded at \$7.0 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 sensitive records 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 and FY 2024.

- The addition of certificates to MAP created new tasks in nearly every division of the agency, as is the overhaul of the FAFSA.
- Significant legislative changes to the Minority Teachers of Illinois program required new, manual processes for awarding, and a transfer of the Nurse Educator Scholarship Program to ISAC required 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 required ISAC to act as a grantee under the Grant Accountability and Transparency Act (GATA) for the first time. The process entails significant administrative effort and reporting. 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.
- With the proliferation of new specialty programs have come a large number and variety of new outside partners. Staff have been engaging with and sometimes training staff at community behavioral health centers, nursing schools that are new to participating in ISAC programs, colleges of social work, municipal leaders,

operators of coal-fired power plants and coal mines, and others who are not accustomed to working with financial aid programs.

- 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).
- The agency is in the process of implementing a new Human Capital Management system that is mandated by the state

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 ISAC resources, especially agency 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 posted jobs in the past several years 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. While applicant pools have recently improved somewhat, it is still a very competitive job market. 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 \$840,000 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.

Staff is also recommending that the Commission continue to seek authority to spend up to two percent of the FY 2025 MAP appropriation for agency operations.

The total increase recommended of \$1.68 million is equal to a 6% increase across the two operational lines and the 2% of MAP.

With respect to the \$7.84 million lump sum for Outreach, Training, and Research activities, staff believes that this is 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 activities are critical to how ISAC works to achieve its mission of college access and affordability for Illinoisans.

As the Commission is aware, ISAC's outreach efforts help potential students make more informed choices at the outset that can set them up for greater 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, along with the type of program or school that 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 demand for this support has only grown since the State enacted the Governor's initiative to require FAFSA completion for high school graduation.**

- 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, how to connect students and families to the resources available to support them, and how to 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 and technical assistance with 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. In the last two years, ISAC's training team has offered hundreds of free webinars attended by thousands of student loan borrowers eager to understand rapidly changing federal opportunities, including 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; provides cost estimates for numerous legislative proposals, 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 is 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.

### **III. College Illinois!**

According to the most recent actuarial soundness report for the College Illinois! Prepaid Tuition Program, program assets totaled about \$565 million as of June 30, 2023, and the program is considered fully funded as of that date. The program retains a diversified portfolio to meet its future obligations.

Of course, the plan's fully funded status as of June 30, 2023, does not automatically mean that the program will not require additional funding from the state in future years. 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 plan's surplus or unfunded liability over time, and the plan's surplus or 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 2025.

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

The agency has historically needed authority to spend dollars from both the Federal Student Loan Fund (FSLF) and Student Loan Operating Fund (SLOF) to meet agency responsibilities under the FFEL Program, including payments to the U.S. Department of Education. Because of changing outside factors, total spending authority from these two funds looks very different in the FY 2025 staff recommendation than in recent years.

With the transfer of the agency's guaranty portfolio, ISAC will no longer need to request authority to spend from the Federal Student Loan Fund (FSLF). The agency had \$50 million in spending authority from the FSLF in FY 2024, but no spending from the fund will be needed in FY 2025 or future years.

Authority to spend from SLOF, though, will still be desirable. Staff recommends seeking sufficient spending authority from SLOF to sustain new federally mandated operations (such as new FAFSA data protection requirements for federal tax information) and to allow the agency to take advantage of any federally- or privately-funded revenue opportunities that arise. Essentially, this request for contingency spending authority includes "extra" spending authority beyond what staff believes the agency is most likely to need. Maintaining extra spending authority in SLOF has no negative impact on State GRF funding, while ensuring that ISAC can respond to non-State-funding opportunities that may arise throughout the fiscal year. If no such opportunities arise, then this spending authority does not need to be tapped and is simply lapsed.

For FY 2025, staff have also adjusted our recommendation for spending authority from SLOF in order to establish a new line that could help ISAC address some of the uncertainty involved in MAP projections. Deviation of just one percentage point from the *projected* claim rates for MAP grants could result in a \$14 million difference between predicted and actual demand for MAP. Staff would like to establish authority to tap into up to \$3.5 million from SLOF in the event that FY25 claims for MAP are higher than expected and the program's appropriation is unable to



meet demand. While we would not plan to use this line unless needed, it would provide a backup to the inherently difficult modeling of MAP spending. To accommodate this new spending authority, we have reduced the requests for authority to spend on Contractual Services (-\$1.5 million, or -15%) and Telecom (-\$500,000 or -26%). The end of the agency's role as a guarantor also frees up \$1.5 million in spending authority for Federal Loan System Development and Maintenance; this authority is shifted to the new contingency line, as well. The current working title for the line is "Contingent allocation for student MAP Grants."

The other major change related to SLOF from the current year's budget is that there should be no need to request authority from the fund for spending on the Early Childhood Access Consortium for Equity (EC ACE) Scholarship. For the last three years, spending authority in SLOF has allowed the fund to serve as the repository for federal dollars granted to ISAC by IDHS based on an intergovernmental agreement. Staff's best current information is that the Administration hopes to extend the EC ACE Scholarship program using state dollars that would be appropriated directly to ISAC, eliminating the need to hold program dollars in SLOF.

## **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.

This category includes an item this year that *should be considered a placeholder, to be resolved or refined as soon as feasible in cooperation with GOMB and partner agencies*: During the spring 2023 legislative session, the General Assembly established two new scratch-off lottery tickets, which will fund scholarship programs to be administered by United Negro College Fund (UNCF) Illinois and the Illinois DREAM Fund Commission. While administrative details and fiscal projections are still being finalized, we do know that lottery dollars will be appropriated to ISAC for distribution to outside partners. The recommended budget request therefore includes a new line that would authorize the agency to spend scratch-off lottery funds for new scholarship programs. We continue to work with Illinois Department of the Lottery staff and GOMB to further refine the authority amount that will be necessary.

Staff is recommending that the Commission seek level spending authority for its remaining Other State Funds appropriations.

## **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 2025 budget requests to the Commission for IDAPP and CI! at the June 2024 Commission Meeting, for consideration prior to the beginning of FY 2025.