

**ILLINOIS STUDENT ASSISTANCE COMMISSION  
FISCAL YEAR 2025 INTERNAL BUDGET**

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**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 (GRF) 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 2025 Budget Update**

For FY 2025, based on Commission approval at the December 2023 meeting, ISAC recommended a budget totaling \$960 million.

The Illinois General Assembly passed a budget for FY 2025 in May 2024 with nearly \$924 million in funding for the agency. The agency's appropriation includes about \$711.5 million for MAP – 1.43% increase over the prior year. The appropriation also included \$7.84 million for agency outreach and research and an additional \$7.84 million for agency operations. This is in addition to the 2% of the MAP appropriation (\$14.2 million), which can be utilized for agency operational expenditures.

The attached Table – *FY 2022 - FY 2025 Appropriations*, details the agency comparative appropriations by year.

## **Prepare for Illinois' Future Test Preparation Program**

The Commission was first appropriated \$10 million for this program in FY 2024. Under the program, the agency will manage one or more vendors who will provide students at eligible institutions with access to preparation services for graduate and professional school entrance exams (GRE, MCAT, LSAT, etc.) as well as licensure exams for fields like teaching and nursing.

While a portion of the program was implemented in FY 2024 for students pursuing teacher licensure, the procurement process is still underway for a vendor to administer the bulk of the program. The FY 2025 budget *re-appropriates* the *remainder* of the original FY 2024 funding to the Commission; this will allow the agency until the end of FY25 to spend what is left from the original \$10 million allotted for the program.

## **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 FY 2023, ISAC's role as a FFELP guarantor ended. As such, FFELP revenue was zero in FY 2023 and FY 2024.
- The cost of running the ISACorps will be paid via funding from the State General Revenue Fund.
- ISAC continued 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 middle school students. The balance of unspent monies from earlier years (referred to as “carryover funds”) will be exhausted early in FY 2025 as a part of ISAC's close out of this grant in that fiscal year.

### **Expenditures:**

- 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 made provisions in the budget for some of these potential contingencies and will continue to be diligent in working to minimize costs and expenditures. The College Illinois! fund expenses are expected to decrease in FY 2025 (relative to FY 2024), as the portfolio was significantly de-risked at the end of FY 2024.

Attached for your reference are comparative financial statements reflecting FY 2023 actual, FY 2024 budget and estimated actual, and recommended FY 2025 budget for all the administrative costs for the agency.

### **Student Loan Operating Fund (SLOF)**

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 1<sup>st</sup>, 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 revenue, rental income and miscellaneous revenue from several IT-related projects.

### **Funding for the Administrative costs of the Agency**

The budget passed by the General Assembly for FY 2025 authorizes 2% of the MAP appropriation of \$711.5 million for the operational costs of the agency. In addition, the budget includes a separate appropriation of approximately \$7.84 million for outreach expenditures to be used for operating the ISACorps and another additional line of \$7.84 million to be used for agency operations.

The total amount authorized for operational costs from the General Revenue Fund is approximately \$30 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. The primary objective as related to MAP administrative funds would be to use the 2% of the MAP line allocation as a tool strategically and judiciously to ensure maximization of scholarship payment to students.

### **Expenditures**

The overall budgeted amounts proposed in this item reflect a \$6.7 million increase in personnel and contractual costs overall for the agency.

- All personnel costs are mostly paid out of GRF.
- Personnel costs are projected to increase by over \$4.6 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 adjustments are not finalized and will be approved individually by the Executive Director during the course of the year.
- The budget also includes \$2.1 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 management assesses how the budget year is shaping up and take into consideration other relevant factors.

The major changes in budgeted FY 2025 costs versus FY 2024 estimated actuals are outlined in the tables below.

<b>GENERAL FUNDS &amp; SLOF</b> <b>DETAILS OF INCREASES AND DECREASES IN EXPENDITURES</b> <b>FY 2025 BUDGET OVER FY 2024 ESTIMATED ACTUAL EXPENDITURES</b> <b>FOR THE FISCAL YEAR ENDING JUNE 30, 2024</b>		
<b>PERSONNEL SERVICES</b>		
Reserve for 4% COLA with benefits cost increase in FY 2025	625,000	
Reserve for vacancies/new positions in FY 2025	615,000	
Reserve for adjustments and promotions	440,000	
Absorb 11 staff into GRF that are currently being paid from Gear Up Grant in September	830,000	
ISACorps budgeted at full amount without attrition	1,950,000	
LOA-protected positions	150,000	
<b>TOTAL PERSONNEL SERVICES</b>		<b>\$4,610,000</b>
<b>CONTRACTUAL &amp; ADMINISTRATIVE</b>		
Increase in consulting and computer related costs	735,000	
Increase in College Outreach & Access/ISACorps contractual costs	410,000	
Marketing website development and video production	425,000	
Increase in training costs (conferences and associated travel)	180,000	
Miscellaneous mgmt. and other costs	210,000	
Legal fees anticipated	125,000	
<b>TOTAL CONTRACTUAL &amp; ADMINISTRATIVE</b>		<b>\$2,085,000</b>
<b>TOTAL INCREASE IN GRF &amp; SLOF BUDGET</b>		<b>\$6,695,000</b>

**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 2025 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!

**Contractual Services**

- **Records Administration and Call Center Services**  
The program’s records administration vendor handles lockbox services, account servicing, including application processing, 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.

<b>COLLEGE ILLINOIS!</b>		
<b>DETAILS OF INCREASES AND DECREASES IN EXPENDITURES</b>		
<b>FY 2025 BUDGET OVER FY 2024 ESTIMATED ACTUAL EXPENDITURES</b>		
<b>FOR THE FISCAL YEAR ENDING JUNE 30, 2025</b>		
<b>PERSONNEL SERVICES</b>		
Reserve for COLA increase in FY 2025	23,000	
Increase in cost of Group Insurance in FY 2025	59,000	
<b>INVESTMENT EXPENSE</b>		
Decrease due to portofilio de-risking during FY24	(865,000)	
Increase in insurance and records administration	435,000	
<b>TOTAL DECREASE IN COLLEGE ILLINOIS BUDGET</b>		<b>(\$348,000)</b>

## **GEAR UP Grant**

ISAC had been awarded a federal grant – GEAR UP Grant of approximately \$18 million over seven years beginning in 2017, for implementing a college access outreach program for 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 qualify for this purpose.

The budget for the Gear Up Grant reflects the balance of the carryover funding from the last seven years, which is expected to be fully expended early FY 2025.

## **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 that it owns. This is separate from the guarantor agency role the agency has exited.

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 mostly 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.

## **FAFSA STUDENT SUPPORT STRATEGY**

The 2024-25 FAFSA application cycle has brought substantial changes to the student financial aid application process, a new application form, new eligibility criteria, new terminology, new requirements for parents and other contributors and a shorter timeline for applicants to submit the FAFSA. As a result, the U.S. Department of Education (DOE) believes that students and families need additional support, advice, and encouragement to complete the FAFSA form and enroll in college.

The goal of the FAFSA Student Support Strategy is to increase the number of students who complete a 2024-25 FAFSA and enroll in college, particularly first-time students. The DOE, through its designated administrator - Educational Credit Management Corporation (ECMC), will support these activities by providing funds to organizations with experience in providing these or similar services.

As such, the Agency was awarded \$1 million in federal funds in May 2024, to be expended through August 2024. The funding will be used to provide Financial Aid workshops for graduated high school seniors in partnership with school counselors in the high school setting. The Agency’s College and Outreach personnel will conduct the Financial Aid workshops. In addition to assistance with completion of the FAFSA, the funding will also subsidize transportation costs and meals for students who attend the workshops.