

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2026 INTERNAL BUDGET**

Appropriation

ISAC is required by statute to obtain spending 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), Education Assistance Fund (EAF), 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 operational revenues and expenditures for the agency.

Illinois General Assembly Appropriation – Fiscal Year 2026 Budget Update

For FY 2026, based on Commission approval at the December 2024 meeting, ISAC recommended a budget totaling \$1.01 billion.

The Illinois General Assembly passed a budget for FY 2026 in the final hours of May 2025 with \$918.3 million in funding for the agency. The agency's appropriation includes about \$721.5 million for MAP, representing a 1.41% increase over the prior year. The appropriation also included \$7.84 million for agency outreach and research and \$8.44 million (a 7.6% increase over FY 2025) for agency operations. This is in addition to the 2% of the MAP appropriation (\$14.4 million), which can be utilized for agency operational expenditures.

As noted in the State Legislative Update delivered in this meeting, the budget also included new funding for the Human Services Professional Loan Repayment Program and increased authority

for the United Negro College Fund (UNCF) Illinois and the Illinois DREAM Fund to use dollars accumulating from specialty lottery ticket sales.

On the other side of the ledger, the General Assembly reduced its allocations for a scholarship and loan repayment program intended for social workers and for the Nurse Educator Loan Repayment Program, although funding for both was kept at levels that should be sufficient to cover the levels of demand seen in recent years. Three lines were eliminated completely: a grant to the N'DIGO Foundation for a journalism internship program, funding for the iGROW Tech Scholarship, and the Prepare for Illinois' Future Test Preparation Program, described in more detail below.

The attached Table – *FY 2023 - FY 2026 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 has been managing two vendors, Kaplan and Pearson, that are providing 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, delays in the procurement process resulted in only a small amount expended during that fiscal year. The FY 2025 budget *re-appropriated* the *remainder* of the original FY 2024 funding to the Commission, thus allowing the agency until the end of FY 2025 to spend what was left from the original \$10 million allotted for the program. Although it was part of the Commission's recommendation, the Prepare for Illinois' Future test preparation program (part of the FY 2025 budget) was not included in the Governor's request for FY 2026 and was not part of the budget approved by the General Assembly.

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).
- The cost of running the ISACorps will be paid via funding from the State General Revenue Fund.
- ISAC was once again chosen to administer a federal GEAR UP Grant, winning, for a second time, a new award in FY 2025. The new award is approximately \$35 million over seven years for implementing a college access outreach program for middle school

students. Recent pronouncements at the Federal level have challenged the continued funding for this award.

Expenditures:

- Certain elements of ISAC’s costs, such as pension, group insurance, and data processing, are determined by the State. In past years, ISAC has 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. These include investment management fees which are tied to asset values, or investment gains. 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 2026 (relative to FY 2025), as the portfolio was significantly de-risked at the end of FY 2024 and investment management fees are lower.

Attached for your reference are comparative financial statements reflecting FY 2024 actual, FY 2025 budget and estimated actual, and recommended FY 2026 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 Federal Family Education Loan (FFEL) Program guarantor. ISAC had been a FFEL Program guarantor for over 50 years. Effective July 2010, the Student Aid and 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 FFEL Program 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 or since. SLOF continues to earn 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 2026 authorizes 2% of the MAP appropriation of \$721.5 million for the operational costs of the agency. In addition, the budget includes a separate appropriation of approximately \$7.84 million for outreach, research and training expenditures and another additional line of \$8.44 million to be used for agency operations.

The total amount authorized for operational costs from the General Revenue Fund is approximately \$30.7 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 ongoing 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 MAP grant payments to students.

Expenditures

The budgeted amounts proposed in this item reflect a \$4.0 million increase in personnel and contractual costs overall for the agency.

- Personnel costs are mostly paid out of GRF.
- If all authorized hiring, promotions, and salary adjustments in this budget were approved and took effect July 1, 2025, personnel costs would be expected to increase by over \$3.4 million.
- The budget numbers for increases in personnel costs include decreases in cost due to employee retirements, as well as prorations for new positions to be filled throughout the fiscal 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 a \$620 thousand 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 2026 costs versus FY 2025 estimated actuals are outlined in the tables below.

GENERAL FUNDS & SLOF		
DETAILS OF INCREASES AND DECREASES IN EXPENDITURES		
FY 2026 BUDGET OVER FY 2025 ESTIMATED ACTUAL EXPENDITURES		
PERSONNEL SERVICES		
Reserve for 4% COLA with benefits cost increase in FY 2026	700,000	
Reserve for vacancies/new positions in FY 2026	500,000	
Reserve for adjustments and promotions	125,000	
ISACorps budgeted at full amount without attrition, includes incentives	1,925,000	
LOA-protected positions	150,000	
TOTAL PERSONNEL SERVICES		\$3,400,000
CONTRACTUAL & ADMINISTRATIVE		
Increase in consulting and computer related costs	350,000	
Increase in College Outreach & Access/ISACorps contractual costs	190,000	
Marketing website and video production	40,000	
Legal fees anticipated	40,000	
TOTAL CONTRACTUAL & ADMINISTRATIVE		\$620,000
TOTAL INCREASE IN GRF & SLOF BUDGET		\$4,020,000

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 2026 administrative budget has been developed to adequately cover operational 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.
- **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 2026 BUDGET OVER FY 2025 ESTIMATED ACTUAL EXPENDITURES		
PERSONNEL SERVICES		
Reserve for COLA increase in FY 2026		20,800
Increase in cost of Group Insurance in FY 2026		25,000
CONTRACTUAL SERVICES AND OTHER EXPENSES		
Increase in contractual services in FY 2026		122,500
Increase in administrative costs budgeted for business needs in FY 2026		4,200
INVESTMENT EXPENSE		
Decrease due to portofilio de-risking during FY25		(423,000)
TOTAL DECREASE IN COLLEGE ILLINOIS BUDGET		(\$250,500)

GEAR UP Grant

ISAC was once again chosen to administer a federal GEAR UP Grant, winning, for a second time, a new award in FY 2025. The new award is approximately \$35 million over seven years 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 Services division of the agency qualify for this purpose.

The budget for the GEAR UP Grant reflects the FY 2026 allocation plus the balance of the carryover funding from the FY 2025 fiscal year.

Recent pronouncements at the Federal level have challenged the continued funding for GEAR UP grant generally.

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 with Citibank to fund its alternative student loan program.

On April 30, 2025, IDAPP paid off its outstanding balance on the Citibank line of credit. Total amount paid was \$22,487,215, comprising an outstanding principal balance of \$22,400,000 and interest and fees of \$87,215 (accrued through payoff date). Legal fees paid amounted to \$5,000. This payoff is expected to yield costs savings (such as interest expense and other fees), as well as remove certain administrative burden for IDAPP.

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.