

**AGENDA ITEM 5.**

**FY27 APPROPRIATED FUNDS BUDGET REQUEST**

## AGENDA ITEM 5.

### FISCAL YEAR 2027 APPROPRIATED FUNDS BUDGET

**Submitted for:** Action

**Summary:** This item presents staff's recommendation for FY 2027 appropriations for the Commission Board's consideration.

The Commission's request for funding and for spending authority 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 own recommendations.

The budget request from IBHE will be approved at a meeting of the IBHE board in January 2026. The IBHE budget request for ISAC and the recommendation for ISAC included in the Governor's budget in February 2026 may both differ from the request approved by the ISAC Board today.

Following the Governor's FY 2027 budget address to the General Assembly in February 2026, agency staff will submit detailed information to legislative staff regarding both the Commission Board's recommendation and the implications of the Governor's budget recommendation 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 a specific fiscal year, it is requesting actual dollars from the State's main revenue accounts, the General Revenue Fund (GRF) and the Education Assistance Fund (EAF).

In the case of federal funds and special purpose state funds, referred to as "Other State Funds," ISAC is requesting permission to spend cash that comes from sources outside of General Funds (e.g., fees paid by motorists to receive specialty license plates, professional licensing fees, 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 2027 appropriated funds budget recommended by staff for approval by the Commission totals slightly under \$1.01 billion, which represents an increase of \$90.0 million (almost 9.8 percent) compared to the

FY 2026 appropriation. In this budget, State General Funds would increase by nearly \$88.0 million (10.6 percent), spending authority from federal funds would increase by \$3.7 million (6.2 percent), and spending authority from other state funds would decrease by \$1.7 million (-5.5 percent) when compared to FY 2026.

**Action Requested:** That the Commission approve an FY 2027 budget request totaling just under \$1.01 billion as detailed in Table 1.

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FISCAL YEAR 2027 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) each fall to discuss proposed funding levels for ISAC for the upcoming fiscal year. The IBHE is scheduled to approve a Fiscal Year 2027 budget request for higher education, which includes ISAC, at its upcoming January 2026 meeting, and the Governor will present his FY 2027 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 the Commission Board's 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 asked to quickly react to, develop, and analyze various budget scenarios based on different levels of available revenue; confirming the Commission's priorities can help to ensure that staff's responses to these requests are consistent with the Commission's expectations.

By source of funds, this request consists of about \$916.7 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 \$47.7 million in federal student loan funds, \$15.4 million in federal scholarship and grant funds, and about \$28.5 million in other state funds.

There is an atmosphere of significant uncertainty around funding, both at the federal and state government levels. Some of the changes at the federal government level involve pauses and cancellation of funding for some of the Commission's federally funded programs. Currently (as of this writing), the stalemate over a new federal budget for the federal fiscal year (FFY) that began October 1, 2025, has been resolved, at least for now. However, novel interpretations and approaches to executive authority in approving or canceling funding may very well continue. Furthermore, inflation continues at a higher than desired rate. In September 2025, an Executive Order (EO 2025-05) from the Governor's Office called for a review of the Commission's FY26 budget and spending plan to identify immediate spending reductions, including a potential 4% cut to the Commission's FY26 General Fund appropriations.

Regardless of what happens with state revenues, appropriators are always left with difficult choices. As advocates for students, staff believes that the Commission's FY 2027 funding request must still be driven by the agency's mission, program demand, and the needs of Illinoisans. Many of the key strategies that ISAC employs are featured in major plans to address those needs, including the multi-year strategic plan for higher education, [A Thriving Illinois: Higher Education](#)

[Paths to Equity, Sustainability, and Growth](#)<sup>1</sup>, the action plan of the [Equity Working Group for Black Student Success in Illinois Higher Education](#)<sup>2</sup>, and the Latino Policy Forum's [Illinois Latino College Landscape Study](#)<sup>3</sup>. These reports highlighted the value of need-based aid, support for college planning and financial aid applications, outreach to parents, and other services that ISAC provides, particularly through the division of College Access Services.

These plans highlight the importance of postsecondary education to 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 can simultaneously help individuals to achieve self-sufficiency and create a long-term economic return for the state.

The General Assembly and the Governor have demonstrated in recent budgets that they are willing to invest in student financial aid and that they value ISAC's capacity to deliver programs and services: They have continued to boost funding for several of the agency's biggest programs (e.g., the Monetary Award Program (MAP) and AIM HIGH), created several new scholarship and loan repayment programs, and entrusted the agency with significant administrative responsibility for a major new state initiative (direct admissions). They have not only directed additional General Funds to the agency's budget but also identified several novel sources of funding to support new programs.

Staff's FY 2027 recommendation would sustain and, in limited cases, build further upon these recent budgets.

Table 1 (see pages 4 and 5 of this item) provides a summary of the FY 2027 recommended funding request, which staff believes would allow the agency to maintain relatively recent progress towards reversing long-standing negative trends in affordability, to address increased application volume, and to preserve the programs and services that have recently demonstrated so much value to Illinoisans.

<sup>1</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)

<sup>2</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>3</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 2027 Budget - Staff Recommendation**

Line Item	FY2026		FY2027		
	P.A. 104-0003 Appropriation	Projected Expenses	ISAC Staff Recommendation	Variance to FY26 Approp	%
<b>STATE GENERAL FUNDS</b>					
Monetary Award Program ( GRF, EAF )	\$721,566,200	\$721,566,200	\$793,766,200	\$72,200,000	10.0%
GRF	\$296,566,200	\$296,566,200	\$368,766,200	\$72,200,000	24.3%
EAF	\$425,000,000	\$425,000,000	\$425,000,000	\$0	0.0%
Agency State Operations	\$8,440,000	\$8,440,000	\$8,997,000	\$557,000	6.6%
Statewide Outreach, Training & Research Activities	\$7,840,000	\$7,840,000	\$8,357,000	\$517,000	6.6%
Grant Program for Exonerees	\$150,000	\$150,000	\$150,000	\$0	0.0%
Social Worker Scholarships and loan repayment	\$2,000,000	\$2,000,000	\$2,000,000	\$0	0.0%
AIM High Grant Program	\$50,000,000	\$50,000,000	\$51,500,000	\$1,500,000	3.0%
Prepare for Illinois' Future Program	\$0	\$0	\$8,800,000	\$8,800,000	0.0%
Illinois Veterans Grants and Illinois National Guard Grants	\$6,000,000	\$6,000,000	\$6,180,000	\$180,000	3.0%
<b>TOTAL GENERAL REVENUE FUND</b>	<b>\$795,996,200</b>	<b>\$795,996,200</b>	<b>\$879,750,200</b>	<b>\$83,754,000</b>	<b>10.5%</b>
Teacher Loan Forgiveness Program	\$975,000	\$975,000	\$975,000	\$0	0.0%
Minority Teacher Scholarships / Teachers of Illinois Scholarships	\$8,000,000	\$8,000,000	\$8,000,000	\$0	0.0%
Golden Apple Scholars Of Illinois (Beginning FY 13)	\$10,750,000	\$10,750,000	\$10,937,250	\$187,250	1.7%
Golden Apple Scholars Of Illinois for the Golden Apple Accelerators Prog	\$5,000,000	\$5,000,000	\$5,063,000	\$63,000	1.3%
Dependents Grants	\$1,300,000	\$1,300,000	\$1,300,000	\$0	0.0%
Nurse Educator Loan Repayment Program	\$400,000	\$400,000	\$400,000	\$0	0.0%
Veterans' Home Medical Providers' Loan Repayment Act	\$26,400	\$26,400	\$55,000	\$28,600	108.3%
Human Services Professional Loan Repayment Program	\$1,250,000	\$1,250,000	\$2,190,000	\$940,000	75.2%
ECACE - State Funded	\$5,000,000	\$5,000,000	\$8,000,000	\$3,000,000	60.0%
College Savings Bond Bonus Incentive Grants	\$0	\$0	\$0	\$0	0.0%
Student to Student Program of Matching 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%
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>\$32,701,400</b>	<b>\$32,701,400</b>	<b>\$36,920,250</b>	<b>\$4,218,850</b>	<b>12.9%</b>
<b>TOTAL STATE GENERAL FUNDS</b>	<b>\$828,697,600</b>	<b>\$828,697,600</b>	<b>\$916,670,450</b>	<b>\$87,972,850</b>	<b>10.6%</b>

**Table 1 (continued):  
Illinois Student Assistance Commission  
State Fiscal Year FY 2027 Budget - Staff Recommendation**

Line Item	FY2026		FY2027		
	P.A. 104-0003 Appropriation	Projected Expenses	ISAC Staff Recommendation	Variance to FY26 Approp	%
<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	\$8,374,300	\$8,374,300	\$8,374,300	\$0	0.0%
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	\$1,377,200	\$1,377,200	\$1,377,200	\$0	0.0%
Operation of Auto Equipment	\$38,400	\$38,400	\$38,400	\$0	0.0%
Transfer to IDAPP	\$1,000,000	\$1,000,000	\$1,000,000	\$0	0.0%
Contingent allocation for MAP grants, scholarships, and other grants	\$3,500,000	\$3,500,000	\$6,000,000	\$2,500,000	71.4%
Early Childhood Education Program - Federal	\$4,500,000	\$4,500,000	\$2,000,000	-\$2,500,000	-55.6%
<b>TOTAL</b>	<b>\$47,741,100</b>	<b>\$47,741,100</b>	<b>\$47,741,100</b>	<b>\$0</b>	<b>0.0%</b>
<b>FEDERAL SCHOLARSHIPS AND GRANTS</b>					
FSITF: Federal Grants (GEAR UP)	\$11,320,000	\$11,320,000	\$15,000,000	\$3,680,000	32.5%
FSITF: John R. Justice LRP	\$300,000	\$300,000	\$300,000	\$0	0.0%
Transfer to ED -Paul Douglas Funds Collected	\$100,000	\$100,000	\$100,000	\$0	0.0%
<b>TOTAL</b>	<b>\$11,720,000</b>	<b>\$11,720,000</b>	<b>\$15,400,000</b>	<b>\$3,680,000</b>	<b>31.4%</b>
<b>TOTAL FEDERAL FUNDS</b>	<b>\$59,461,100</b>	<b>\$59,461,100</b>	<b>\$63,141,100</b>	<b>\$3,680,000</b>	<b>6.2%</b>
<b>OTHER STATE FUNDS</b>					
ISAC Accounts Receivables	\$300,000	\$300,000	\$300,000	\$0	0.0%
UGF: Higher Education License Plate	\$110,000	\$110,000	\$110,000	\$0	0.0%
OLDBF: Optometric Education Scholarship	\$50,000	\$50,000	\$50,000	\$0	0.0%
NGNMGF: ING Grant	\$20,000	\$20,000	\$20,000	\$0	0.0%
GASF: Golden Apple Scholars of Illinois	\$100,000	\$100,000	\$100,000	\$0	0.0%
C&G: Outreach, Research, & Training	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0.0%
C&G: Human Services LRP	\$5,000,000	\$5,000,000	\$350,000	-\$4,650,000	-93.0%
C&G: Community Behavioral Health Care Pro LRP	\$7,500,000	\$7,500,000	\$7,500,000	\$0	0.0%
ETAF: Displaced Energy Worker Dep't Transition Scholarship	\$1,100,000	\$1,100,000	\$1,100,000	\$0	0.0%
NDPF: Nursing Education Scholarship	\$4,000,000	\$4,000,000	\$4,000,000	\$0	0.0%
Lotto: Illinois DREAM Scratch-off scholarships	\$3,500,000	\$3,500,000	\$5,000,000	\$1,500,000	42.9%
Lotto: UNCF Scratch-off scholarships	\$3,500,000	\$3,500,000	\$5,000,000	\$1,500,000	42.9%
<b>TOTAL</b>	<b>\$30,180,000</b>	<b>\$30,180,000</b>	<b>\$28,530,000</b>	<b>-\$1,650,000</b>	<b>-5.5%</b>
<b>GRAND TOTAL</b>	<b>\$918,338,700</b>	<b>\$918,338,700</b>	<b>\$1,008,341,550</b>	<b>\$90,002,850</b>	<b>9.8%</b>

## I. Scholarship and Grant Programs

The vast 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, many State scholarship and grant programs that exist in statute were left unfunded in FY 2026. While some of the unfunded programs had support in prior years, most others have never received an appropriation. Rather than request new funding for programs that the legislature has either stopped funding or never chose to fund in the first place, staff is recommending that the FY 2027 budget request only seek funding for State scholarship and grant programs that were funded in FY 2026. This is consistent with past agency practice.

**Monetary Award Program (MAP):** A need-based grant, MAP is explicitly intended to respond to inequity of opportunity: The program helps students to attain a postsecondary education that might otherwise be unaffordable or might only be attainable by taking on excessive debt.

The recommended FY 2027 MAP budget provides nearly \$793.8 million - a 10% increase of \$72.2 million - to accommodate projected 3% tuition and fee increases and a projected 7% increase in demand from eligible applicants. In theory, this would enable the program to serve a similar percentage of eligible applicants as in FY 2026 and cover about the same percentage of tuition and fees. The actual formula distribution of funding between additional recipients and larger grants will be determined by the Commission once the final appropriation is known.

Unfortunately, this level of funding would not allow the program to serve *all* eligible students, based on recent application volume levels and current award size, but it could be expected to serve more than 10,000 additional students than are expected to receive MAP for 2025-26. Factors that staff anticipate will drive higher demand include the implementation of direct admissions, which may encourage more eligible students to choose Illinois institutions; changes in the federal assessment of need that recognize more students as eligible for larger awards; and higher claim rates among awarded students, as more low-income students in recent years have chosen to enroll and to do so in-state.

**Note:** As indicated above, this year's MAP recommendation is based on the projected cost of continuing to serve a similar percentage of eligible applicants and cover a similar percentage of their tuition and fees. Recent Commission recommendations have been based on the ambitious dual goals envisioned in *A Thriving Illinois*: offering grants to all eligible applicants throughout the academic year (leaving no eligible applicants on the waiting list) while *also* ensuring that the program could cover 50% of public university tuition and fees. This was staff's starting point for analysis while developing recommendations for FY 2027.

The projections were daunting: The number of eligible applicants continues to grow after a decade of decline, and claim rates rose precipitously in FY 2025, driving up the projected cost to serve all eligible applicants. Likewise, as tuition and fees have crept upward, the projected cost of achieving 50% coverage of public university tuition and fees has grown:

- Today, staff projects that accomplishing both goals would require a nearly \$940 million appropriation. If eligible application volume continues to rise, or if tuition and fees increase more than expected, costs would be even higher.

- Even if the program focused solely on serving students throughout the year, without adjusting the award size to match tuition and fee growth, it's projected that awarding through the end of the 2026-27 financial aid cycle would require more than \$894 million using recent application volume and claim rates and the current MAP formula.

Although these goals have been the basis of recent Commission requests for MAP funding, and reasonably so, staff view a request at these levels to be unrealistic in the current budget environment when guidance from the Governor's Office of Management and Budget focuses on reductions. Staff recommends the more modest "maintenance" request—still a 10.0% increase over the current year level.

Prior to MAP receiving an additional \$222 million across FY 2023 and FY 2024, components of the formula had become very outdated. While a maximum MAP award in FY 2002 could cover 100% of a public university student's tuition and mandatory fees and all eligible applicants were offered an award, that year was followed by a period of increasing college costs and simultaneous growth in the number of eligible applicants. These pressures created a tension that continues today: the effort to balance the size of the grant against the number of recipients to make the program as effective and as fair as possible.

For many years, to strike that balance, the formula was not updated to maintain tuition and fee coverage, because the cost of doing so was too high and would have resulted in fewer students receiving awards. Rationing mechanisms intended to stretch the appropriation to more students included:

- using FY 2004 tuition and fee amounts from FY 2006 through FY 2017, and FY 2010 amounts from FY 2018 through FY 2022,
- holding the living allowance at \$4,875 from FY 2002 through FY 2021,
- capping awards at \$4,968 from FY 2002 through FY 2019, and
- in many years, applying a reduction factor to all grants.

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

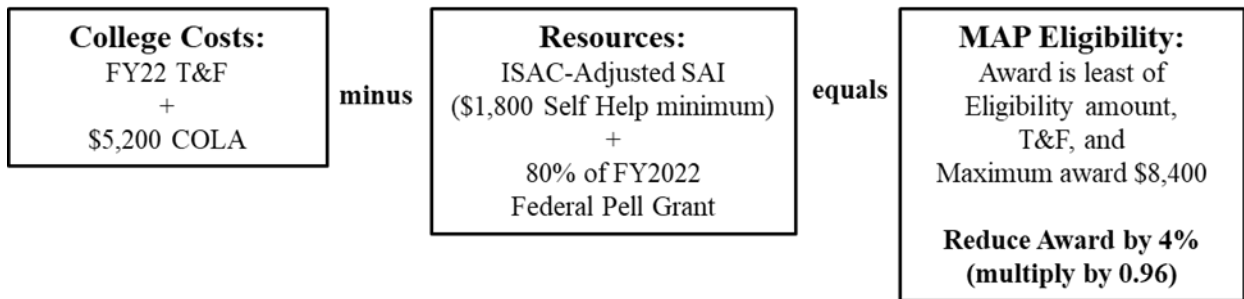
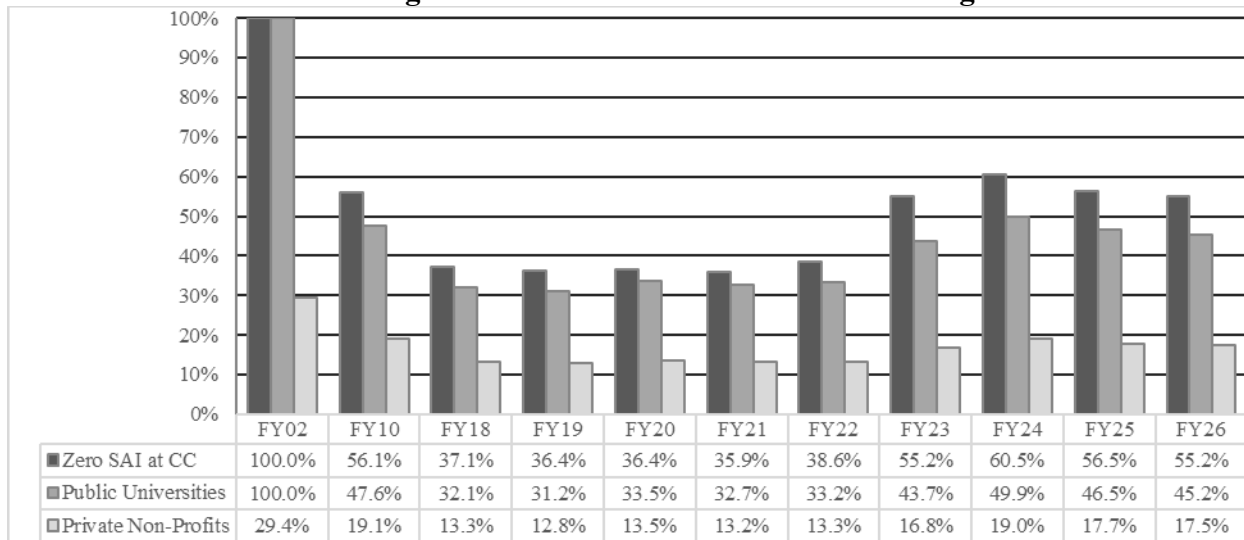


Figure One shows the current MAP formula. In thinking about what specific benefits new funding could offer students, it's important to note that the Commission approves the final MAP formula after the state budget is determined each year. Once the appropriation is known, staff consults with the financial 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 tuition and fee costs.

A historical look at how MAP grants have covered sector average tuition and fees is shown in Figure Two. 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 a total \$222 million of increases in FY2023-24, moved the bars noticeably upward: The goal of 50 percent coverage at public institutions, set in *A Thriving Illinois*, was surpassed for community colleges in FY 2023, and reached (with rounding) for public universities in FY 2024. Unfortunately, MAP purchasing power declined in FY 2025 (and again in FY 2026) as tuition and fees increase each year, and a reduction factor was added to the eligibility formula mid-year. The reduction was made necessary to keep claims within the appropriation, following an unprecedented increase in fall-term claim rates.

**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 student aid—and as noted in the FY 2027 MAP Start-up Formula agenda item presented at the September Commission meeting, MAP application volume is increasing again. 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. That was followed by a decade-long decline in applications, but in FY 2024, eligible applicants increased more than 6 percent from the previous year. Improved MAP tuition and fee coverage, provided by larger awards in FY 2023 and FY 2024, likely had a positive effect on FY 2024 application volume.

For FY 2025, announced application volume was nearly 3 percent lower than the previous year, likely due to the error-ridden federal launch of the 2024-25 FAFSA. However, eligible applicant counts were up by more than 1 percent, as FAFSA Simplification resulted in higher eligibility. Currently, FY 2026 eligible application volume is just under 8 percent higher than FY 2025.

These increases in demand in FY 2024 through 2026 have tempered some of the excitement about another welcome development credited to higher appropriations: In FY 2022 and FY 2023, MAP grants were offered to all eligible students *for the first time since FY 2001*. However, with applications increasing in FY 2024 through FY 2026, award announcements have again been suspended well before the end of the academic year, leaving some eligible applicants on a waiting list.

Unfortunately, for FY 2027, MAP is once again in the position of needing more funding not only to keep pace with tuition and fee increases, but also to offer awards to all eligible students.

**Other State Scholarship and Grant Programs:** For other State scholarship and grant programs funded in FY 2026, staff examined program demand, evaluated anticipated changes in purchasing power, and considered other known or expected pressures. Staff's recommendation would adjust each program's funding in one of four ways:

A. Flat funding in FY 2027, for programs that have had sufficient funds in recent years to meet demand and have lapsed appropriations

- Grant Program for Exonerees
- Post-Master of Social Work School Social Work Professional Educator License Scholarship
- School and Municipal Social Work Shortage Loan Repayment Program
- Illinois Teachers Loan Repayment Program
- Teachers of Illinois Scholarship (not included because of lapsed funds, but because there is not yet enough information about demand to support increased funding for this revised program)
- Grants for Dependents of Police, Fire, and Correctional Officers
- Nurse Educator Loan Repayment Program

B. Increased by 3.0% to maintain purchasing power against projected tuition and fee increases, where this might help a program retain purchasing power

- AIM HIGH scholarship
- Illinois Veteran Grant and Illinois National Guard Grant reimbursements to universities

C. Operational portion of budget increased by 3.5% to accommodate rising costs, in line with state guidance to budget this amount for agency operating cost growth

- Golden Apple Scholars
- Golden Apple Accelerators

D: Increased by varying amounts to align funding more closely with demonstrated levels of demand

- Early Childhood Access Consortium for Equity (ECACE) Scholarship:** The ECACE Scholarship helps members of the early childhood workforce attain the qualifications needed to advance in their careers and meet the needs of the field. ISAC administered this scholarship from FY 2022 through FY 2024 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 FY24, the final federally funded year of the ECACE Scholarship, more than 4,700 students collectively claimed about \$76 million of scholarship assistance, including many who were recruited by ECACE Navigators to return to college to upskill. In FY25, in a short application window of about a month, ISAC received nearly 3,000 applications for the program, including around 1,820 timely, complete applications from students who had received a scholarship in the prior year (when the program was federally funded). Even after capping the maximum scholarship size at \$7,500 per student, per year, (Note: The federally funded scholarship had been capped at total cost of attendance.) we were only able in FY25 to offer grants to a little more than a third of timely, renewing applicants. The scholarships were further rationed based on financial need, but unfortunately, the funding wasn't even sufficient to offer grants to all of the timely renewing applicants who had the lowest possible Student Aid Index (SAI, a federal measure of a student's ability to pay for college). In FY26, the program received nearly 1,600 eligible applications in a three-month application window that closed before the Fourth of July, but at the maximum scholarship level, this would only allow the agency to serve 665 students. After seeking \$20 million for FY26, staff recommends that the Commission consider a recommendation of \$8 million for the program for FY27. It's not certain whether funding at this level, on par with the Minority Teachers of Illinois program (which become the Teachers of Illinois Scholarship during the fall veto session), will be enough to allow the ECACE Scholarship to serve new applicants, but at minimum it would allow the program to help more of those students who were attracted back to the classroom by the federally-funded scholarship and whose ability to complete their programs may be contingent on receiving further financial support.
- 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 (an increase of \$28,600 or 108.3%). The program consistently spends its full appropriation, and the agency is confident that additional demand exists, particularly with the establishment of new facilities in Chicago and Quincy.
- Human Services Professional Loan Repayment Program:** In FY26, funding for the Human Services Professional Loan Repayment Program consists of \$1.25 million from EAF, plus approximately \$940,000 in residual funding from a one-time FY25 transfer from the HFS Healthcare Provider Relief Fund. To maintain the same level of service through the program in FY27 as in FY26, that state would need to backfill that \$940,000 in residual HFS funding. The recommended budget request therefore includes \$2,190,000 from EAF for the HSP LRP. Average award size in FY25 was about \$13,000. If this is consistent for FY27, shrinking the program by \$940,000 would mean about 72 fewer recipients. Demand

for this program, which provides support for employees of the many non-state agencies on contract with the state to support basic human needs, has outstripped its funding.

Because of the significant on-going needs for funding in State programs, particularly MAP, staff is not recommending restoration of funding for any program where the funding was eliminated years ago or for any programs that have never been funded.

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

As its name suggests, the Student Loan Operating Fund (SLOF) was the primary fund used to account for the revenues and expenditures of ISAC's work as a guarantor in the Federal Family Education Loan (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.

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 budget lines were added for *Agency Operations* and *Outreach, Research, and Training*, backfilling the loss of federal dollars from both the loan program and the long-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 brought it to an abrupt end. To support Americans during this challenging period, the federal government implemented extraordinary benefits and flexibility for some student loan borrowers, some of which could not be administered quickly using ISAC's legacy system. The agency worked quickly with the U.S. Department of Education and a successor agency to provide a seamless transition of ISAC's guaranty portfolio to a successor guarantor with systems that could accommodate the changing program.

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 continues to need state resources to comply with mandates and maintain statewide outreach programming and partner training.

**For FY 2027, staff recommends that the Commission request \$8,997,000 in the Agency Operations line and \$8,357,000 in the Outreach, Research, and Training line.** In total, this reflects a 3.5% increase across operational dollars available to ISAC when the 2% of MAP that can be used for operations is included.

Staff believes that funding at these levels will be necessary to continue to deliver the agency's programs in FY 2027 at the levels of activity required to meet all agency responsibilities. Recently, both the volume of the agency's work and its complexity have rapidly increased, which has strained resources. With more than 26% of ISAC's workforce eligible to retire at any time, at a time when hiring continues to be competitive, it is critical that the agency have adequate funding to ensure that the right people and resources (e.g., technological solutions, data protection, adequate training, etc.) are in place to deliver its mission.

Notably, the more the agency can rely on funding from these two lines to fund its work, the less it needs to take advantage of its flexibility to use up to 2% of the MAP appropriation for operating costs, leaving more of the MAP appropriation to be used for grants to students.

Having sufficient funding is critical to the Agency's Operations. This separate appropriation for operations helps to ensure that the agency continues to administer scholarships and grants appropriately. Beyond simply approving payments, functions include developing administrative rules and procedures; determining eligibility for programs, including tracking lifetime use of programs to ensure statutory limits are enforced; handling appeals; reviewing schools for compliance; 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.

The agency continues to be asked to do more, with a rapid growth in responsibilities over the last few years.

- The agency's systems and personnel have been integral to the implementation of the new statewide direct admissions program, from assisting with design to building IT systems, training counselors, and helping to spread the word among students and parents.
- Adding certificates to MAP created new tasks in nearly every division of the agency. The disruptive overhaul of the FAFSA has done so to a much greater extent.
- Significant legislative changes to the Minority Teachers of Illinois program required new processes for awarding—and now, the program is undergoing a major mid-year overhaul following legislative approval of a measure to establish the Teachers of Illinois Scholarship.

- 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 in FY 2023-2025, including many that were 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. Others have required radically rethinking awarding processes and/or extensive, time-consuming analysis and inter-agency program development work.
- With the proliferation of new specialty programs have come many new outside partners. Staff are engaging with and sometimes training staff at community behavioral health centers, nursing schools, early childhood education programs, and 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.
- The Alternative Application for Illinois Financial Aid is updated at least annually and has required more substantial revisions in recent months in response to the legislative expansion of students eligible for aid under the RISE Act.
- ISAC's Finance & Accounting division has implemented SAP (the state's new enterprise management system), a large and complicated lift for our agency.
- The agency is 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. The balance between in-office and remote work and the general employee attitude towards work have shifted. 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, it is still a 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.

As noted above, staff is recommending a \$557,000 (6.6%) increase to its Operations lump sum line item and \$517,000 (6.6%) increase to the lump sum line item used to fund ISAC's Outreach, Research, and Training 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 2027 MAP appropriation for agency operations.

With respect to the \$8,357,000 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 other important outreach, research, and training activities. These activities are keys to ISAC's work to achieve its mission of college access and affordability for Illinoisans. The agency's outreach and training programs have also been critical in implementing the state's "universal FAFSA" policy for high school seniors, preparing schools for the requirement of adopting Postsecondary and Career Expectations (PaCE) frameworks and helping them to implement those plans, and, recently, meeting the acute needs of students and families struggling through the rocky transition to the "simplified" FAFSA. ISAC's training team and outreach staff have taken on the leading role in training counselors on the new statewide direct admissions program and helping students and parents to understand it and opt in.

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, not to mention the extraordinary disruption of FAFSA changes stemming from FAFSA Simplification.**

- 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 help 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 careers 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 recent 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 changes to 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.

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 continues to support 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. Prepare for Illinois' Future Test Preparation Program**

This proposed budget would restore funding of \$8.8 million to continue the "universal" test preparation pilot that was originally approved as part of the FY 2023 budget. The program was created to provide college students at the Illinois public universities and five pilot program community colleges free access to services to prepare for graduate and professional school entrance exams and placement exams, as well as for professional licensure exams. The original appropriation of \$10 million for the program in FY24 was based on industry estimates of the amount to provide such a program to all Illinois public university students. However, after completing the procurement process and fully launching in FY25, the agency was able to work with the primary vendor to extend most services through February 2026 without a new FY26 appropriation.

The agency estimates that new funding of about \$8.8 million would allow the program to maintain its current level of service throughout FY27 (the 2026-27 academic year). As of October 17, 2025, students had created 11,200 accounts for the Kaplan All-Access program that makes up the bulk of Prepare for Illinois' Future. Of those, more than 6,800 students have registered for more than 9,600 courses; if students were charged the list price for these courses, they would have a collective value of more than \$15 million.

University officials have expressed enthusiasm for the program and the support it provides for their students, particularly low-income students who would otherwise forego test prep services.

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

As noted in Item II above, the Student Loan Operating Fund (SLOF) was the agency's primary source of operational funding for more than a decade, as it was the repository for revenue earned in the Federal Family Education Loan (FFEL) Program. With the agency's exit from FFELP and the return of state funding to support agency operations, SLOF is no longer the agency's primary means of paying for on-going expenses.

However, having authority to spend from SLOF is still desirable. Staff recommends continuing to seek sufficient spending authority from this fund to sustain any 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 is beyond what staff believes the agency is *most likely* to need. Maintaining this extra spending authority in SLOF has no negative impact on State GRF funding, and it helps to ensure that ISAC can respond to non-State-funding opportunities that may arise throughout the fiscal year. If no opportunities arise, then this spending authority simply lapses.

While most authority to spend from SLOF is for operational costs, there are two additional lines that staff recommends adjusting for FY 2027:

- A new line was established in FY26 to help as ISAC tries to address some of the uncertainty that's inherently involved in projecting program demand. In the case of MAP, this uncertainty has been greatly exacerbated by the chaos surrounding changes to the FAFSA and federal need analysis updates. If actual MAP claims are just *one* percent higher than projected, that translates to more than *\$7 million* of additional financial pressure on the program. To address this, the FY26 budget added authority for ISAC to tap into up to \$3.5 million from SLOF, only to be used if FY27 claims for MAP are higher than expected and the appropriation for that program is unable to meet the full demand from students who show up to claim an offered grant. This line was established for FY26 exclusively for MAP, but **ISAC would like to increase this authority by \$2.5 million (to \$6.0 million total) and expand this authority to other scholarship, grant, and loan repayment programs.** This could help to address uncertainty in programs like ECACE and MTI and in loan repayment programs affected by a shifting federal regulatory environment. Depending on the scale of any unexpected claim increases, this small "release valve" could provide enough flexibility to avoid cutting or rescinding awards already made to students or allow the agency to avoid requesting a supplemental appropriation to ensure that students are protected.
- At the same time, staff recommends a \$2.5 million *reduction* in the request for authority to return funds to the Illinois Department of Human Services from the Early Childhood Access Consortium for Equity (ECACE) Scholarship. The ECACE Scholarship was begun with federal funds granted to ISAC by the Illinois Department of Human Services; this line ensured that when institutions returned dollars to ISAC, the agency could in turn direct those dollars back to IDHS. Most of this reconciliation should be complete, but staff still recommends requesting authority to return up to \$2.0 million to IDHS if needed.

## V. Other State Funds

To administer many of the agency's scholarship, grant, and loan repayment programs, ISAC also requires spending authority from Other State Funds created by the General Assembly

to serve special purposes. Often, the agency does not need to use the full spending authority for these funds (e.g., if the actual amount of cash in a special fund is less than the maximum spending authority, ISAC would only be able to award the actual amount available). Staff is recommending that the Commission seek level spending authority for its Other State Funds appropriations, with the exception of funds derived from lottery sales and the authority to spend from the agency's Contracts and Grants Fund on the Human Services Professional Loan Repayment Program.

During the spring 2023 legislative session, the General Assembly established two new beneficiaries of scratch-off lottery tickets: United Negro College Fund (UNCF) Illinois and the Illinois DREAM Fund Commission will each receive proceeds to be used for scholarship programs. While these organizations complete the administrative steps required for grantees to receive state dollars, they have not launched the scholarship programs that would use lottery funding. Staff recommends that the Commission request authority to spend up to \$5 million for each of these new programs in FY 2027. This is an increase over the FY 2026 authority for these programs (\$3.5 million each), and it is based on staff's current estimates of available funding for the programs. Since the lottery funds are accumulating and neither scholarship program has launched, more dollars are likely to be available for use in FY 2027 than would be available on an ongoing, annual basis.

Staff recommends reducing the request for authority to spend from the agency's Contracts and Grants Fund on the Human Services Professional Loan Repayment Program. A small amount of residual funding is expected to be available in FY 2027 from a one-time \$5 million transfer from the Illinois Department of Healthcare and Family Services' Healthcare Provider Relief Fund in FY25. Staff recommends asking for reduced spending authority of \$350,000 from the Contracts and Grants Fund for this program to provide for any residual awards or prior year claims that will need to be paid in FY 2027.

## **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 2027 budget requests to the Commission for IDAPP and CI! at the June 2026 Commission Meeting, for consideration prior to the beginning of FY 2027. (Note: The most recent College Illinois! actuarial soundness report indicates that the program is more than fully funded as of June 30, 2025. Staff therefore does not recommend that the Commission seek supplemental state funding for the Prepaid Tuition Program in FY 2027.)