

AGENDA ITEM 12.

COLLEGE ILLINOIS![®] PREPAID TUITION PROGRAM FISCAL YEAR 2010 BUDGET REQUEST

Submitted for: Action

Summary: Each year the Commission is asked to review the planned administrative budget for the *College Illinois!* Prepaid Tuition Program. The proposed Fiscal Year 2010 administrative budget has been developed to adequately cover administrative costs including those costs associated with changing to year-round enrollment in FY2010. Table I outlines the administrative budget request and also includes a breakdown of anticipated investment expenses.

The projected dollar value of contributions from purchases made between October 2008 and May 2009 is approximately \$116 million, \$17 million less than the previous enrollment. In the month of June, it is expected that \$67 million will be received in payments from new purchasers as well as those continuing to make payments on plans purchased over the years.

In FY2009, it is projected that nearly \$52 million in tuition payments will be issued to schools. For FY2010, the number of students to be paid is expected to remain approximately 8,000, however, due to tuition and fee increases, tuition payments are expected to grow by approximately 10 percent to approximately \$58 million.

The program's FY2010 administrative budget request totals \$5,985,300, reflecting an increase of 42.5% from the FY2009 budget. The majority of the increase is attributable to changing to year-round enrollment and decentralization of administrative functions that occurred in FY2009. The marketing budget, which represents 24 percent of the total budget, was established to continue the program's marketing and public relations efforts, including the Web site, interactive marketing, and special projects with emphasis on creating social media campaign infrastructure, as well as, interactive mobile media technology which will be key to reaching audiences across diverse socioeconomic, geographic, and demographic groups.

Action requested: That the Commission approve the FY2010 *College Illinois!* administrative budget set forth in Table I.

ILLINOIS STUDENT ASSISTANCE COMMISSION
COLLEGE ILLINOIS![®] PREPAID TUITION PROGRAM
FISCAL YEAR 2010 BUDGET REQUEST

PROGRAM UPDATE AND OVERVIEW

Each year the Commission is asked to review the planned administrative budget for the *College Illinois!* Prepaid Tuition Program. The proposed Fiscal Year 2010 administrative budget has been developed to adequately cover administrative costs including those associated with the decentralization of administration of the program that occurred in FY2009 and the upcoming change to year-round enrollment in FY2010. Table I outlines the administrative budget request and also includes a breakdown of anticipated investment expenses.

The projected dollar value of contributions of purchases made between October 2008 and May 2009 is approximately \$116 million, \$17 million less than the previous enrollment. In the month of June, it is expected that \$67 million will be received in payments from new purchasers as well as those continuing to make payments on plans purchased over the years.

On the other side of the balance sheet, it is projected that in FY2009, nearly \$52 million in tuition payments will be issued to schools. For FY2010, the number of students to be paid is expected to remain approximately 8,000, however, due to tuition and fee increases, tuition payments are expected to grow by approximately 10 percent to approximately \$58 million.

In total, after eleven *College Illinois!* annual enrollments:

- ◆ More than 66,000 *College Illinois!* contracts have been purchased;
- ◆ Program participation represents a commitment of almost \$1.3 billion in contributions once all currently active contracts are paid-in-full;
- ◆ Contract benefits have been paid out to over 10,900 students at nearly 700 colleges and universities in Illinois and across the nation.

As the program enters its second decade of operation with the current level of funds under management and committed to the program, *College Illinois!* remains in an asset accumulation stage of its development, with more dollars flowing into the program than are annually paid out in benefits.

College Illinois! was created to be a self-sustaining program and designed to operate independent of state appropriations and other external support. In this sense, *College Illinois!* is financially self-sufficient. Even so, *College Illinois!* does utilize and pay for intra-agency resources, and the program also remains an integral part of, and contributor toward, ISAC's mission of making college accessible and affordable for all Illinois students.

The FY2010 *College Illinois!* administrative budget request presented for Commission approval totals \$5.9 million while representing slightly more than one-half of one percent (0.70 percent) of total program assets, estimated to be \$850 million at fiscal year end on June 30, 2009. When the cost of investment services is included, total administrative costs for the *College Illinois!* program remain at 1.3 percent of estimated program assets.

FY2010 ADMINISTRATIVE BUDGET REQUEST

The program's FY2010 budget request totals \$5,985,300, reflecting an increase of 42.5 percent from the FY2009 budget. The increase is largely a result of the decentralization of administration of the program that occurred in FY2009 and its impact on intra-agency administrative expenses and changing to year-round enrollment.

Following is a narrative summary of major budgetary objectives for FY2009, including comparisons to the prior year's budget, as well as implementation plans. Table I documents the FY2010 *College Illinois!* budget request compared with the FY2009 program budget. The anticipated investment expenses are indicated separately.

Marketing

The marketing budget request for FY2010 totals \$1,430,000, a decrease of \$70,000 compared with the amount budgeted in FY2009. Each year, funding to market the program represents a critically important component of the program's budget request, representing 24 percent of the entire budget amount.

This year's compacted budget was designed with the cost-saving measures of bringing marketing and communications tasks in-house in mind.

The planned move from a seven month general open enrollment period to a year-round enrollment period will necessitate more strategic and targeted advertising purchases in print, broadcast, media, and electronic media that will:

- ◆ Increase awareness of the new program at its inception;
- ◆ Sustain the presence of the program throughout 12, not just 7, months of enrollment; and
- ◆ Support surges in media presence at key points in the year such as tax time, and at each price point adjustment.

An increase in direct mail dollars will allow us to use that tactic more frequently than in the most recent enrollment period, and the modest increase in the public relations budget item will be utilized to provide a presence in family-friendly public event opportunities occurring during late spring, summer, and early fall when, in past years, enrollment was not open.

Additionally, the special projects budget has been extended to allocate for investments in creation of social media campaign infrastructure, as well as, interactive mobile media technology which will be key to reaching audiences across diverse socioeconomic, geographic, and demographic groups.

Contractual Services

The FY2010 request calls for a modest increase in the program's Contractual Services area. The costs for records administration show only a slight increase because of additional account servicing requirements required for year-round enrollment.

The costs for the telephone customer service center will also increase slightly, again in anticipation of increased usage caused by offering year-round enrollment.

The FY2010 budget request for Lockbox Services remains at the same dollar level: \$40,000. The actual costs for FY2009 were closer to \$33,000. And while these costs for payment and application processing are volume-driven, new contracts generating additional installment payments are offset by other contracts maturing and being paid-in-full. The lockbox will be also involved in the implementation of year-round enrollment, but those costs are not expected to take the total cost beyond the \$40,000 threshold.

The budget request for Legal and Audit Services is based upon the estimate provided by staff and based on the costs for the most recent audit. The cost of the FY2009 audit (which is paid in FY2010) could be as much as \$65,000. It is difficult to estimate audit expenses over which ISAC has no direct control, but it appears that because audit costs are tied to asset size, they will increase each year (sometimes significantly) as the program's assets continue to increase.

The budgeted amounts for Records Administration and Lockbox Services are predicated on similar contract sales during the upcoming enrollment period. Additional administrative costs may be incurred if projections are significantly exceeded.

Personal Services

The program's Personal Services budget for FY2010 is \$1,038,300, an increase of \$113,300 (12.2 percent) in comparison to FY2009. The increased dollars will provide funding for the upcoming fiscal year for a recently added position of director of portfolio management and direct investment. An increase in the cost for providing employee fringe benefits for the program's full-time positions is also included.

Additional Line Items

There are no increases in the support lines of Telecommunications, Travel, Commodities and Equipment, Postage and Freight, and Printing.

Intra-agency Administrative Services

The Intra-agency Administrative Services component of the *College Illinois!* budget represents those ISAC personnel and other agency resources used to support the program. Internal operating units such as the Print Shop; Mail Center; Information Services; Administrative Services; Research, Planning and Policy Analysis (RPPA); Legal Services; Budget and Finance Division; Program Services and Compliance Division; and Marketing and Communications Division provide ongoing support for *College Illinois!*. These indirect costs have been determined through the agency's cost allocation study, conducted by the Budget and Finance Division. The FY2010 budget includes \$2 million for Intra-agency services, an increase of 363 percent as compared to FY2009. The majority of the expenses are to properly allocate intra-agency support in the area of Personal Services to cover the salaries of agency personnel assisting with accounting, legal services, marketing, communications, procurement services, and other administrative tasks.

Investment Expenses

The FY2010 request for Investment Consultant Services (provided by Marquette Associates of Chicago) reflects a 7.7 percent increase to \$140,000. The Investment Consultant's fee is all-inclusive, covering completely the costs associated with oversight of investment managers, asset allocation studies and searching for new or replacement investment managers.

TABLE I
COLLEGE ILLINOIS! ®
FY2010 ADMINISTRATIVE BUDGET REQUEST

	Approved FY2009 Budget	Requested FY2010 Budget	FY2009 Budget - FY2010 Budget \$ Change	FY2009 Budget - FY2010 Budget % Change
MARKETING	<u>\$1,500,000</u>	<u>\$1,430,000</u>	<u>-\$70,000</u>	<u>-4.7%</u>
Account Service, Strategic Planning & Expenses	90,000	10,000	<u>-\$80,000</u>	<u>-88.9%</u>
Creative/Collateral and Production	150,000	120,000	<u>-\$30,000</u>	<u>-20.0%</u>
Public Relations/ Promotional Events	190,000	200,000	<u>\$10,000</u>	<u>5.3%</u>
Paid Media (TV, radio, print)	800,000	700,000	<u>-\$100,000</u>	<u>-12.5%</u>
Internet Marketing, Enrollment & Emessaging	225,000	300,000	<u>\$75,000</u>	<u>33.3%</u>
Direct Marketing	35,000	50,000	<u>\$15,000</u>	<u>42.9%</u>
Special Projects	10,000	50,000	<u>\$40,000</u>	<u>400.0%</u>
CONTRACTUAL	<u>\$1,268,000</u>	<u>\$1,442,000</u>	<u>\$174,000</u>	<u>13.7%</u>
Records Administration Services	1,070,000	1,210,000	<u>\$140,000</u>	<u>13.1%</u>
Telephone Customer Service	30,000	40,000	<u>\$10,000</u>	<u>33.3%</u>
Actuarial Services	56,000	80,000	<u>\$24,000</u>	<u>42.9%</u>
Lock Box Services	40,000	40,000	<u>\$0</u>	<u>0.0%</u>
Legal and Audit Services	65,000	65,000	<u>\$0</u>	<u>0.0%</u>
Misc. Expenses	7,000	7,000	<u>\$0</u>	<u>0.0%</u>
PERSONAL SERVICES*	925,000	1,038,300	<u>\$113,300</u>	<u>12.2%</u>
TELECOMMUNICATIONS	15,000	15,000	<u>\$0</u>	<u>0.0%</u>
POSTAGE & FREIGHT	25,000	25,000	<u>\$0</u>	<u>0.0%</u>
PRINTING	4,000	4,000	<u>\$0</u>	<u>0.0%</u>
COMMODITIES	2,000	2,000	<u>\$0</u>	<u>0.0%</u>
EQUIPMENT	4,000	4,000	<u>\$0</u>	<u>0.0%</u>
TRAVEL	25,000	25,000	<u>\$0</u>	<u>0.0%</u>
INTRA-AGENCY SERVICES: ADMIN.	432,000	2,000,000	<u>\$1,568,000</u>	<u>363.0%</u>
TOTAL ADMINISTRATIVE BUDGET	<u>\$4,200,000</u>	<u>\$5,985,300</u>	<u>\$1,785,300</u>	<u>42.5%</u>
*Includes retirement, social security and group insurance.				
INVESTMENT EXPENSES	<u>\$3,520,000</u>	<u>\$5,064,500</u>	<u>\$1,544,500</u>	<u>43.9%</u>
Investment Consultant Services	\$130,000	\$140,000	<u>\$10,000</u>	<u>7.7%</u>
Custodial Bank Fees	\$190,000	\$150,000	<u>-\$40,000</u>	<u>-21.1%</u>
Investment Manager Fees	\$3,200,000	\$4,774,500	<u>\$1,574,500</u>	<u>49.2%</u>