

ILLINOIS HIGHER EDUCATION COMPACT RECOMMENDATION

Submitted for: Action.

Summary: Item III-8 presents the Illinois Higher Education Compact recommendations. In an effort to increase the efficiency and effectiveness of the higher education system, reduce student costs, improve student college success and fiscal stability for higher education in Illinois, it is recommended that the Board launch a process for developing an Illinois Higher Education Compact between state government and the higher education system. The Compact should include a multi-year commitment to stable funding in exchange for system commitments to achieve measureable outcomes that improve efficiency and effectiveness and contain student costs.

Action Requested: That the Illinois Board of Higher Education approve the proposed resolution contained in this Item.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

ILLINOIS HIGHER EDUCATION COMPACT RECOMMENDATION

Item Summary

The Illinois Board of Higher Education staff recommends the approval of the resolution calling for the formation of an Illinois Higher Education Compact comprised of a partnership of leaders of higher education, leaders of the General Assembly, representatives of the Office of the Governor and the Governor's Office of Management and Budget, and the Illinois Board of Higher Education. The Illinois Higher Education Compact shall develop strategies that bring stable and sustainable funding to the state's higher education system and improves affordability, effectiveness, student success, and economic growth in Illinois.

Illinois Compact of Higher Education Initiative

Background

Universities, community colleges and higher education agencies are being challenged to manage operations without a budget in the current fiscal year and strategically plan for a budget for Fiscal Year 2017. One constructive outgrowth of this dilemma has been a call for a greater sense of stability and predictability in the state budget process generally. The uncertainty of not knowing how long the current budgetary impasse would last and the wide variation in proposals for what funding might be included in any enacted budget makes it extremely difficult to develop a strategic financial plan for the 2016-2017 academic school year or beyond. Administrators made clear that a lack of a budget was a barrier for effective strategic financial planning especially for public 4-year institutions that are held to the guaranteed truth-in tuition law requiring tuition rates for incoming freshman to remain the same for four years.¹ University financial planners are left with the most difficult assignment in factoring revenue assumption into their financial models for 2016-2017 academic school year with limited flexibility in adjusting tuition rates pursuant to the truth-in tuition law and without knowing the level of state support.

Call for Illinois Higher Education Compact

In an effort to increase the efficiency and effectiveness of the higher education system, reduce student costs, improve student college success and fiscal stability for our higher education partners, it is recommended that the Board launch a process for developing an Illinois Higher Education Compact between state government and the higher education system. Such a Compact would include a public commitment from state leadership for predictable levels of state support

¹ The Truth-in-Tuition Law (Public Act 93-228) was established beginning in 2005 that stipulates that student are guaranteed a fixed rate of tuition for the first academic year of enrollment, for 4 years, and then guaranteed the rate for the academic year following the year the student first enrolled for a fifth or sixth year. Recent research has shown that this law has contributed to a significant higher increase tuition in Illinois overall than states without such a law. *The Impact of Guaranteed Tuition policies on Postsecondary Tuition Levels: A difference-in-difference approach*, Dr. Jennifer Delaney, Aug., 2014.

over three (or more) years in exchange for commitments from higher education partners to increase efficiency and effectiveness, contain costs and improved student outcomes (e.g., increased student enrollment, retention, and degree completion, reduced gaps for underrepresented groups) as measured by agreed upon metrics. Many of these metrics are already included in the IBHE's performance funding model and could be adapted for use.

A report issued by the American Association of State Colleges and Universities, Creating a New Compact Between States and Public Higher Education, asserts that a "*sufficient, predictable and sustained state investment in public colleges and universities is essential to leveraging the full capacity of these institutions to foster American opportunity, ingenuity and prosperity.*" The report calls for Higher Education leaders to establish a new compact built on a foundation of mutual understanding; and, identify fiscal year strategies for advancing higher education as a state investment priority.²

The IBHE staff recommends the Board adopt the following resolution calling on the IBHE to lead convening of stakeholders to develop an Illinois Higher Education Compact including leaders of higher education, agency heads, and higher education leaders of the General Assembly. These convenings would be a part of the planned "Illinois Higher Education Efficiency and Effectiveness Initiative" supported by the National Governors Association. The IBHE will bring related initiatives in other states [e.g., the work between the State University of New York (460,000 students) and New York State, NGA related initiatives in other states] to bear to advance the work in Illinois.

Pledge Future State Investment with Efficiency & Effectiveness Commitment

It is understood that any Compact developed could not abrogate the right and responsibility of future budget submissions by the Governor or the appropriation authority of the legislature. But, rather the Compact would aim to constitute a public pledge of state investment to the public higher education community at a foundation level of funding that would be expected in exchange for commitments by the higher education community to contain costs for students and improve outcomes. Public higher educational institutions would have the greater measure of predictability needed to be more effective and efficient through better strategic planning and management of fiscal and budget operations, academic programs and personnel. At the least, infringement of the compact agreement would require public discussion of the reasons for change in the conditions of the Illinois Higher Education Compact.

The Illinois Higher Education Compact would aim to help end the state disinvestment in higher education support that has been experienced over the past decade. It also would require necessary commitments from the higher education community to improve performance. Strategies for development of the Compact would be consistent with the guiding principles and performance metrics set forth under the *Illinois Public Agenda for College and Career Success Report in 2009*. At the end of the compact period outcomes would be assessed and next steps in the partnership between the state and its higher education partners developed.

² Creating a New Compact, Between States and Public Higher Education, A Report by the American Association of State Colleges and Universities Task Force on Making Public Higher Education a State Priority, 2013

Inclusion of Higher Education Capital Programming in Compact

An equally important component of the Illinois Higher Education Compact is to enable long-term planning strategies for higher education capital construction programs. An IBHE review of expenditures comparison from Fiscal Year 2004 to Fiscal Year 2014 revealed that university expenditures for permanent improvements and general repair and maintenance from state appropriated and income funds increased \$157.7 million, or 237 percent. This clearly indicates institutions have allocated more of their operating funds for general maintenance projects deferred due to a lack of a state capital program.

The deferred maintenance backlog for all of higher education is estimated at \$3.8 billion, reflecting an increase of \$2.0 billion since Fiscal Year 2004. (See IBHE Capital Recommendations) Of this amount, the emergency request for capital renewal project for emergency type maintenance projects is programmed at \$350 million for Fiscal Year 2017 that includes projects such as, plumbing repairs in bathrooms, heating and cooling rehabilitation, HVAC repairs, and facility mitigation caused by mold and water damage.³

As colleges and universities try to implement a capital plan for their respective campuses, administrators express concerns they are facing a critical crossroad in strategically planning the future of their institutions in meeting enrolment and programmatic needs. Many facilities have long exceeded useful life expectancy standards and are experiencing mounting health, life, and safety concerns as well. It is recommended that an Illinois Higher Education Compact should set forth long-term strategic plans to address these capital construction needs across all higher education systems.

The adoption of the following resolutions is recommended:

***Whereas,** Illinois' higher educational system is a cornerstone of a prosperous state economy and its citizens' standard of living; and*

***Whereas,** investment in our higher educational system drives progress, economic growth, and competitiveness in Illinois and is essential to strengthen Illinois' economy, support students and families, improve the workforce, and enhance Illinois' tax base; and*

***Whereas,** higher education provides a direct return on investment for graduates with two-year and four-year degrees and other postsecondary credentials through better jobs and higher salaries; and*

***Whereas,** Illinois has committed to the goal of 60 percent of adults with a college degree or credential by the year 2025 to foster its economic vitality which will require a significant investment to reach the goal; and*

***Whereas,** State support for our higher education system has declined significantly, since 2002, impeding college and university efforts to reach the 60 X 2025 goal; and,*

³ In fact, during one of IBHE's recent walking tour at a public university this fall, student fees were used to make basic repairs to the HVAC system and water piping inside one of the institution's primary instructional building since there was no other funds available, which has a direct effect on college affordability.

Whereas, the unpredictable nature of state investment year after year limits the ability of institutions to strategically plan and budget, especially for state universities that must comply with Truth in Tuition statutory requirements; and

Whereas, diminishing state support, resulting in rising tuition, undermines affordability for low- and middle-income families and jeopardize access to a college education for thousands of Illinois residents resulting in greater funding challenges to the state's Monetary Award Program; therefore be it

Resolved, that the Illinois Board of Higher Education reaffirms its strong support for the October 6, 2015 Board Resolution Encouraging Resolution to the Fiscal Year 2016 Budget Impasse and further emphasizes the budget needs to be resolved no later than January 31, 2016; and be it further

Resolved, that the Illinois Board of Higher Education recommends formation of an Illinois Higher Education Compact comprised of a partnership including leaders of higher education, leaders of the General Assembly, representatives of the Office of the Governor and the Governor's Office of Management and Budget, and the Illinois Board of Higher Education; and be it further

Resolved, that the Compact develop strategies for adequate and predictable state investment for all of higher education, recommended over a 3-year period, tied to concomitant strategies to promote affordability and increase system efficiency and effectiveness to benefit students; and be it further

Resolved, that the Compact shall rely, in part, on strategies for increased productivity developed in concert with the Higher Education Efficiency and Effectiveness Initiative supported by the National Governors Association with consideration of models being developed at institutions of higher education in other states; and be it further

Resolved, that strategies for development of a Compact shall be consistent with the guiding principles and performance metrics set forth under the Illinois Public Agenda for College and Career Success; and be it further

Resolved, that the Compact shall not abrogate the right and responsibility of future budget submissions by the Governor or the appropriation authority of the legislature; and be it further

Resolved, that an Illinois Higher Education Compact is established to develop strategies that bring robust and sustainable funding to the state's higher education system and improves affordability, effectiveness, student success, and economic growth in Illinois.