

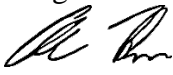


Illinois Board of Higher Education

Bruce Rauner, Governor – Tom Cross, Chair

MEMORANDUM

TO: IBHE Board Members and Higher Education Stakeholders

FROM: Dr. Al Bowman, Director 

DATE: February 20, 2018

RE: Governor Rauner’s Fiscal Year 2019 Budget Proposal

On Wednesday, February 14, Governor Rauner presented his Fiscal Year 2019 operating budget proposal for the State of Illinois. The Governor emphasized moving pension and health insurance costs to employers, including public universities. He also proposed making changes to the pension system and utilizing the savings to fund a tax cut. His budget also include the most significant request for capital funding since the passage of Illinois Jobs Now for FY10.

Higher Education Budget Highlights

The Governor’s FY19 budget recommendations propose \$1.86 billion in general funds for traditional grants and operations, representing an increase of \$16.3 million. Most line items are recommended for funding equal to FY18. The primary increase recommended for grants and operations is to return Illinois Veterans Grants and Illinois National Guard Grants to the Illinois Student Assistance Commission, representing a net increase of \$29.9 million. Cuts of \$9.9 million in various grants are recommended, mainly to programs administered by IBHE. In addition, \$205.65 million is recommended to cover the transfer of responsibility for normal pension liabilities to universities and community colleges and to start the transfer of health insurance costs to universities. Recommended funding for the State University Retirement System (SURS) is \$1.41 billion, representing a net increase of \$37.4 million. The Governor’s recommendation includes the elimination of the \$4.1 million SURS line item for community college health insurance and an increase of \$41.5 million to cover past unfunded pension liabilities.

FY 19 Governor's Budget Change Summary

SURS: Pensions	\$ 41,513,000
SURS: Community College Health Insurance	\$ (4,133,336)
Pension & Health Insurance Shift	\$ 205,650,000
Net: Veterans & National Guard Grants	\$ 29,935,800
Grant Eliminations & Cuts	\$ (9,922,100)
<u>All Other Operations</u>	\$ 442,100
Higher Education Total	\$ 263,485,464

FY 2018 General Funds for Higher Education:

- **Public Universities** are funded at \$1.09 billion in general funding, which is equal to their FY18 level with the exception of the \$1.0 million National Corn-to-Ethanol Research Center at Southern Illinois University was not funded. This was a newly funded program in FY18.
- **Community Colleges** receive a total of \$306.1 million in general funds in the FY19 Governor's budget. Flat funding was recommended in most cases, including for base Operating grants, Equalization grants, and Adult Education grants. The budget does propose a cut of \$4.0 million to the alternative Schools Network to \$2.8 million. The \$1.3 million in funding for the partial reimbursement of community colleges for Veteran's tuition and fee waivers was eliminated because that program will now be fully funded through ISAC. An additional \$109,100 was added to cover operations cost escalations. \$150,000 was added for the P-20 Council. An increase of \$100,000 was included for GED testing.
- **Illinois Student Assistance Commission:** *The Governor's budget provides \$31.3 million to return to funding Illinois Veterans and Illinois National Guard grant funding to ISAC in place of waivers from public universities and community colleges.* The \$35,200 in funding for the Illinois Scholars program was eliminated. An increase of \$45,300 was added to fund Dependent grants. Funding for the Monetary Award Program (MAP) as well as for all other general funded ISAC programs is recommended at levels equal to FY18. Funding through the Federal Student Loan Operating Fund was reduced by \$33 million to reflect the decline in loan servicing volume.
- **Illinois Board of Higher Education Operations:** IBHE receives \$2.8 million for its office operational funding under the FY19 Governor's budget, includes \$381,800 for the Illinois Longitudinal Data System (ILDS) which will continue to support IBHE staff, system development, data collection, and the production of student and workforce reports. This represents an increase of \$52,900 to maintain current levels of operation.
- **IBHE Grants:** IBHE grant programs receive \$2.4 million in general funds under the Governor's FY19 budget. This includes funding for MyCreditsTransfer (\$183,300), IMSA Fusion (\$95,900), Quad Cities Graduate Study Center (\$73,800), Cooperative Work Study Grants (\$980,500), and the University Center of Lake County (\$1,055,700). In each of these cases funding is equal to the FY18 appropriation. Funding for Diversifying Higher Education Faculty in Illinois (DFI), Chicago Area Health and Medical Careers Program (C.A.H.M.C.P.), Nurse Educator Fellowships, Competitive Nursing School Grants, and Grow Your Own Teacher is not included in the Governor's budget. Overall the recommendation reduces funding for IBHE grants by \$4.9 million. **The Governor's budget recommendation includes \$205.65 million to cover the transfer of liabilities for health insurance to universities and one-quarter of normal (current) pension liabilities to universities and community colleges. These funds are to be distributed through IBHE.**
- **Illinois Math and Science Academy:** IMSA receives \$18.2 million in Education Assistance Funds (EAF), which represents a 0.8% increase in line with other elementary and secondary funding increases. IMSA's Income Fund appropriation authority is \$3.7 million, which reflects a \$150,000 increase.

- **The State Universities Civil Service System (SUCSS)** is funded at the IBHE recommended level of \$1,082,200. This represents an increase of \$23,600 to allow the agency to maintain current levels of operation.
- **State University Retirement System:** For SURS the Governor's FY19 Governor's budget includes \$1.41 billion in general funds plus \$140.0 million from the State Pension Fund. The amount for the State Pension Fund represents a decrease of \$75 million. No funding is provided for community college health insurance in the Governor's budget, representing a reduction of \$4.1 million. An additional \$41.5 million in general funding is provided to cover increased payments as required by state law to address past unfunded pension liabilities. Required normal (current) pension costs for FY19 are calculated to be lower for FY19 than they are for FY18.

FY 2018 Capital:

The Governor's FY19 capital budget includes \$819.3 million in capital projects assigned to individual universities and community colleges. This includes \$197.8 million in reappropriations: \$57.8 million for 17 university projects, \$450,745 for three IMSA projects and \$145.6 million for 16 community college projects. The budget includes \$620.5 million for new projects; \$465.2 million for public universities, \$3.7 million for IMSA, and \$151.5 million for community colleges. The new appropriation includes a total of \$52.9 million for capital renewal, including \$41.6 million for public universities and \$11.3 million for community colleges. The largest portion of new project funding is for Illinois Jobs Now projects funded initially in FY10 but on-hold due to a lack of funding. For public universities this is at least \$318.4 million for 15 projects.

The Governor's budget also includes \$75 million for statewide higher education deferred maintenance and \$25 million for emergency capital and escalations. This funding is not assigned to a specific university or community college. The IBHE budget recommendations book included a list of 22 public university projects valued at \$61.3 million which are considered to be emergency projects due to risks to health and safety or which present a risk to ongoing facility operations. Community colleges face similar problems. These projects represent the most critical needs within the \$5.5 billion in deferred maintenance backlog

IBHE staff will continue to examine this budget proposal and provide more information at the upcoming Board Meeting on March 13, 2018. If you have any questions, please contact Nyle Robinson at 217-557-7353, Robinson@ibhe.org; or Amanda Long at 217-557-7383; Long@ibhe.org.

(Attachments)

Table 1
FISCAL YEAR 2019 BUDGET RECOMMENDATIONS
HIGHER EDUCATION OPERATIONS AND GRANTS
ALL APPROPRIATED FUNDS

(in thousands of dollars)

	FY2015 Final Appropriations	FY2016 Enacted Appropriations †	FY2017 Final Total	FY2018 Final Appropriations	FY2019 IBHE Recommended	FY2019 Governor's Budget
<u>Resource Requirements</u>						
Universities	\$ 1,210,719.9	\$ 350,059.1	\$ 1,214,189.2	\$ 1,092,685.1	\$ 1,116,997.2	\$ 1,091,534.1
Community Colleges	299,910.0	74,142.3	303,463.8	274,430.8	279,992.5	269,166.7
Adult Education/Postsecondary Career & Technical Education	94,051.4	-	145,352.8	93,573.4	94,718.3	93,373.4
Illinois Student Assistance Commission	760,478.5	324,560.7	729,002.7	731,028.9	833,258.7	729,303.6
Illinois Mathematics and Science Academy	21,080.7	6,000.0	21,080.7	21,580.7	22,132.9	21,877.1
State Universities Civil Service System	1,176.2	75.0	1,101.2	1,058.6	1,082.2	1,082.2
Board of Higher Education	4,088.8	500.0	22,989.3	3,933.0	2,814.4	2,805.9
IBHE Institutional Grants/Special Initiatives	13,243.5	-	12,439.4	12,816.9	34,124.2	214,819.2
Total Institutional Operations and Grants	<u>\$ 2,404,749.0</u>	<u>\$ 755,337.1</u>	<u>\$ 2,449,619.1</u>	<u>\$ 2,231,107.4</u>	<u>2,385,120.4</u>	<u>2,423,962.2</u>
State Universities Retirement System **	<u>1,548,659.5</u>	<u>1,416,104.6</u>	<u>1,675,735.1</u>	<u>1,592,118.3</u>	<u>1,659,933.8</u>	<u>1,554,498.0</u>
CC Health Insurance Fund	4,459.5	4,624.6	4,309.1	4,133.3	4,390.8	-
State Contribution to SURS (General Funds Only)	1,347,200.0	1,411,480.0	1,481,426.0	1,372,985.0	1,440,543.0	1,414,498.0
State Contribution to SURS (State Pension Fund)	197,000.0		190,000.0	215,000.0	215,000.0	140,000.0
Total	<u><u>\$ 3,953,408.5</u></u>	<u><u>\$ 2,171,441.7</u></u>	<u><u>\$ 4,125,354.2</u></u>	<u><u>\$ 3,823,225.7</u></u>	<u><u>4,045,054.2</u></u>	<u><u>3,978,460.2</u></u>
<u>Source of Appropriated Funds</u>						
General Funds	<u>\$ 3,953,408.5</u>	<u>\$ 2,171,441.7</u>	<u>\$ 4,125,354.2</u>	<u>\$ 3,823,225.7</u>	<u>4,045,054.2</u>	<u>3,978,310.2</u>
General Revenue Fund	1,863,878.9	1,427,209.2	2,126,528.3	1,516,988.9	2,108,715.7	1,948,878.5
Education Assistance Fund	1,435,420.5	592,657.5	1,235,076.3	1,593,111.4	1,253,508.3	1,424,707.3
Other Funds	654,109.1		763,749.6	713,125.4	682,830.2	604,724.4

* ISAC total for FY17 does not include grant programs that were appropriated in FY17 but used to pay FY16 grants.

** SURS was continuing appropriation for Fiscal Year 2017.

Table 2
FISCAL YEAR 2019 BUDGET RECOMMENDATIONS
HIGHER EDUCATION OPERATIONS AND GRANTS
GENERAL FUNDS

(in thousands of dollars)

	FY2016 Enacted Appropriations †	FY2017 Final Total	FY2018 Final Appropriations	FY2019 IBHE Recommendations	FY2019 Governor's Budget
<u>Resource Requirements</u>					
Universities	\$ 350,059.1	\$ 1,205,164.0	\$ 1,083,448.4	1,107,584.5	1,082,448.4
Community Colleges @	74,142.3	271,213.8 @	259,855.8 @	265,417.50	254,641.7
Adult Education/Postsecondary Career and Technical Education	-	71,027.4	51,323.4	52,468.3	51,423.4
Illinois Student Assistance Commission	324,560.7	377,563.7	412,695.2	547,925.0	443,969.9
Illinois Mathematics and Science Academy	6,000.0	18,030.7	18,030.7	18,432.9	18,177.1
State Universities Civil Service System	75.0	1,101.2	1,058.6	1,082.2	1,082.2
Board of Higher Education	500.0	21,929.3	2,753.0	2,814.4	2,805.9
IBHE Institutional Grants/Special Initiatives	-	6,939.4	7,316.9	27,374.2	208,039.2
Total Institutional Operations and Grants	\$ 755,337.1	\$ 1,972,969.5	\$ 1,836,482.0	2,023,099.0	2,062,587.8
State Universities Retirement System **	1,416,104.6	1,485,735.1	1,377,118.3	1,444,933.8	1,414,498.0
CC Health Insurance Fund	4,624.6	4,309.1	4,133.3	4,390.8	-
State Contribution to SURS (General Funds Only)	1,411,480.0	1,481,426.0	1,372,985.0	1,440,543.0	1,414,498.0
Total	\$ 2,171,441.7	\$ 3,458,704.6	\$ 3,213,600.3	3,468,032.8	3,477,085.8
<u>Source of Appropriated Funds</u>					
<u>General Funds</u>	\$ 2,171,441.7	\$ 3,458,704.6	\$ 3,213,600.3	3,468,032.8	3,477,085.8
General Revenue Fund	1,427,209.2	2,126,528.3	1,516,988.9	2,108,715.7	1,948,878.5
Education Assistance Fund	592,657.5	1,235,076.3	1,593,111.4	1,253,508.3	1,424,707.3
Other Funds (Personal Property Tax Relief Fund)		97,100.0	103,500.0	105,808.8	103,500.0

* ISAC total for FY17 does not include grant programs that were appropriated in FY17 but used to pay FY16 grants.

** SURS was continuing appropriation for Fiscal Year 2017.

Table 3
IBHE Grants History Since FY 15 & FY 19 Request

Grant	Appropriated		Spent		Recommend	Governor's
	FY 15	FY 16	FY 17	FY 17	FY 18	FY 19 #
MyCreditsTransfer ^	\$ 203,700	\$ -	\$ 300,700	\$ 300,700	\$ 183,300	\$ 183,300
Quad-Cities Grad. Study Center	\$ 82,000	\$ -	\$ 82,000	\$ 26,655	\$ 73,800	\$ 73,800
IMSA Fusion *	\$ 106,500	\$ -	\$ 106,500	\$ -	\$ 95,900	\$ 95,900
Cooperative Work Study @	\$ 1,089,400	\$ -	\$ 1,089,400	\$ -	\$ 980,500	\$ 980,500
Univ. Center of Lake County ^	\$ 1,173,000	\$ -	\$ 1,705,500	\$ 1,705,500	\$ 1,055,700	\$ 1,055,700
Nursing Grants @	\$ 415,400	\$ -	\$ 415,400	\$ -	\$ 373,900	\$ 381,100
Nurse Fellowships @	\$ 219,300	\$ -	\$ 219,300	\$ -	\$ 197,400	\$ 201,200
Washington Center Interns	\$ 97,800	\$ -	\$ 97,800	\$ -	\$ -	\$ -
Chi. Area Health & Med Careers	\$ 1,433,600	\$ -	\$ -	\$ -	\$ 1,433,600	\$ 1,433,600
DFI (Diversifying HE Faculty) @	\$ 1,456,500	\$ -	\$ 1,456,500	\$ -	\$ 1,456,500	\$ 1,456,500
Grow Your Own @	\$ 1,466,300	\$ -	\$ 1,466,300	\$ -	\$ 1,466,300	\$ 1,466,300
Total	\$ 7,743,500	\$ -	\$ 6,939,400	\$ 2,032,855	\$ 7,316,900	\$ 7,374,200

^ MyCreditsTransfer & UCLC received essential payments from IBHE early in FY 17 in addition to Direct funds from P.A. 100-21. Both had billable expenses in excess of the amount received.

* After no FY 16 funding & no FY 17 appropriation IMSA chose to not offer Fusion during FY 17

@ After no FY 16 funding & with no FY 17 funding until after June 30, there was little spending for these grants and nothing claimable.

Excludes \$205.65 million to cover transfer of health insurance costs & 1/4 of normal pension liabilities

Table 4
FY 19 Governor's Higher Education Capital Budget Recommendations *

	Reappropriation	New Appropriation	Total	Projects ^
Chicago State	\$ 9,947,537	\$ 75,720,000	\$ 85,667,537	8
Eastern Illinois	\$ 4,827,172	\$ 4,755,000	\$ 9,582,172	7
Governors State	\$ -	\$ 725,000	\$ 725,000	2
Illinois State	\$ -	\$ 65,885,000	\$ 65,885,000	6
Northeastern Illinois	\$ 262,263	\$ 89,580,000	\$ 89,842,263	7
Northern Illinois	\$ 2,858,149	\$ 9,900,000	\$ 12,758,149	4
Southern Illinois	\$ 7,607,589	\$ 9,101,000	\$ 16,708,589	11
University of Illinois	\$ 27,248,451	\$ 110,880,000	\$ 138,128,451	22
<u>Western Illinois</u>	\$ -	\$ 98,685,000	\$ 98,685,000	5
University Total	\$ 52,751,161	\$ 465,231,000	\$ 517,982,161	72
IMSA	\$ 450,745	\$ 3,700,000	\$ 4,150,745	4
Community Colleges	\$ 145,596,369	\$ 151,527,000	\$ 297,123,369	67
Higher Ed. Total	\$ 198,798,275	\$ 620,458,000	\$ 819,256,275	143

* Does not include \$100 M requested for deferred maintenance (\$75 M) and escalations and emergencies (\$25 m)

^ Projects include capital renewal funding

Capital Renewal in New Appropriations

<u>Sector</u>	<u>Funding</u>
Universities	\$ 41,556,000
<u>Community Colleges</u>	\$ 11,300,000
Total	\$ 52,856,000
% of New Appropriations	8.5%