



ILLINOIS BOARD OF HIGHER EDUCATION: FISCAL YEAR 2020 BUDGET RECOMMENDATIONS

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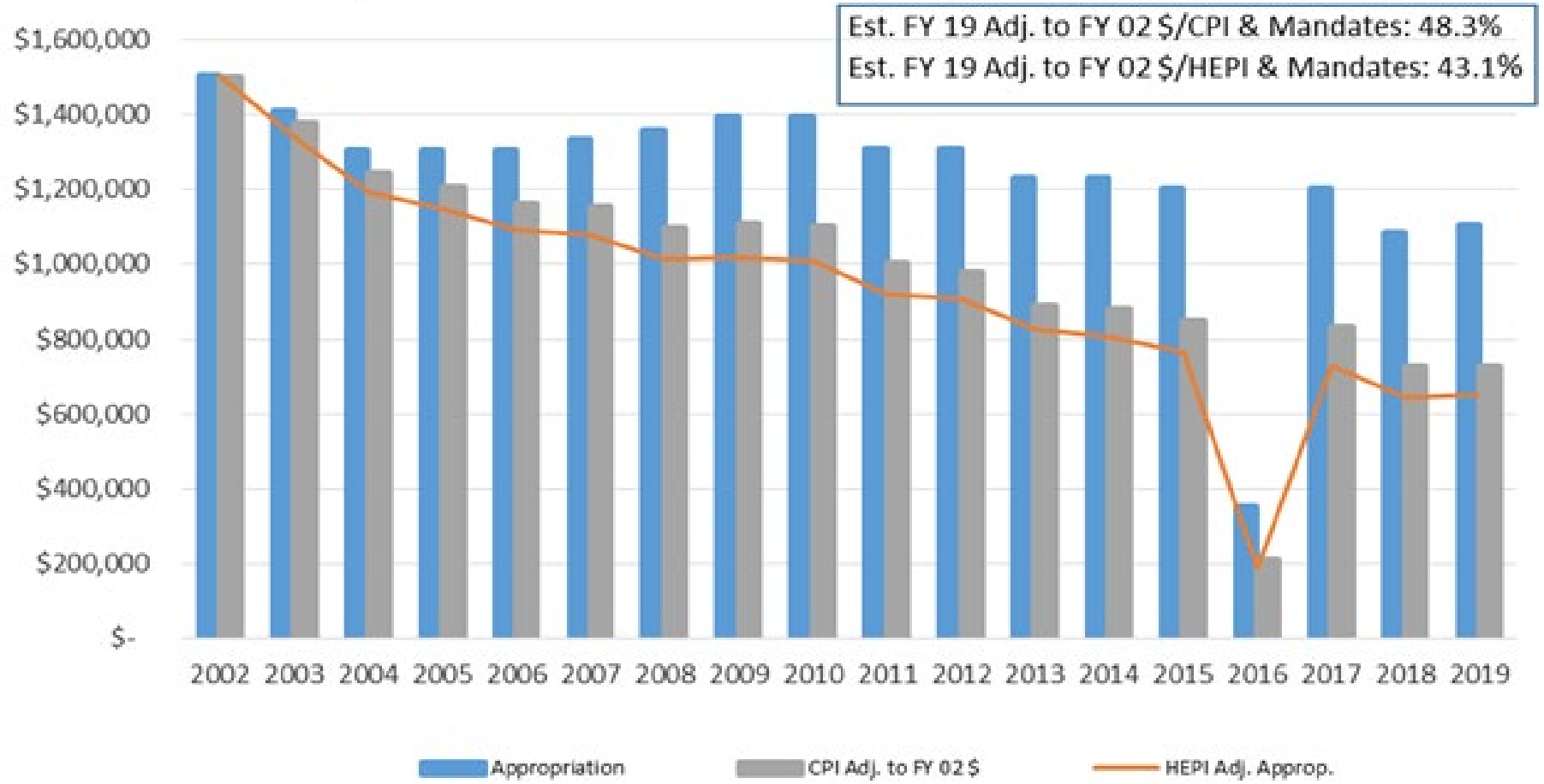
REVIEW OF ILLINOIS HIGHER EDUCATION FUNDING SINCE FY 02

Documenting the decline in state support

Decline in State Support & Erosion from Inflation & Mandates

- Funding for higher education other than pensions peaked in FY02 at \$2.4 B, compared to \$1.9B for FY 2019
- Greatest single impact came from FY16
 - A one-time hit of \$1.2 B overall
- Adjusted for inflation & unfunded mandates, the buying power of FY 19 are only 52.9% what was received in FY 02
- Worst impact has been on public universities
 - Funding fell from \$1.5 B in FY 02 to \$1.1 B in FY 19
 - Adjusted for CPI inflation & unfunded mandates FY 19 state appropriation buying power is only 48.3% of FY 02 & adjusted to the Higher Education Price Index it is only 43.1% of FY 02 buying power

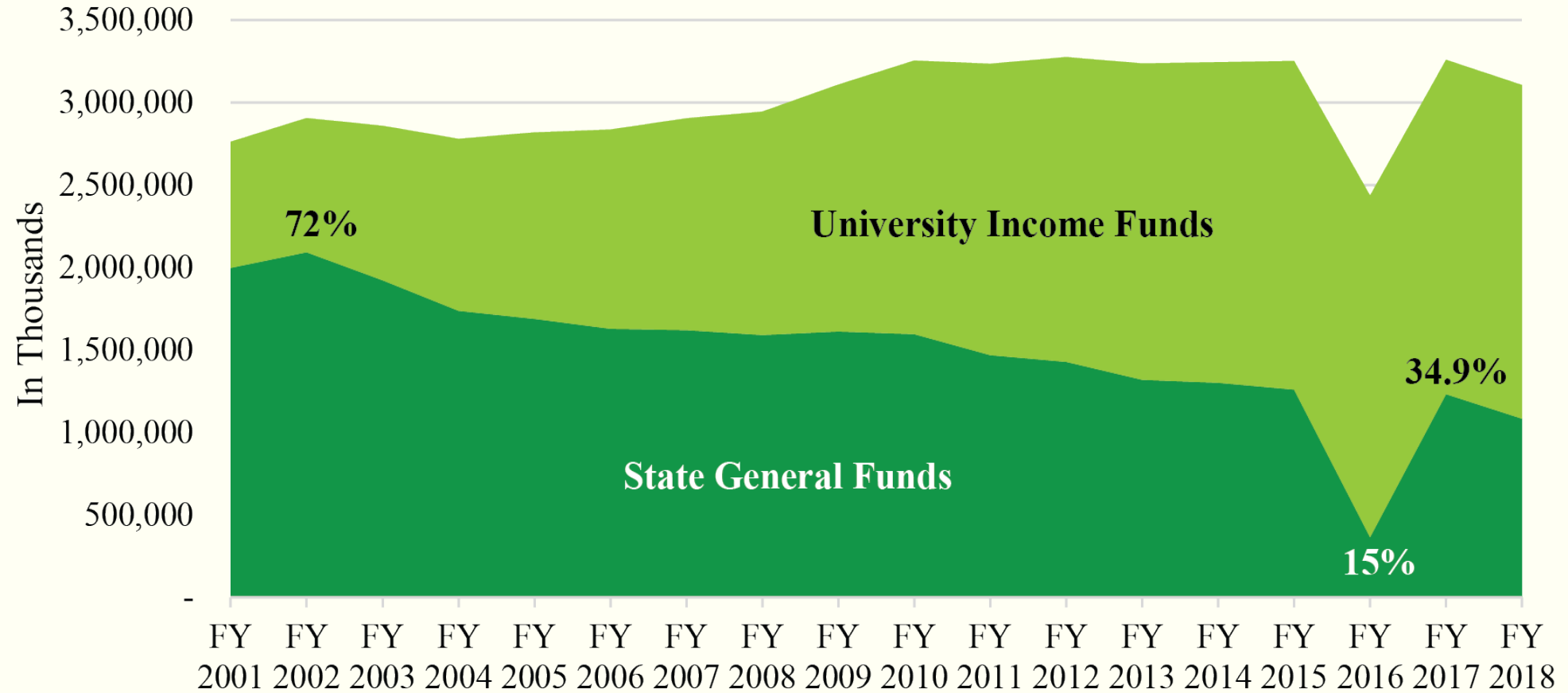
Illinois Public University Appropriations History Adjusted for Mandates & Inflation (CPI-U & HEPI)



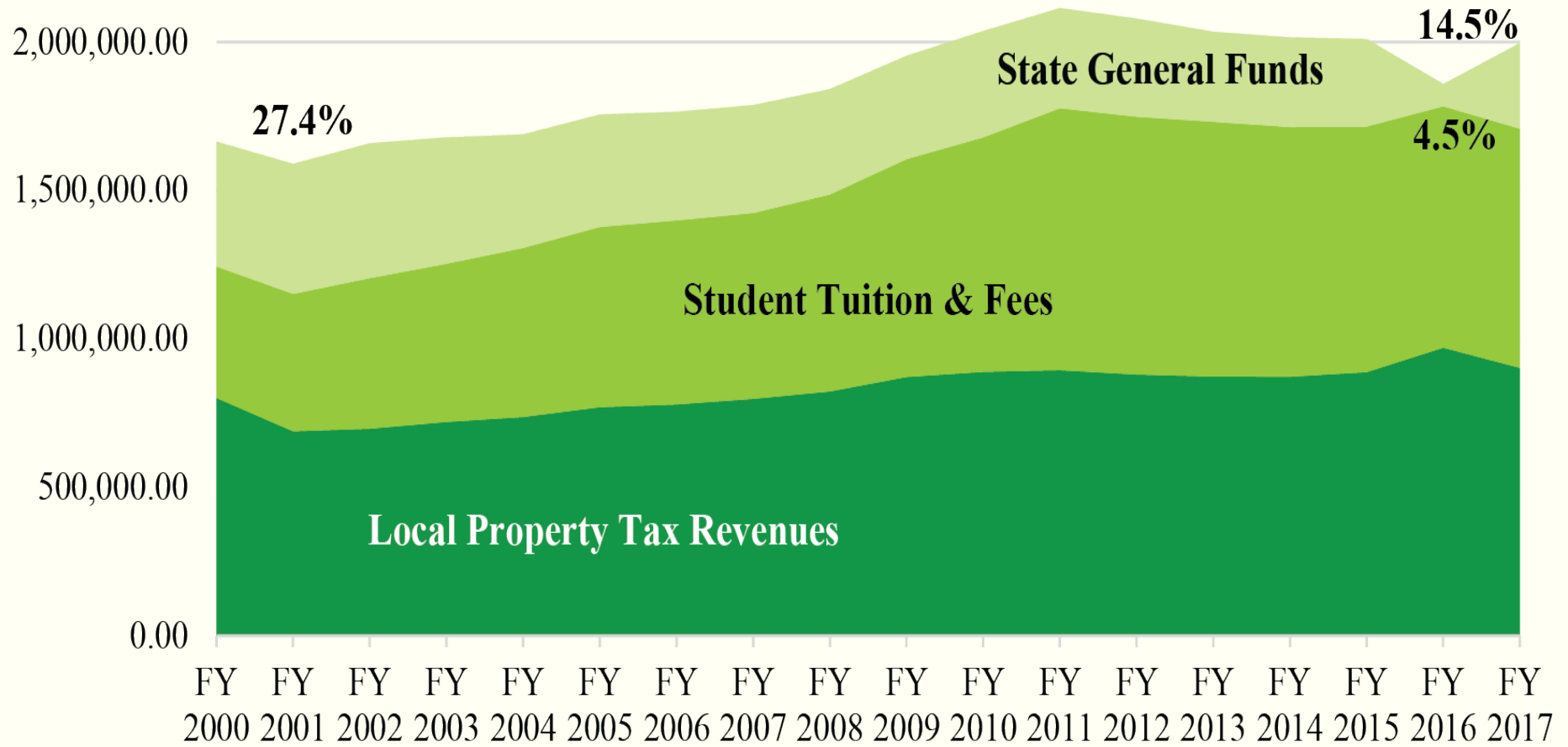
Falling State Support: Impact on Tuition & Property Taxes

- To make-up for increase tuitions substantially declining state revenues, tuitions increased sharply
- State dollars fell from 72% of support for universities in FY 02 to just 34.9% in FY 18
 - State funds covered just 14.5% of costs in FY 16
- Community colleges were established on the principle that state funds would cover 1/3rd of their costs
 - State funds fell short of that goal in FY 02 but still covered 27.4% of CC costs in FY 02
 - State funds covered just 14.5% of CC costs in FY 17
 - State funds covered just 4.5% of community college costs in FY 16
 - Declining state support for community colleges also resulted in increased dependence on property taxes since FY 02

University Distribution of Spending – FY 02 – FY 18



Community Colleges Distribution of Spending – FY 02 – FY 19

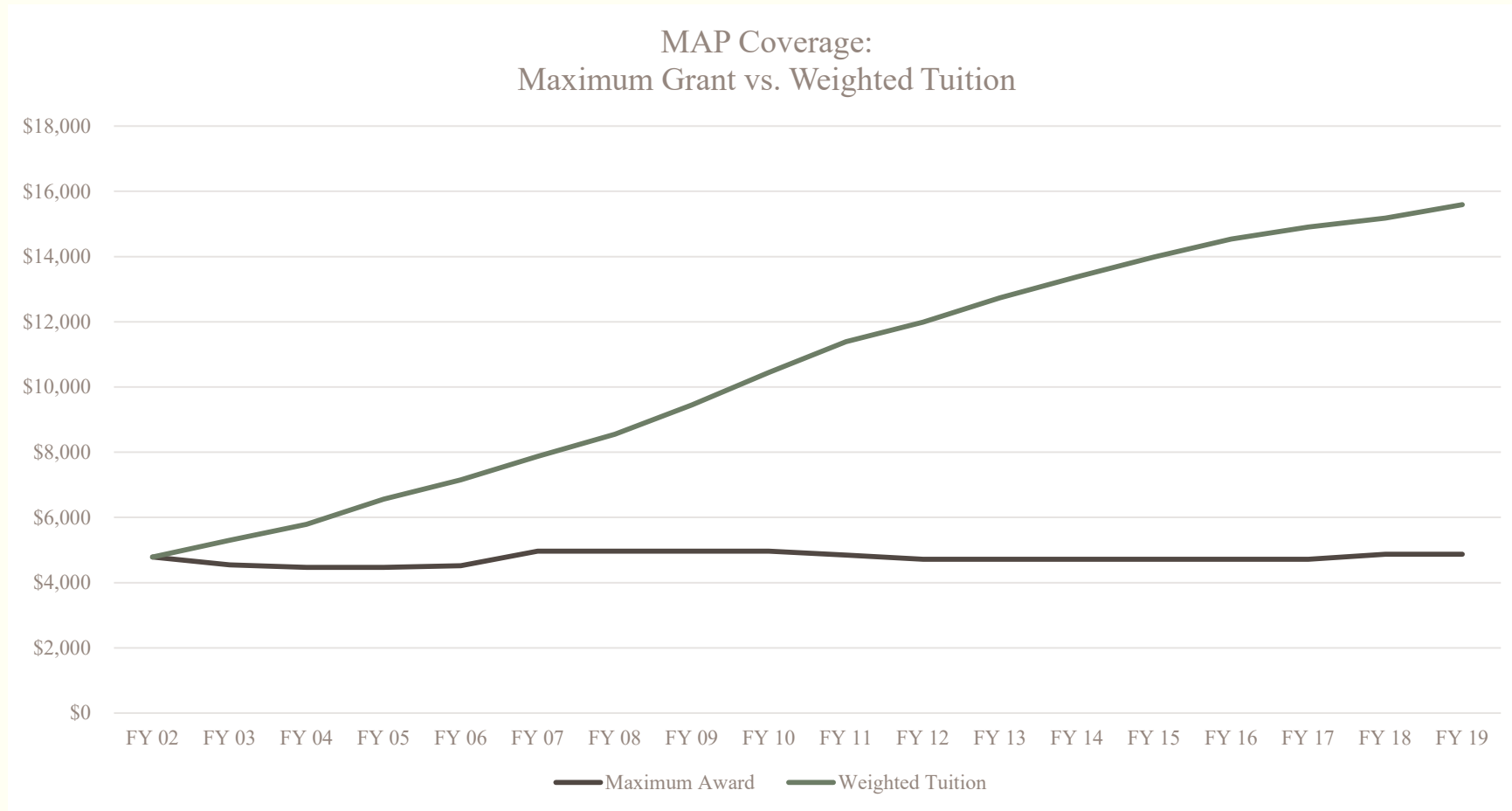


Declining Monetary Award Program Coverage

- Traditionally MAP covered 100% of the average weighted tuition & fees at public universities & community colleges & all applications deemed eligible
- The proportion of average weighted public university tuition & fees covered has fallen to just 31.2% for FY 19
- The proportion of awards in suspension (unfunded) has increased significantly, with the less than half of eligible applications being funded for many years now
- Declining funding of MAP has been a contributing factor to out-of-state student migration & likely to many students choosing to not attend college at all

MAP Coverage of Tuition (Public Univ.)

* MAP Covered 100% of public university tuition in FY 02 but just 31.2% for FY 19



Pension Payments Increase but NOT for Current Liabilities

- Pension (SURS) payments have grown substantially since FY 02, from \$258.1 M to a certified \$1.86 B for FY 20
- Increases are not for normal costs (current employees) but rather to cover unfunded past liabilities
- Annual normal costs are generally declining as most new employees are moved to the less generous Tier 2 benefit package
- FY 20 liabilities increase sharply due primarily to a change in actuarial assumptions & one-time savings from FY 19 not available in FY 20

Distribution of State Certified SURS Pension Contributions							
\$ in Thousands							
	Normal Costs				State Total	Net	% Past
FY	Total	Employee	State	Expenses	Certified	Past Liability	Liability
2017	\$ 703,138	\$ 283,520	\$ 419,618	\$ 16,087	\$ 1,651,426	\$ 1,215,721	73.6%
2018	\$ 689,456	\$ 285,632	\$ 403,824	\$ 16,690	\$ 1,629,308	\$ 1,208,794	74.2%
2019	\$ 676,719	\$ 278,992	\$ 397,727	\$ 17,316	\$ 1,655,543	\$ 1,240,500	74.9%
2020	\$ 716,385	\$ 281,315	\$ 435,070	\$ 17,293	\$ 1,855,938	\$ 1,403,575	75.6%



REVIEW OF ILLINOIS HIGHER EDUCATION FUNDING RECOMMENDATIONS FOR FY 2020

FY 2020 Budget Recommendation Decision Rules

- 10% increase for universities & community colleges returns roughly to FY 15/17 level
 - In-line with incoming Governor's campaign suggestion
 - **A number of larger requests, for which there is reasonable justification, but this allows for equitable treatment & it still would represent the largest increase in at least 30 years**
- Requested increase for MAP equal to last two IBHE requests & in-line with incoming Governor's campaign suggestions for MAP
- Additional funding for AIM HIGH because to do otherwise would mean the program would only cover one class of students, greatly diminishing its impact
- 10% increase for programs but by 10% in FY 18 but no increases for programs which were not cut, to emphasize the need to prioritize programs which were cut

Universities: \$1,215,341,700

- Increase of 10% over FY 19, \$110.3 M
 - Only represents a 1.1% increase over FY 15 funding
 - 6.1% less than FY 15 funding level when adjusted for CPI inflation & a greater reduction compared to the Higher Education Price Index
- Emphasis on the for state funding to allow universities to keep pace with inflation, continue their recovery, hold down tuitions, and stay competitive
- A number of universities requested more than a 10% increase & there is justification for more but known factors in state finances make even 10% ambitious
 - The state continues to carry over \$6 B in unpaid bills & it is generally acknowledged the state is running a deficit this year
 - State pension systems, including SURS, will be asking for an increase of close to \$1 B
- In a historical context, the largest increase since FY 90 was 6.6%, for FY 02
 - Since FY 02 the largest increase was 2.7%, for FY 02
 - Four times since FY 02 university funding has been cut by 6% or more

Keeping Pace with Inflation: Flat Tuition or Flat State Funding

Maintain Buying Power with No Increase in Tuition			
	\$ Distribution	Increase	Net
<u>Inflation</u>	100%	2.60%	102.60%
Univ. Income Fund	65.1%	0.00%	65.10%
<u>State \$</u>	34.9%	7.45%	37.50%
Net			102.60%
Maintain Buying Power if No Increase in State Funds			
	\$ Distribution	Increase	Net
<u>Inflation</u>	100%	2.60%	102.60%
Univ. Income Fund	65.1%	4.00% *	67.70%
<u>State \$</u>	34.9%	0.00%	34.90%
Net			102.60%

* Reflects change in revenues but due to Truth in Tuition law, tuition can only be applied to new students so tuition increase would need to be at least twice as large

Community Colleges: \$293,621,500

- Increase of 10% over FY 19, \$23.3 M
- Issues faced by community colleges similar to universities
 - Only represents a 1.1% increase over FY 15 funding
 - 6.1% less than FY 15 funding level when adjusted for CPI inflation & a greater reduction compared to the Higher Education Price Index
- Although, state appropriations are a much smaller portion of community college revenues
 - Increased state appropriations would mean less pressure of both tuition & property taxes
- New funding would help community colleges hold down tuitions & property taxes, & continue to offer the educational services needed to develop the workers of the future

Adult Education: \$51,393,400

- These programs provide services to adults with less than a 12th grade education, adults for whom English is a second language, & high school and adult students pursuing career and technical training
- Funding provides the matching funds required to qualify for the federal funds.
- The Fiscal Year 2020 total general funds recommendation represents funding equal to Fiscal Year 2019 funding levels.
- While increased funding is justified, due to a long period of flat funding, the request reflects flat funding based on our decision rule to focus on programs cut in FY 18
- Unfortunately, an extended period of flat funding is better than what has happened to the other major areas of the higher education budget

IBHE Operations: \$3,067,400

- Increase of 9.3%, a total of \$261,500
- Intent to first cover cost increases in main line item & for ILDS
- Requested \$100,000 to fund development of a new Higher Education Master Plan
 - Public Agenda was accepted 10 years ago with the expectation a new plan would be developed
- Request \$100,000 to coordinate promotion of higher education in Illinois with the Coalition for Higher Education put together during the budget impasse
 - To include public universities, community colleges, private colleges & universities, ISAC, & private sector interest groups & businesses
 - Coordinate education & publicity about the benefits of higher education in Illinois

Financial Assistance for Nonpublic Institutions: \$25,000,000

- The Illinois Financial Assistance Act for Nonpublic Institutions of Higher Learning is an existing law
- The program funded private universities & colleges through FY 04 for enrollment of Illinois students
- The purpose is similar to AIM HIGH in terms of attracting Illinois students to study in Illinois
- Administrative rules for the program remain on the books
- If the program is funded, the rules would be significantly modified to reflect our current needs & goals

IBHE Current Grants: \$7,613,000

- Increase of \$296,100, equal to 4.0% overall
- Request for a 10% increase in grants reduced by 10% in FY 18
 - Quad Cities Graduate Center
 - IMSA Fusion
 - Cooperative Work Study
 - University Center of Lake County
 - Nursing School Grants
 - Nursing Educator Fellowships
- No additional funding is requested for grants which were not but in FY 18
 - Diversify Faculty in Illinois (DFI)
 - Grow Your Own
 - Pathways & Access for Student Success Foundation (formerly STEM CAHMCP)

Monetary Award Program: \$501,341,900

- Request for \$100 M increase is equal to the Board requested increase for the last two fiscal years
- In sync with the incoming Governor's plans for MAP
- Would still leave MAP coverage substantially below historic levels for both the proportion of tuition & fees covered & the proportion of eligible grants paid

AIM HIGH: \$45,000,000

- Request is for a \$20 M increase
- Intent is to cover a second year of this new program
- The program is set-up to cover up to four years, including the university match
- Without additional funding the program would not be able to cover a second class as outlined in the university plans
- Without additional funding the program would not gain traction in the effort to bring students back to Illinois & improve affordability in general
- The amount requested assumes some students will not return or will lose eligibility for the individual university programs

ISAC Operations: \$8,997,000

- Request would add \$6 M
- This is not a request to increase services
- Traditionally federal loan servicing revenues have been adequate to cover their operations & outreach
- However, with a major change in the loan program they no longer service new loans
- Revenues have fallen sharply, with the projected \$25 M in FY 18 expected to be just \$12 M in FY 20
- ISAC received \$2 M appropriation for FY 19 for this purpose for the first time, to start the transition to state support

ISAC Veterans & National Guard Grants: \$26,424,800

- Veterans & National Guard grants have been an unfunded mandate since FY 11
- Universities & community colleges must waive tuition & fees for eligible veterans & National Guard members
 - ICCB does get a grant to cover much of the cost for community colleges
- Before funding was phased-out it was a grant program under ISAC
- IBHE has requested the restoration of this funding for many years
- The burden of the program falls more heavily on universities with weaker finances
- The current situation creates a subtle disincentive for schools to recruit veterans & National Guard members (Although there is no sign they discourage them.)
- Restored funding would allow schools to more aggressively recruit veterans, which would bring in more federal funds from the federal program as well
 - Many veterans also qualify for similar, but not identical, federal benefits
- ISAC has not requested this funding because students do receive these services

Other ISAC Grants: \$10,365,700

- ISAC requested increases in a number of their other student assistance programs
 - Dependent Grants
 - Minority Teacher Scholarships
 - Veterans Home Loan Repayment
 - Nurse Educator Loan Repayment
 - Teachers Loan Repayment
- IBHE recommendations do not include increases for these programs because they were not reduced in FY 18
 - Priority is given to programs which were cut & to the larger MAP & AIM High programs

Other Operations

- **State University Civil Service System: \$1,190,400**
 - Requested increase of 10%, \$108,200
 - Larger than other operations increases
 - Cuts over time have hurt SUCSS more than others, partially due to their small size
 - Responsibilities cannot be reduced
 - Particularly difficult for them to continue to fulfill their legal responsibilities in a timely way
- **Illinois Math & Science Academy: \$18,943,900**
 - Requested increase of 3%, \$552,000
 - Equal to IMSA request
 - Relatively similar to most other administrative requests
 - IMSA authority to admit out-of-state students will not move forward until they have new dorms to accommodate the increase in students
 - The number of Illinois students will remain the same

Capital Request

- \$663.9 M capital renewal request is based on 3% of replacement cost for state owned facilities, including IMSA & UCLC plus the community college request
- \$1.5 B in regular capital is largely the same list of projects in place for many years with a few updates, mostly to reflect changes in university priorities
- All FY 19 appropriations are considered reappropriations even though many technically are termed appropriations
- \$40 M in CDB funding has been used for many of the initial releases
- \$92 M of FY 19 funding has been released as of 12/1/18

IBHE Capital Recommendations Summary

Capital Renewal	\$663,889.7
Public Universities	\$507,787.5
Community Colleges	\$150,200.0
IMSA	\$5,344.0
University Center of Lake County	\$558.2
Regular Capital	\$1,479,743.7
Public Universities	\$1,076,261.3
Community Colleges	\$351,827.4
IMSA	\$3,655.0
Escalations & Emergencies	\$48,000.0
Fiscal Year 2020 Total	\$2,143,633.4
Fiscal Year 2019 Capital	\$974,082.9
University Reappropriations	\$528,657.0
Comm. College Reappropriations	\$300,991.9
IMSA Reappropriations	\$4,434.0
Emergency Funding	\$100,000.0
CDB Funding	\$40,000.0

In thousands

Public University Capital Renewal Request

- 30.9% of the \$24.5 B in university facilities are not supported by state funds
- To keep up with a 50-year replacement cycle for facilities 2% of the replacement cost should be invested each year in capital renewal, \$338.5 M
- If an additional 1% of replacement cost was invested each year it would take 30.9 years to catch-up, \$169.3 M
- 3% total for universities, \$507.8 M
- Table excludes IMSA, UCLC & community colleges

Public University Capital Analysis *

Total Square Feet	71,739,730
Avg. \$/Square Foot	\$ 341.26
Total Value of University Facilities	\$ 24,481,575,213
State Supported Square Feet	49,466,618
Avg. \$/Square Foot	\$ 342.18
Est. Value of State Supported Fac.	\$ 16,926,246,303
2% Current Capital Renewal	\$ 338,525,000
1% Catch-up Funding	\$ 169,262,500
3% Capital Renewal Request	\$ 507,787,500
FY 19 Deferred Maintenance	\$ 5,229,723,000
Est. Years to Recovery @1%	30.9
Non-State Supported Facilities	22,273,111
Avg. \$/Square Foot	\$ 339.21
Est. Value of Non-State Supported	\$ 7,555,328,910
% Non-State Supported Facilities	30.9%

* Excludes IMSA & UCLC

Questions & Discussion

The budget recommendations and any updates can be found on the IBHE website.

