



THE ILLINOIS PUBLIC AGENDA
FOR COLLEGE AND CAREER SUCCESS

EXECUTIVE SUMMARY

REPORT TO
THE GOVERNOR, THE HONORABLE PAT QUINN
AND
MEMBERS OF THE ILLINOIS GENERAL ASSEMBLY

BY
THE HIGHER EDUCATION FINANCE STUDY COMMISSION
PURSUANT TO SENATE JOINT RESOLUTION 88

December 2010



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EXECUTIVE SUMMARY

Illinois is not ready to face its future.

Today's workforce has a massive skills deficit that threatens the economic well-being of the state and its citizens. By 2020, over 60 percent of jobs will require some form of postsecondary education. Countries and states that achieve that level of educational attainment will prosper and enjoy a high quality of life. Those that don't, won't. For now, Illinois is among the don't/won't states.

Currently, 41 percent of working-age adults in Illinois have an associate's degree or higher. To meet the demands of the 21st Century economy, Illinois needs to graduate some 600,000 more students with degrees and career certificates than it will on its current trajectory. That means by 2025, Illinois will need to graduate some 70,000 more students each year above current levels – a 70 percent increase in certificate and degree production.

And yet, when it is most essential to Illinois' future, Illinois higher education is endangered. . .

Affordable access to quality academic programs that lead to successful completion of degrees and credentials needed by a 21st century workforce through an efficient and productive system of colleges and universities – all the things a state expects its higher education system to be and to do . . .

. . . all endangered.

In 2007, the General Assembly directed the Illinois Board of Higher Education (IBHE) to develop a blueprint to address the postsecondary needs of the state over the next decade. That effort, which included contributions from a multitude of Illinoisans, resulted in the *Illinois Public Agenda for College and Career Success*. The *Illinois Public Agenda* sets four goals for the state and recommends that all state higher education policies and resources be directed toward meeting the goals.

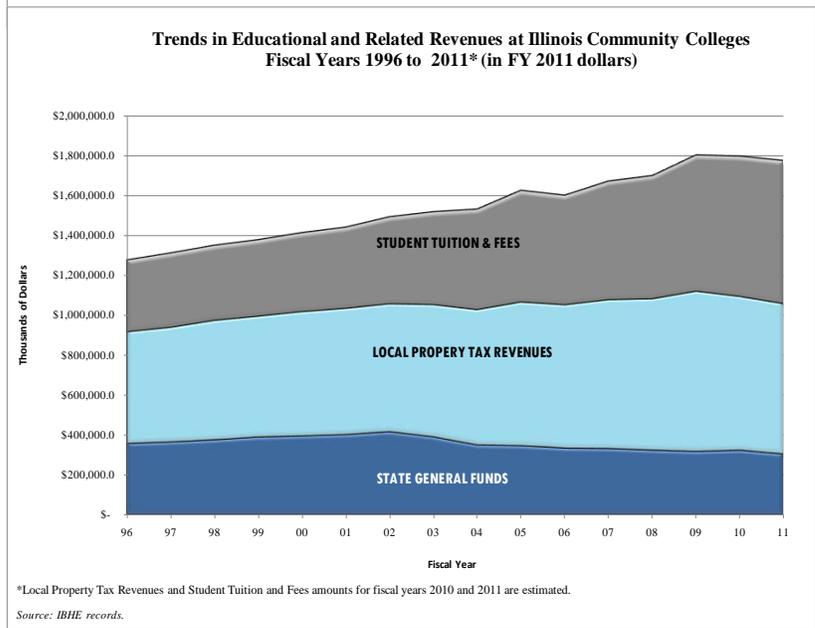
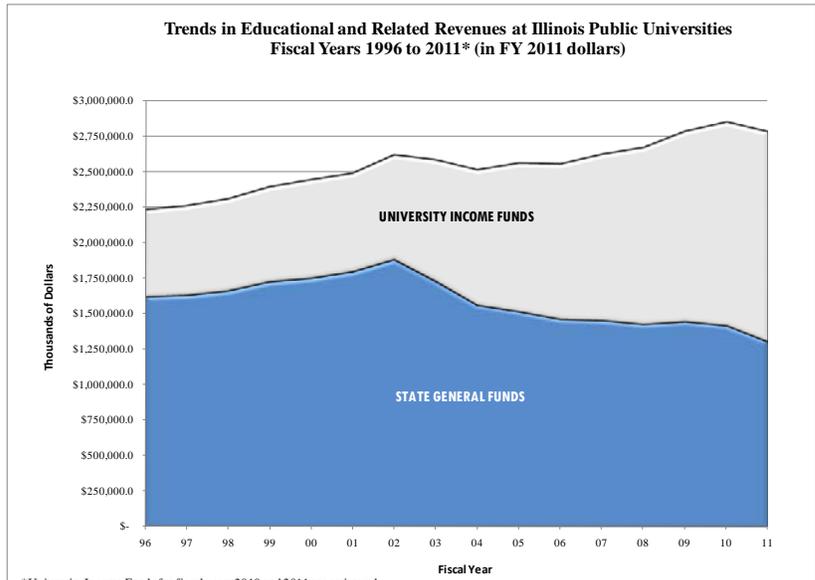
The General Assembly followed up in 2010 with Senate Joint Resolution 88, which directed the IBHE to create the Higher Education Finance Study Commission to evaluate higher education budgeting practices in Illinois, consider fresh ideas and new approaches from other states, and develop recommendations to the IBHE, the Governor, and the General Assembly to more closely align the financing of colleges and universities to goals of the *Illinois Public Agenda for College and Career Success*.

The Commission, comprised of state legislators, business leaders, and a broad cross-section of education stakeholders and aided by the testimony of national experts and

higher education authorities, arrived at a series of unsettling findings and proposed multiple recommendations to get Illinois back on the path to success.

Fact: Colleges and universities are starving for state dollars.

- State support for colleges and universities and student financial aid has dropped \$440 million in inflation-adjusted dollars over the past 15 years.
- Budgets for community colleges and public universities in fiscal 2011 are at the same level of state resources as they received in FY99.
- One-quarter of the way through fiscal 2011, some colleges and universities still had not received all payments for fiscal 2010. And none for FY 2011. This degree of fiscal instability exacerbates the impact of longer term erosion of state support.
- Illinois community colleges rank 46th in the nation in spending on education and related services per student. They rank 31st in the nation in the subsidy provided by state and local taxes.



Fact: The burden of financing a college education has increasingly fallen on students and families.

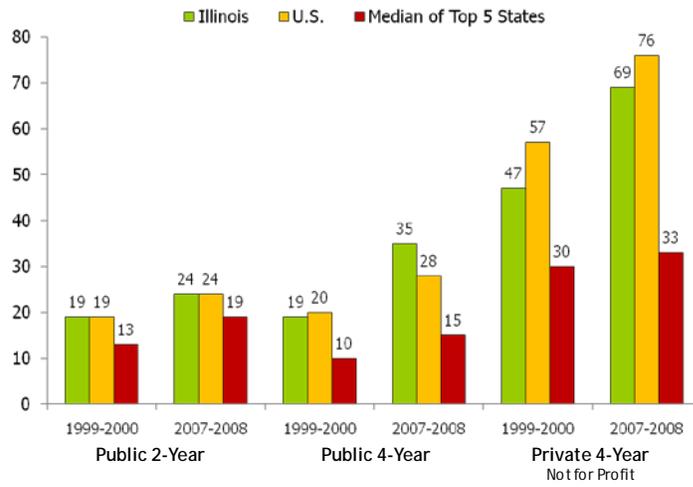
- In fiscal 1996, nearly 3 of every 4 dollars spent by public universities came from the state; student tuition paid just over a quarter of university operations.

- Since then, the student share has almost doubled, and tuition now covers 53 percent of university expenses.

- Over the same period, the state share of community college spending on education and related expenses has fallen from 28 percent to 17 percent, while the proportion of spending covered by student tuition has risen from 28 percent to 40 percent.

Percent of Family Income Needed to Pay for College

Minus Financial Aid



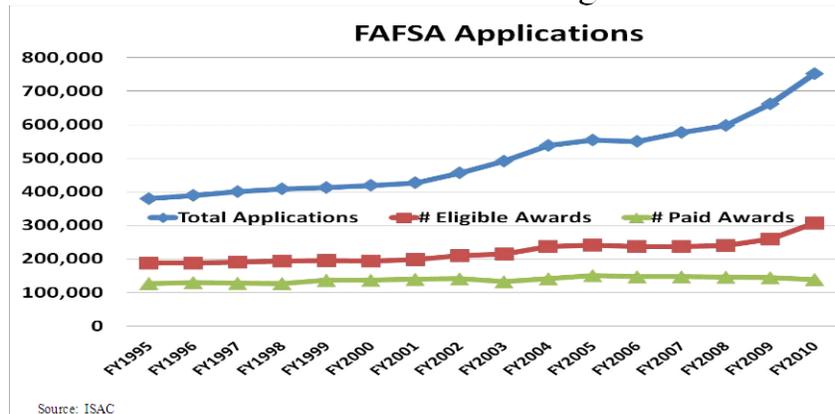
Source: Measuring Up 2008

Fact: Illinois' student financial aid system has been eroded.

- This year more eligible students will *not* receive a Monetary Award Program (MAP) grant than those who will because the money ran out in April.

- Just a decade ago, the MAP grant covered 100 percent of average tuition and fees at public universities. Now, the maximum award covers less than half of those costs.

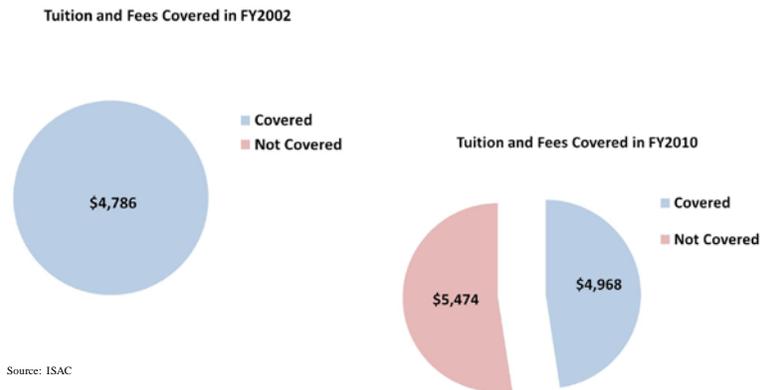
Applications and Number of Eligible Students Continue to Rise while Funding is Level



Source: ISAC

- The Illinois Student Assistance Commission (ISAC) undertakes an annual rationing of financial aid to spread the limited MAP dollars as far as possible. As a result, the MAP formula uses cost of living allowance and tuition and fees so out of date that the buying power of a MAP grant has eroded over the past several years.

MAP Coverage of Tuition and Fees at Public Universities has Decreased Since 2002

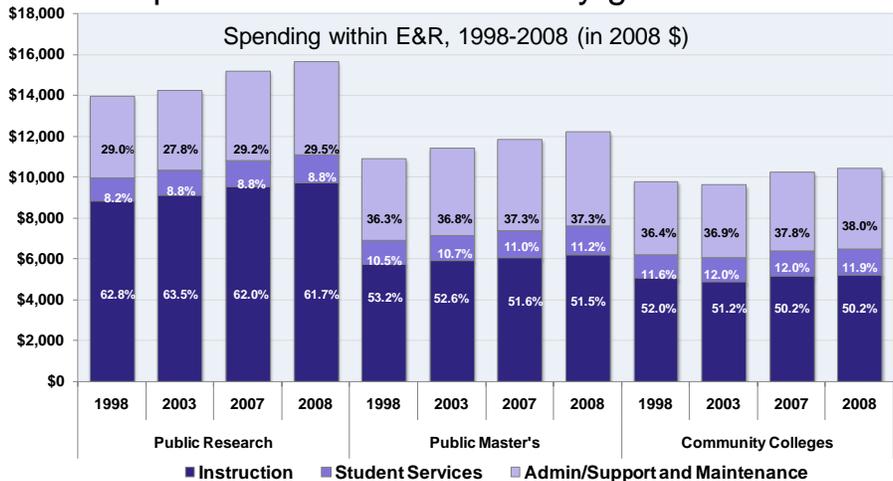


Fact: Unfunded state mandates and regulatory requirements undermine efficiency and productivity, while institutions often squeeze cost savings out of instruction and student support services.

- Tuition and fee waivers for veterans cost community colleges and universities \$30 million annually.
- New requirements from recent changes to the Procurement Code jeopardize university research, inhibit cost-saving partnerships for purchasing, increase costs of capital projects, reduce opportunities for minority businesses, hinder artistic events, hamper competition in intercollegiate athletics, and, worst case scenario, endanger accreditation.

- Faced with diminishing state dollars, institutions curb spending for instruction through hiring freezes, across-the-board cuts, and shifts in faculty teaching load from full-time to part-time faculty.

National patterns: Where the money goes within E&R



These facts add up to an indisputable and unacceptable **Big Fact: Higher education finance in Illinois does not promote the four state goals of educational attainment, college affordability, workforce modernization, or economic development.**

This **Big Fact** matters. A state that endangers the quality, the reach, and the effectiveness of its colleges and universities is a state that endangers the future of its citizens. Economically, associate's degree holders earn 28 percent more over the course of a lifetime than workers with only a high school education. Bachelor's degree holders earn nearly double the lifetime earnings of high-school-only-workers. And the benefits extend well beyond income and job security. College-educated citizens are healthier, more engaged civically and politically, more likely to work, less likely to be incarcerated, and less likely to require government services. Greater attainment yields greater well-being.

To better align the expenditure of state resources to important state goals that are linked directly and causally to the economic health of Illinois and its citizens, the Higher Education Finance Study Commission recommends that the State implement a new finance and budgeting design for higher education within the next year that will:

1. Ensure adequacy and predictability of higher education revenues.

The Commission affirms the *Public Agenda* principle that higher education is a public good, and therefore a public responsibility. The Commission urges a greater priority be given to investment in postsecondary education, noting that, in economic development terms, there is a 14 percent rate of return on each tax dollar invested in higher education. When the additional benefits of a college degree are factored into the equation, the return on state investment reaches upwards of 40 percent.

2. Reduce the burden of unfunded state mandates and promote efficiency. The Illinois Board of Higher Education, in conjunction with public colleges and universities, should identify economies and efficiencies and report to the General Assembly with recommendations on streamlining and cost-saving measures, including:

- The effects of unfunded state mandates on college and university operations and costs.
- The unintended consequences for colleges and universities related to changes to the state Procurement Code, taking into account the highly specialized and time-sensitive nature of campus procurement for research, consortia purchasing, intercollegiate athletics, special events, and compliance with minority-enterprise requirements.
- Possible cost-savings and efficiencies in institutional operations and programs.
- Means to foster cooperation and innovation-sharing across institutions rather than a competition for limited resources.

3. Move forward with development of performance-based funding. This new funding system should be guided by the following principles:

- Support at-risk students – special funding incentives should accrue to institutions that foster success for students with educational, financial, or other needs.
- Accommodate the different missions of institutions and higher education sectors.
- Fund completion of courses and degrees or, in the case of community colleges, certain “momentum points” signifying substantial student progress toward completion of a degree or credential.
- Recognize the importance of research and engagement with employers for economic development.
- Involve representatives of all higher education sectors in designing the architecture of performance-based funding.
- Maintain the quality and value of a college degree.

4. Alter the state’s current financial aid policy to ensure that affordability goals are met, particularly for the most vulnerable students. These measures could include:

- A financial aid set-aside, such as the Silas Purnell Incentive for Access grants, targeted at the most financially vulnerable students.
- Seeking proposals for expanding the resources available for MAP grants.
- Developing a shared-responsibility financial aid model that accounts for the student, family, federal, state, and institutional share of need-based assistance for low-income students.

5. Develop a financial aid policy that expands access to success.

- 2+2 partnerships that enable students who start at a community college to bank a portion of a MAP grant to cover tuition costs at a four-year institution.
- Leveraging state financial aid dollars to incentivize college completion in all sectors of higher education.

The Commission believes that these recommendations will recommit the state to the vitality of its system of higher education through connecting state resources to the achievement of critical state goals as articulated by the *Illinois Public Agenda*.