

FISCAL YEAR 2013 APPROPRIATIONS FOR HIGHER EDUCATION GOVERNOR'S ACTION

Submitted for: Information.

Summary: On June 30, 2012, the Governor took final action on the fiscal year 2013 budget and related legislation. The Governor vetoed \$57.0 million from the budget passed by the General Assembly. These reductions focused on the closure and consolidation of 57 state facilities in order to improve government efficiency.

The budget approved by the Governor makes no further reductions to higher education. As passed by the General Assembly and approved by the Governor, the budget reduces general fund appropriations for higher education operations and grants by \$128.4 million, or 6.1 percent. This budget reduces funding in three key areas:

1. Funding for public universities is reduced by \$79.6 million or 6.1 percent;
2. Funding for community college grants and initiatives is reduced by \$20.9 million or 6.7 percent; and,
3. Funding for the Monetary Award program (MAP) is reduced by \$15.4 million or 4.0 percent (when all funding sources are included the reduction is \$52.9 million or 12.5 percent).

Additionally, funding for Illinois Mathematics and Science Academy (IMSA) was also reduced \$518,500 or 2.8 percent. Many of the higher education institutional grants are reduced including u.Select System (-9.4 percent), Grow Your Own (-60.0%), Competitive Nursing School Grants (-51.7%), Nurse Educator Fellowships (-9.4%), and Cooperative Work-Study Grants (-9.4%). Funding for adult education and postsecondary career and technical education increases slightly and funding for the University Center of Lake County increases \$200,000 above FY 2012 levels.

On June 30, 2012, the Governor signed SB 2332, which includes FY 2013 re-appropriations for higher education capital projects, into law. Public Act 97-0725 includes continuing appropriations for higher education capital projects that have been receiving re-appropriations for nearly a decade, as well as *Illinois Jobs Now!* capital projects that were appropriated in FY 2010 and re-appropriated in FY 2011 and FY 2012. There are no new capital appropriations for higher education in FY 2013.

Action Requested: None.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

**FISCAL YEAR 2013 APPROPRIATIONS FOR HIGHER EDUCATION
GOVERNOR'S ACTION**

On June 30, 2012, the Governor took action on the fiscal year 2013 state budget totaling approximately \$33.7 billion in general funds. Of the total budget, \$2.0 billion is appropriated from state general funds for higher education operations and grants. Tables 1 through 17 in the Appendix provide detailed information comparing appropriations for fiscal year 2012 to the Board's Step Level 1, the Governor's budget, General Assembly action, and the Governor's action for fiscal year 2013.

Higher Education Operations and Grants

Table 1 (of the Appendix) presents a summary of the FY 2013 state general funds budget approved by the Governor for higher education operations and grants (Public Act 97-0729). The overall budget includes \$3.383 billion in state general funds for higher education, which represents an increase of \$289.5 million, or 9.4 percent, from FY 2012 appropriations. When funding for the State Universities Retirement System is excluded, state general funds appropriations for higher education operations and grants totals \$1.980 billion, a decrease of \$128.4 million, or 6.1 percent, from FY 2012 appropriations.

The FY 2013 budget reduces MAP funding by \$52.9 million while public university funding is reduced \$79.6 million below FY 2012 levels. Community college grants are reduced \$20.9 million below FY 2012 levels. The FY 2013 budget allocates a small portion (less than 1.0 percent) of university and community college appropriations based upon the performance funding allocation models adopted by the Board at its February 2012 meeting.

The state continues to turn to appropriated funds outside the state general funds to supplant or supplement higher education operations and grants that had been funded previously out of general funds. Table A compares the change in total appropriations for operations and grants from the general funds and the State Pension Fund from fiscal year 2012 to fiscal year 2013. The fiscal year 2013 budget also includes funding for a number of other initiatives of interest to higher education that are supported in other state agency budgets. Table B presents a listing of these initiatives that include Cooperative Extension programs at the University of Illinois, grants for research, and group insurance for state and university employees. General information concerning the budget by sector and major program area follows.

Public Universities

The FY 2013 budget includes \$1.2 billion in state general funds for public university operations. Of this total, \$6.15 million is reallocated to the four-year universities based on performance using the IBHE performance funding allocation model. The amounts provided for each institution are reported in Table 5 in the appendix. Overall, when compared to FY 2012 appropriations, the budget for public universities represents a \$79.6 million decrease, which reflects a 6.1 percent average reduction in funding. The reallocation for performance funding is reflected in the university appropriation levels and accounts for the variation reductions at each university.

Table 6 in the appendix compares the estimated FY 2013 all-funds budget for public universities to budgeted FY 2012 levels, showing an overall increase for public universities of \$82.6 million, or 1.2 percent. For FY 2013, university income funds are estimated to total \$1.8 billion, and other non-appropriated funds are estimated to total \$3.8 billion. These estimated levels represent increases of \$60.3 million (3.5 percent) and \$102.1 million (2.7 percent), respectively, over FY 2012 amounts. Because the non-appropriated sources and university income funds included in Table 6 were projected in fall 2011, they should not be considered final.

Community Colleges

The FY 2013 budget approved by Governor includes \$289.4 million in state general funds for community college grants and initiatives and for operation of the Illinois Community College Board (ICCB), as shown in Table 8. The budget dedicates \$360,000 to performance funding for community colleges, half of the amount that was recommended in the Governor's budget.

Overall, funding for unrestricted grants to colleges (Base Operating Grants, Equalization Grants, Small College Grants, and a grant to the City Colleges of Chicago) are reduced \$9.8 million, or 3.3 percent. Restricted grants (Workforce Development and Retirees Health Insurance) are eliminated, while other grants and initiatives are reduced \$7.1 million, or 56.0 percent, below FY 2012 levels. The cuts include a significant reduction in funding for Veterans Shortfall Grants and the allocation of the remaining funds to specific community colleges.

Other funds in the FY 2013 community college budget include federal funds for adult education administration and spending authority for other state and/or federal grants. Table 9 provides information on estimated/projected community college revenues from all sources, including local property taxes and student tuition and fees as well as state and federal sources. As with the public university all-funds budget table, the non-appropriated funds included in Table 9 were projected in fall 2011 and should not be considered final.

Adult Education and Postsecondary Career and Technical Education Programs

Table 10 in the appendix shows the FY 2013 budget for adult education and postsecondary career and technical education programs. The FY 2013 budget includes \$51.3 million in state support for adult education programs and postsecondary career and technical education programs, which is level with FY 2012 appropriations except that \$500,000 was added for career and technical education LPN and RN preparation programs. The federally funded component of the adult education program is expected to total \$23.25 million, which represents a

decrease of \$1.75 million, or 7.0 percent, from FY 2012. Federal support for postsecondary career and technical education programs is expected to total \$18.5 million, which represents a decrease of 5.1 million, or 21.6 percent, from FY 2012.

Illinois Student Assistance Commission

The FY 2013 budget includes a total of \$380.6 million in general funds for the Illinois Student Assistance Commission (ISAC), as shown in Table 11. This amount reflects a reduction of \$26.2 million from FY 2012. This includes a \$15.4 million reduction in MAP funding and the elimination of funding for Illinois Veteran Grants (\$6.0 million), Illinois National Guard Grants (\$4.4 million) and College Savings Bond Bonus Incentive Grants (\$325,000).

When other sources of funding are included, total MAP funds decrease \$52.9 million, or 12.5 percent, below FY 2012. The reduction reflects the loss of funding from a \$33.5 million from the Student Loan Operating Fund provided through one-time revenue as well as the loss of \$4.0 million in federal LEAP funds.

Federal funding in FY 2013 for ISAC administration and loan reimbursements totals \$353.0 million, which is a reduction of \$10.0 million from FY 2012.

Grant Programs and Initiatives

Table 12 in the appendix presents the FY 2013 appropriation for grant programs administered by the Illinois Board of Higher Education. The general funds appropriation of \$5.6 million is \$1.7 million, or 23.8 percent below FY 2012. The appropriation reflects a 60 percent reduction (\$1.5 million) in funding for Grow Your Own and a 51.7 percent reduction (\$455,000) for Competitive Nursing School Grants. The u.Select System, Nurse Educator Fellowships and Cooperative Work-Study grants were all reduced 9.4 percent. The DFI program, STEM Diversity programs, and Quad Cities Graduate Study Center were provided with additional support in FY 2013.

The FY 2013 budget maintains the appropriation of federal funds for the IBHE's Preparing, Training, and Recruiting High Quality Teachers and Principals Program at \$5.5 million.

University Center of Lake County

As seen in Table 13, the FY 2013 provides a slight restoration of support to the University Center of Lake County (UCLC). In FY 2013, the UCLC budget is increased from \$1.0 million to \$1.20 million, a 20.0 percent increase. The FY 2013 funding level remains significantly below the \$1.7 million appropriation provided in FY 2011.

Illinois Mathematics and Science Academy

General funds totaling \$17.7 million are included in the FY 2013 higher education budget for the Illinois Mathematics and Science Academy (IMSA). This funding level represents a reduction of \$518,500, or 2.8 percent, below the FY 2012 level (Table 14).

State Universities Civil Service System

Table 15 in the appendix presents FY 2013 funding for the State Universities Civil Service System. General funds support totaling \$1.2 million represents the same level of state support provided in FY 2012.

Board of Higher Education

The FY 2013 budget appropriates approximately \$2.7 million in state support for the Illinois Board of Higher Education's agency operations, a reduction of \$75,300 or 2.7 percent (Table 16). Level funding has been appropriated from the Academic Quality Assurance Funds.

State Universities Retirement System

Senate Bill 2348 (P.A. 97-0685) provides a total of \$1.4 billion for the State Universities Retirement System (SURS), an increase of \$422.3 million, or 43.1 percent. This funding level includes an estimated \$150.0 million from the State Pension Fund for the contribution to the State Universities Retirement System (Table 17). The FY 2013 appropriation for the contribution to the State Universities Retirement System is equal to the certified amount. The SURS pension contribution does not reflect amounts to be received by SURS from Federal/Trust/Other funds; these are assumed to total \$42.0 million in FY 2013.

Higher Education Capital Improvements

During the recently concluded legislative session, the General Assembly approved Senate Bill 2332 which includes more than \$1.7 billion in continuing appropriations or re-appropriations in FY 2013 for higher education capital projects that were authorized in FY 2012. On June 30, 2012, after vetoing an \$11.3 million Fire Department loan program not related to higher education, the Governor signed the 1,400 page bill into law. Public Act 97-0725 includes continuing appropriations for higher education capital projects that have been re-appropriated since in the early 2000s, as well as *Illinois Jobs Now!* capital projects that were appropriated in FY 2010 and re-appropriated in FY 2011 and FY 2012. At this time, however, an increase in bond authority, which is needed to utilize bond proceeds for capital projects, was not provided for elementary or higher education. Public Act 97-0771 (HB 4568) only increased bond authorization for the Department of Transportation for projects related to highways, bridges and mass transit. Without the needed increase in bond authorization, it does not appear that any funding will be released to support the higher education capital projects re-appropriated this fiscal year. Finally, with regards to new appropriations – the General Assembly did not approve any new appropriations for higher education capital projects in FY 2013.

APPENDIX

Tables 1 – 17

**Fiscal Year 2013 Budget
General Assembly Action
Higher Education Operations and Grants**

Tables C-1 & C-2
Fiscal Year 2013 Budget
Governor's Action
Higher Education Capital Improvements

