

**FISCAL YEAR 2017 SUPPLEMENTAL ALLOCATION OF
FINANCIAL SUPPORT FOR ESSENTIAL OPERATIONS
FOR COMMUNITY COLLEGES**

Submitted for: Informational.

Summary: This item provides an update on the remaining Fiscal Year 2017 Allocation of Financial Support for Essential Operations.

On June 30, 2016, Governor Rauner signed into law Public Act 99-0524 a Stop-Gap measure allocating a lump sum of \$20 million from the General Revenue Fund to the Illinois Board of Higher Education for payment to public universities and community colleges. The appropriation language provides for financial support for essential operations. Furthermore, Public Act 99-0523 amends the Board of Higher Education Act to impose requirements to include in its review of determining eligibility for allocation of funds.

On November 23, 2016, the Board of Higher Education approved \$17 million of financial support to the following institutions: Chicago State University (\$3,020,100), Eastern Illinois University (\$5,582,000), and Western Illinois University (\$8,397,900). The remaining \$3 million was set aside for eligible community colleges and may be allocated by the IBHE at its December 13, 2016 meeting, or at a time in the near future, based on recommendations from the Illinois Community College Board as to what community colleges qualify for funding under Public Act 99-0523, Public Act 99-0524 and Section 9.35 of the Board of Higher Education Act.

On December 7, 2016 the ICCB held a special meeting approving of the formula for distribution to qualifying community colleges. Earlier, on September 16, 2016 the ICCB adopted a resolution declaring a “state of financial emergency” for the entire Community Colleges Systems “due to the drastic loss of State revenue over the last two years.”

Action Requested: None

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

**FISCAL YEAR 2017 SUPPLEMENTAL ALLOCATION OF
FINANCIAL SUPPORT FOR ESSENTIAL OPERATIONS
FOR COMMUNITY COLLEGES**

Background

On June 30, 2016, Governor Rauner signed into law Public Act 99-0524 a Stop-Gap funding measure allocating a lump sum of \$20 million to the Illinois Board of Higher Education (IBHE) for Fiscal Year 2017. This appropriation authority shall be used for costs incurred through December 31, 2016.¹ Specifically, it provides:

*“For payment to public universities and community colleges to provide for financial support for essential operations as determined by the Board in accordance with Section 9.35 of the Board of Higher Education Act”.*²

Enabling provisions included in the Budget Implementation Bill (BIMP) amends the Board of Higher Education Act to provide:

“In fiscal year 2017 the Board, in consultation with the Illinois Community College Board, shall conduct a review to determine the existence of a financial emergency at a public institution of higher education that requires financial assistance from the Board, but only after the institution's governing board has formally requested the review by adopting a resolution stating that the institution is in a state of financial emergency that requires financial assistance from the Board. To be in a state of financial emergency, the institution must demonstrate that it is significantly diminishing all available resources and must satisfy any other factors determined appropriate by the Board. Subject to appropriation, payments shall be made to institutions in a state of financial emergency, in such amounts as shall be deemed necessary by the Board, in order to minimize, to the extent practicable, adverse impacts to students as a consequence of emergent staff or programmatic reduction.”

The new law further provides the definition of "financial emergency" to mean "a situation that requires a reduction or reallocation of staff and expenditures and the consequent reduction, reorganization, or termination of programs and activities that cannot be achieved through normal academic, administrative, budgetary, and personnel processes."³

On November 23, 2016, the Board of Higher Education approved \$17 million of financial support to the following institutions: Chicago State University (\$3,020,100), Eastern Illinois University (\$5,582,000), and Western Illinois University (\$8,397,900). The remaining \$3 million was set aside for eligible community colleges and may be allocated by the IBHE at its December 13, 2016 meeting, or at a time in the near future, based on recommendations from the Illinois

¹ Article 998, Section 1 & Article 149, Section 15, Public Act 99-524

² Article 149, Section 10, Public Act 99-0524.

³ Article 5, Section 5-40, Public Act 99-0523, Section 9.35 (new) of The Board of Higher Education Act

Community College Board as to what community colleges qualify for funding under Public Act 99-0523, Public Act 99-0524 and Section 9.35 of the Board of Higher Education Act.

On December 7, 2016 the Illinois Community College Board held a special meeting to adopt the selection criteria and formula for distribution of the \$3,000,000 allotment set aside by the IBHE in its resolution adopted on November 23, 2016. Attachment A provides the ICCB resolution that identifies the specific criteria and the formula that will be used to identify qualifying community colleges of the funding allotment. Pursuant to the resolution, the ICCB Executive Director will make the final selection of the allocation for each qualifying community college. Once this is determined, a notice shall be submitted to the Illinois Board of Higher Education for the final allocation to the Illinois Community College Board for disbursement.

It is noteworthy, that on September 16, 2016 the ICCB adopted a resolution declaring a “state of financial emergency” for the entire Community Colleges System “due to the drastic loss of State revenue over the last two years.” With this declaration, the ICCB determines this action satisfies the requirements of Section 9.35 of the Board of Higher Education Act.

Attachment A

ICCB Board Item

Agenda Item #4

December 7, 2016

Illinois Community College Board

DISTRIBUTION OF THE \$3 MILLION EMERGENCY FUND APPROPRIATION

Public Act 99-0524 includes an appropriation for \$20M to the Illinois Board of Higher Education (IBHE): “For payment to public universities and community colleges to provide for financial support for essential operations as determined by the Board in accordance with Section 9.35 of the Board of Higher Education Act.” Public Act 99-0523 referred to as the FY17 Budget Implementation Bill requires that the IBHE consult with the ICCB for community college financial emergencies. At a special meeting held on November 23, 2016, the IBHE passed a resolution earmarking \$3,000,000 of the appropriation for community colleges.

RECOMMENDED ACTION

It is recommended that the following motion be adopted:

The Illinois Community College Board hereby authorizes its Executive Director to allocate the funds received from the Illinois Board of Higher Education to community college districts that meet the following criteria:

- Make application to the Illinois Community College Board for emergency funding; and
- Receive more than 60% of operating revenues from state and local sources, as reported in the Fiscal Year 2015 Uniform Financial Statement #3⁴; and
- Receive less than 25% of operating revenues from local taxes, as reported in the Fiscal Year 2015 Uniform Financial Statement #3⁵; and
- Demonstrate actions that have been implemented to reduce expenditures that have required a reduction in staff and programs; and
- Submit documentation showing a continued reduction in expenditures using fiscal year 2015 as the base year; and
- Submit relevant cash management strategies passed by the Board of Trustees since the end of fiscal year 2015;

OR,

- Make application to the Illinois Community College Board for emergency funding; and

⁴ Local operating revenues are calculated using the Uniform Financial Statement #3 for the Education Fund and the Operations and Maintenance Fund for Local Taxes and CPPRT. State operating revenues are calculated using the Uniform Financial Statement #3 for the Education Fund and Operations and Maintenance Funds from Total State Government line.

⁵ Local operating revenues are calculated using the Uniform Financial Statement #3 for the Education Fund and the Operations and Maintenance Fund for Local Taxes and CPPRT.

Demonstrate the district's inability to make payroll after February 15, 2017; and
Demonstrate actions that have been implemented to reduce expenditures that have
required a reduction in staff and programs; and
Submit documentation showing a continued reduction in expenditures using fiscal
year 2015 as the base year; and
Submit relevant cash management strategies passed by the Board of Trustees
since the end of fiscal year 2015.

BACKGROUND

Public Act 99-0523 amends the Board of Higher Education Act to provide: *“In fiscal year 2017 the Board, in consultation with the Illinois Community College Board, shall conduct a review to determine the existence of a financial emergency at a public institution of higher education that requires financial assistance from the Board, but only after the institution's governing board has formally requested the review by adopting a resolution stating that the institution is in a state of financial emergency that requires financial assistance from the Board. To be in a state of financial emergency, the institution must demonstrate that it is significantly diminishing all available resources and must satisfy any other factors determined appropriate by the Board. Subject to appropriation, payments shall be made to institutions in a state of financial emergency, in such amounts as shall be deemed necessary by the Board, in order to minimize, to the extent practicable, adverse impacts to students as a consequence of emergent staff or programmatic reduction.”*

At the Board meeting held on September 16, 2016 the ICCB passed a resolution by way of a general declaration that the Illinois Community College System is in a state of financial emergency due to the drastic loss of State revenues over the last two years. This fulfills the requirements in the public act along with the criteria that must accompany each district's application.

After reviewing applications, the allocations will be distributed.

APPROVAL OF DESIGNATED EMERGENCY FUNDS

Public Act 99-0524 is the “StopGap” budget for the State of Illinois. It includes appropriations for the community college system and the adult education providers. It has been named the “StopGap” budget because the funding and spending are for six months only. The General Assembly and the Administration are planning to negotiate the full budget after the November elections. Also included in the budget is an appropriation for \$20M to the Illinois Board of Higher Education (IBHE): “For payment to public universities and community colleges to provide for financial support for essential operations as determined by the Board in accordance with Section 9.35 of the Board of Higher Education Act.” Public Act 99-0523 referred to as the FY17 Budget Implementation Bill requires that the IBHE consult with the ICCB for community college financial emergencies.

RECOMMENDED ACTION

It is recommended that the following resolution be adopted:

WHEREAS, the State of Illinois budget for fiscal year 2016 was not passed until April, 2016 and was \$201M less than the last full State budget passed in fiscal year 2015; and

WHEREAS, the State of Illinois budget for fiscal year 2017 includes partial year funding and was \$160M less than the last full year State budget passed in fiscal year 2015; and

WHEREAS, the primary revenue source for the fiscal year 2017 operating grants is from the Personal Property Replacement Tax Fund which will cause a \$3M loss in local revenue statewide for the system; and

WHEREAS, every community college in the State has made reductions to staff, programs, and services, and

WHEREAS, the State of Illinois backlog of fiscal obligations ended fiscal year 2015 at \$-4.0B; and

WHEREAS, the State of Illinois backlog of fiscal obligations ended fiscal year 2016 at \$-7.6B; and

WHEREAS, the State of Illinois backlog of fiscal obligations ended September 14, 2016 at \$-8.7B; therefore, be it

RESOLVED by the ILLINOIS COMMUNITY COLLEGE BOARD ON THIS 16TH DAY OF SEPTEMBER IN THE YEAR TWENTY –SIXTEEN, that on behalf of the system by way of a general declaration the Illinois Community College System is in a

state of financial emergency due to the drastic loss of State revenues over the last two years; and be it further

RESOLVED that each community college can adopt a resolution stating that fact for the sole purpose of qualifying for and satisfying statutory requirements for the twenty million dollar appropriation that can be allocated to colleges and universities declaring a state of financial emergency; and be it further

RESOLVED that this resolution or any local resolution should not be considered a reason or grounds by any external agency to cause a review or visit; and be it further

RESOLVED that the Illinois Community College Board authorizes its Executive Director to refer recommendations to the Illinois Board of Higher Education for funding, as it relates to Article 149, Section 10 of Public Act 99-0524.