Item #VII-20
August 5, 2014

SETTING A CONTEXT FOR FISCAL YEAR 2016 BUDGET DEVELOPMENT

Submitted for: Information.

Summary: *Setting a Context for Fiscal Year 2016 Budget Development* is intended to provide the "lay of the land" to the Board as it develops its Fiscal Year 2016 budget recommendations. It is also intended to stimulate thought and discussion at the Board and institutional levels that will carry over into the upcoming budget overview meetings and the Board's budget recommendations.

The report begins with a review of long-term trends in higher education funding in Illinois, an examination of how recent budgetary actions have affected individual institutions and agency programs, and a comparison of trends in Illinois to trends in surrounding states and the nation. Next, the report turns briefly to the state's current fiscal context, summarizing recent revenue and expenditure trends that will continue to influence the Governor and the General Assembly as they determine Fiscal Year 2016 appropriations. The report concludes with an explanation of how the *Illinois Public Agenda* and performance based funding will impact the Board's decisions as it develops its Fiscal Year 2016 operating and capital budget recommendations.

Action Requested: None.

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STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

SETTING A CONTEXT FOR FISCAL YEAR 2016 BUDGET DEVELOPMENT

Highlights

- Looking back over 15 years, total state funding for higher education (operations, grants, and pensions) is 5.8 percent greater in Fiscal Year 2015 than in Fiscal Year 2000 when accounting for inflation. However, the increase is entirely attributable to funding for the retirement system, which has increased rapidly over this period as the state has addressed chronic historical underfunding of its pension systems. Excluding pensions and adult education/career and technical education (which came under community colleges oversight in 2002), community colleges, public universities, need-based financial aid, and institutional grant programs all have experienced decreases in funding since 2000 after accounting for inflation. The total decrease is $1.0 billion, or 34.3 percent.

- More recently, when appropriations for the State Universities Retirement System (SURS) are excluded, total state funding for higher education institutional operations and grants in Fiscal Year 2015 is $475.8 million (19.3 percent) less than in Fiscal Year 2010 after accounting for inflation. This includes reductions in support for public universities, community colleges, financial aid, and institutional grant programs. When pensions are included, state support increased an inflation-adjusted $287.6 million, or 8.0 percent.

- Between Fiscal Years 2014 and 2015, operations and grants funding is held flat when retirement funding is excluded. For most institutions and programs this maintains the appropriations for higher education at the Fiscal Year 2014 level. The appropriations to public universities are a slight decrease (ranging from a .21 percent to a .27 percent reduction), while appropriations for designated community college grant programs, the Monetary Award Program (MAP) and Illinois Student Assistance Commission (ISAC) outreach increase slightly. State funding for the higher education agencies (Illinois Board of Higher Education (IBHE) and State Universities Civil Service System(SUCSS)) are reduced by .02 percent, or $5,700 and $2,500 respectively.

- In Fiscal Year 2010, the Governor and the General Assembly approved the $31 billion *Illinois Jobs Now!* capital program that included more than $1.6 billion in new appropriations for nearly 120 higher education capital construction and renovation projects. While appropriations were approved for these projects, the actual release of funding was not immediately forthcoming due to the lack of available bond proceeds and the limited amount of bonding authority authorized for Fiscal Year 2010. Due to these limitations, the Governor's Office of Management and Budget (GOMB) implemented a roll-out plan to fund the new capital projects over the course of several years. Due to the multiple-year nature of the Jobs Now capital plan, the General Assembly did not appropriate any new funds for capital in Fiscal Year 2011, Fiscal Year 2012, or Fiscal Year 2013. In Fiscal Year 2014 and Fiscal Year 2015, limited new capital funding was appropriated to Department of Commerce and Economic Opportunity for small grants to a select few higher education institutions. As of April 30, 2014, $325.9 million in higher education capital funding first appropriated in Fiscal Year 2010 remains unreleased.

- Looking back over the past decade, most Midwestern states have fared worse than the national average in state support for higher education (including funding for pensions); although more recently, most Midwestern states have improved relative to the national average. However, as a result of rapidly increasing state appropriations for the State Universities Retirement System (SURS) to address historical underfunding, Illinois has experienced significantly higher "growth" in state support than all other Midwestern states and the national average. Illinois' growth in state support has gone entirely for SURS pension payments and not to higher education institutions, grant programs, or need-based financial aid, all of which continue to decline.

- The Commission on Government Forecasting and Accountability's (CGFA) June 2014 *Monthly Briefing* reported that general funds revenue grew $654.0 million, or 1.8 percent, in Fiscal Year 2014. Much of this revenue growth was aided by strong sales tax performance, one-time deposits of court settlement proceeds and prior year overpayments to the State Employees Retirement System. Looking forward into Fiscal Year 2015, CGFA estimates an overall decrease in general funds revenue of $2.2 billion, or 6.1 percent. At the end of June 2014, the Governor's Office of Management and Budget (GOMB) reported an estimated total backlog of unpaid bills at $3.9 billion, the lowest point of the past five years. Among the unpaid bills were $318.5 million owed to public colleges and universities. It is likely that final fiscal 2014 payments to public universities and community colleges won't be received until the end of September, meanwhile delaying the receipt of Fiscal Year 2015 payments.

- *The Public Agenda for College and Career Success* has many ramifications for higher education funding. The Board's Fiscal Year 2015 recommendations incorporated funding strategies based on the *Public Agenda;* the Board's Fiscal Year 2016 recommendations will likely take a similar approach. Fiscal Year 2015 marks the third year of performance-based funding for allocating state resources to public institutions of higher education based upon performance in achieving state goals related to student success and certificate and degree completion. The final Fiscal Year 2015 budget for public universities didn't allocate funding based upon the IBHE approved performance model for Fiscal Year 2015; rather, the General Assembly chose to allocate higher education funding based on the results of the Fiscal Year 2014 performance funding calculations. As Fiscal Year 2016 budget development progresses, the Performance Funding Steering Committee and Refinement Committee are scheduled to convene to discuss the performance funding model and potential allocation levels in the upcoming Fiscal Year.

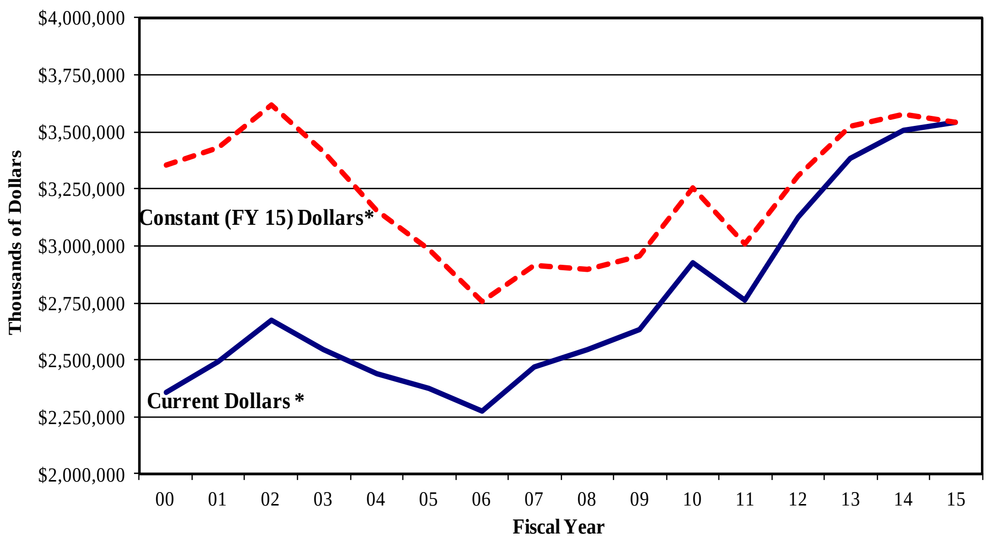
Illinois Higher Education Funding Trends

This section addresses long-term trends in funding for Illinois higher education, recent budget actions, and trends at the state, regional, and national levels.

Long-Term Funding Trends

Exhibit 1 illustrates the trend in state appropriations for higher education operations, grants, and the State Universities Retirement System between Fiscal Years 2000 and 2015, both in current and inflation-adjusted (CPI-U) dollars.[1] During this period, state general funds support for Illinois higher education grew from $2.4 billion to $3.5 billion, or 52.9 percent. However, after accounting for inflation, state support has increased by only 5.8 percent since Fiscal Year 2000.[2] Much of the gain in state support after the mid-1990s was lost between Fiscal Years 2002 and 2006, and the gain shown in Exhibit 1 since Fiscal Year 2006 is almost entirely driven by contributions to the pension system to address historical underfunding.

Exhibit 1
State Appropriations for Higher Education Operations and Grants, including pensions FY 2000-2015



* Includes State General Funds, Student Loan Operating Fund (for MAP in FY07 and FY 012 and MAP Plus in FY07), Budget Relief Fund (FY 2009), and State Pension Fund appropriations.

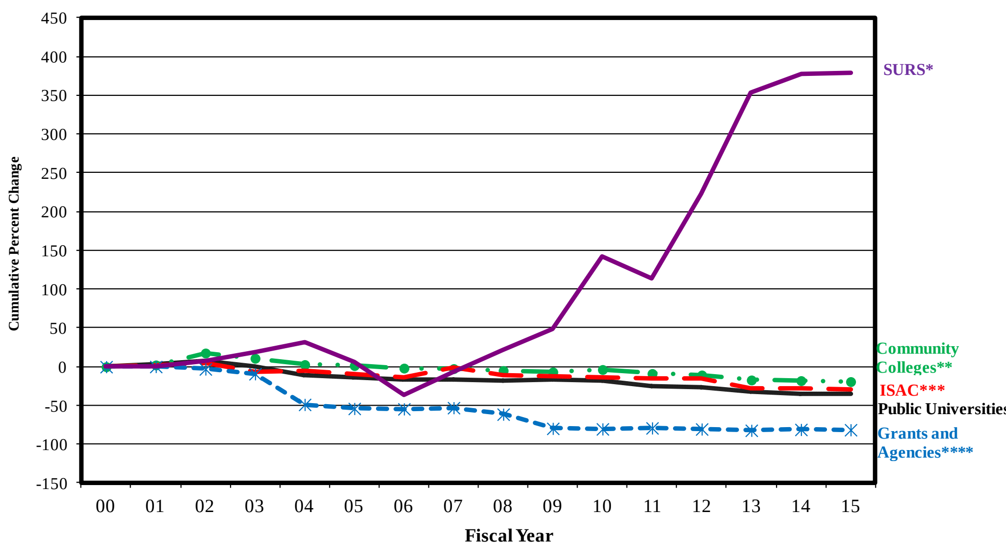
Source: IBHE records.

[1] State appropriation data for higher education operations and grants presented in Exhibits 1 and 2 include State General Funds (GF) and State Pension Fund (SPF) amounts due to a significant shift in State Universities Retirement System (SURS) funding sources that began in fiscal year 2005. Exhibits 1 and 2 include appropriations from the Student Loan Operating Fund for MAP and MAP Plus, which supplemented GF funding for fiscal year 2007 and fiscal year 2012 only. Exhibits 1 and 2 also include appropriations from the Budget Relief Fund for Diversifying Faculty in Illinois (DFI), which supplemented GF funding for fiscal year 2009 only.

[2] It is important to note that health insurance for university employees is not included in this graph. The state provides significant general funds support for group insurance for university employees and their dependents through the Department of Central Management Services. Community college employees (except for retirees) are not covered by state group insurance, but are included in the State Universities Retirement System.

Exhibit 2 illustrates the cumulative percentage change in state appropriations for higher education by sector, adjusted for inflation. As is apparent from Exhibit 2, appropriations to the SURS show the only real growth over this time period. The state has invested significant resources in SURS since the mid-1990s in response to a statutory change (Public Act 88-593) designed to improve the long-term financial condition of all state-funded retirement systems. These funds are not allocated or spent by individual institutions or agencies, but they provide direct support for an important employee benefit. General funds support for community college retirees' group health insurance is also included. The reduction in state support for SURS in Fiscal Years 2006 and 2007 was due to the passage of Public Act 94-4, which temporarily suspended the pension funding requirements of Public Act 88-593 and reduced the state's annual contribution.

Exhibit 2
Percent Change in State Appropriations for Higher Education by Sector FY 2000-2015
(in FY 2015 dollars)



* Includes State General Funds and State Pension Fund.
** Includes Adult Ed beginning FY02 and Career & Tech. Ed beginning FY 2004. Grants to colleges have declined since FY 2002.
*** Includes Student Loan Operating Fund appropriations for MAP (FY 07 and FY 12 and MAP Plus in FY 2007 only).
**** Includes Budget Relief Fund (FY 2009 only). Beginning in FY 2009, Medical Scholarships transferred to IDPH and beginning in FY 2011 Grow Your Own Teach program transferred to IBHE from ISBE.

Source: IBHE records.

When adjusted for inflation, state funding for public universities in Fiscal Year 2015 is $661.9 million, or 35.0 percent, less than in Fiscal Year 2000. Funding for community colleges is $82.3 million, or 19.2 percent, below Fiscal Year 2000 levels even after the inclusion of funds for adult education and postsecondary career and technical education, which were transferred from the Illinois State Board of Education (ISBE) to the Illinois Community College Board (ICCB). When these funds are excluded, inflation-adjusted state general funds support for community colleges in Fiscal Year 2015 is $135.3 million, or 31.6 percent, less than in Fiscal Year 2000.

State support for the ISAC in Fiscal Year 2015 is $163.2 million, or 29.8 percent, below Fiscal Year 2000 levels when adjusted for inflation. About 97.0 percent of the Fiscal Year 2015 appropriations to ISAC for grants and scholarships go toward the MAP, which sends funds directly to public and independent colleges and universities on behalf of qualifying students demonstrating financial need. Additional funds for MAP between Fiscal Years 1997 and 2006 have supported a number of program enhancements, including extension of eligibility to part-time students and students attending proprietary institutions, funding to cover tuition and fee increases, and, although not since Fiscal Year 2002, increases in the maximum award.

Over the past decade, an unprecedented increase in demand for need-based financial has resulted in early suspension of MAP awards. In Fiscal Year 2014, ISAC originally suspended award announcements for MAP applications received after March 3, 2013, but later released awards for applications received through March 19. In Fiscal Year 2015, ISAC suspended award announcements on February 28, 2014, the earliest suspension date since the creation of the MAP program. At the end of May, MAP application volume was down nearly three percent from last year, a stark contrast to the ten percent increase when awards were suspended in late February. Because of the trend towards earlier FASFA filings, previous-year claim rates are becoming less effective for projecting current-year claims. It is also likely that outreach efforts are encouraging people who would have filed a FASFA later or perhaps not at all, to apply earlier, thus complicating projections. Due to this uncertainty, ISAC intends to wait until after the first-term MAP claim deadline in early December before deciding whether to release any suspended MAP awards, as was the case in Fiscal Years 2013 and 2014. While unlikely, if the recent trend of declining claim rates reverses in Fiscal Year 2015, it could become necessary to reduce second- and third-term awards.

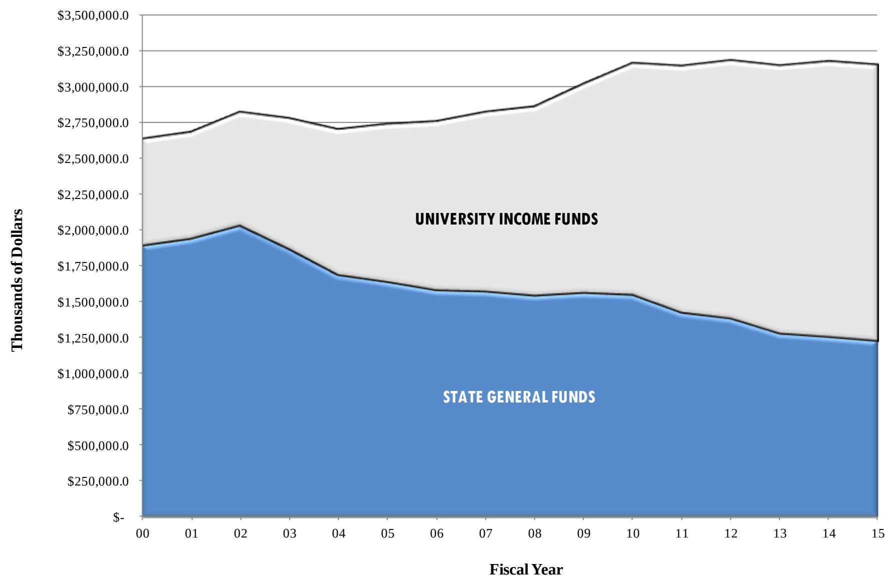
State support for institutional grant programs and agencies in Fiscal Year 2015 is $134.4 million, or 81.4 percent, less than in Fiscal Year 2000 when adjusted for inflation. In large part, this reflects the elimination of funding for the Illinois Financial Assistance Act grant program ($20.6 million) in Fiscal Year 2004, the State Matching Grant Program ($9.5 million) in Fiscal Year 2008, and the Health Services Education Grant ($17.0 million) and the Higher Education Cooperation Act grant program ($3.8 million) in Fiscal Year 2009. Independent colleges and universities were the sole beneficiaries of the Illinois Financial Assistance Act and the Health Services Education Grant.

State appropriations are just one source of funding for public university and community college operations. Public universities also receive support for general operating costs from student tuition (i.e., university income funds) and community colleges receive similar support from local property taxes and student tuition. In addition, other more restricted revenue sources are important to both sectors (e.g., federal grants that support research projects, fees that support residence halls and other auxiliary operations, and private gifts that support scholarships and academic departments). Nevertheless, state funding provides a critical and irreplaceable core of support for both sectors in delivering high quality instructional programs and other services for students. For public universities, state general funds appropriations and university income funds are the primary sources of funding for general support of educational and related activities; for community colleges, state general funds appropriations, local property tax revenues, and student tuition and fees fill those same support needs.[3] Other institutional operating revenues typically are restricted to the support of specific activities (e.g., sponsored research projects, scholarships, auxiliary enterprises, and debt service on revenue bond facilities).

Exhibit 3, on the following page, show the inflation-adjusted trend in total educational and related revenues at Illinois public universities between Fiscal Years 2000 and 2015 by source. During this period, inflation-adjusted total educational and related revenues increased by 22.2 percent at public universities. Total educational and related revenues for public universities reached $2.82 billion, adjusted for inflation, in Fiscal Year 2002 and did not exceed that level until Fiscal Year 2008. Estimated Fiscal Year 2015 revenues are $3.22 billion.

[3] These revenue sources are referred to as "educational and related revenues" for the purposes of this report.

Exhibit 3
Trends in Educational and Related Revenues at Illinois Public Universities
Fiscal Years 2000 to 2015* (in FY 2015 dollars)

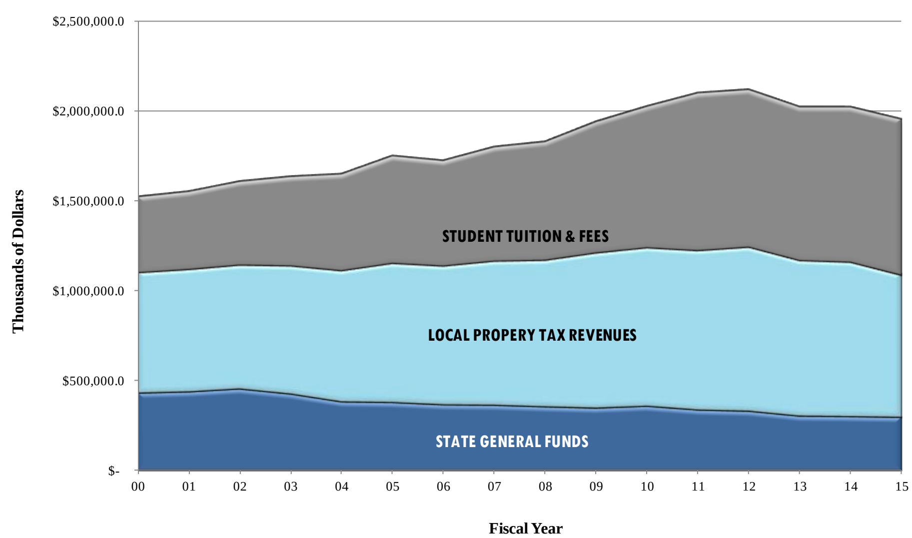


*University Income Funds for fiscal years 2014 and 2015 are estimated.

Source: IBHE records.

Exhibit 4 shows the inflation-adjusted trend in total educational and related revenues at Illinois community colleges between Fiscal Years 2000 and 2015 by source. As shown, total inflation-adjusted revenues have grown more steadily for community colleges through Fiscal Year 2012; however, total revenues declined during the past three Fiscal Years due in large part to a significant decline in local property tax revenues.

Exhibit 4
Trends in Educational and Related Revenues at Illinois Community Colleges
Fiscal Years 2000 to 2015* (in FY 2015 dollars)



*Local Property Tax Revenues and Student Tuition and Fees amounts for fiscal years 2014 and 2015 are estimated.

Source: IBHE records.

In both sectors, support from non-state sources has increased at a greater rate than state support since Fiscal Year 2000. State general funds support for public universities as a percent of total educational and related revenues declined from 71.8 percent to 40.4 percent between Fiscal Years 2000 and 2015, while the share from tuition (university income funds) increased from 28.2 percent to an estimated 59.6 percent. For community colleges, state general funds support as a percent of total educational and related revenues declined from 28.1 percent to 15.1 percent over the same period, while support from tuition increased from 27.7 percent to an estimated 44.3 percent.

Recent Operating and Grants Funding Trends

The state's fiscal situation over the past decade has deeply impacted higher education. In fact, excluding contributions to SURS, state appropriations for higher education operations and grants declined by $426.5 million (not adjusted for inflation), or 17.6 percent, between Fiscal Years 2002 and 2015 (see Exhibit 5). These reductions began in Fiscal Year 2002 when higher education was asked to place $25.0 million in general funds appropriations in reserve to assist the state with a mid-year budget deficit. In addition, public universities were required to contribute $45.0 million that year for a portion of the cost of the state employees' group health insurance program, a practice that has continued each Fiscal Year since that time.[4] Budget reductions in Fiscal Years 2003 and 2004 were more significant in magnitude and were followed by two Fiscal Years of essentially flat budgets.

For a short time, increases in state support for student financial aid MAP and modest increases for public universities and community colleges helped state appropriations for higher education operations and grants rebound. However, a nationwide recession throughout 2008 and 2009 led to declines in state revenue that once again prompted deep cuts to higher education. Coupled with the nation's economic downturn, the loss of federal support provided in Fiscal Year 2010 for public universities and community colleges through the American Recovery & Reinvestment Act of 2009 (ARRA) lead to a reduction of over $95.0 million in Fiscal Year 2011 to public universities and community colleges. In Fiscal Year 2012, public universities saw the loss of $15.0 million and MAP was reduced $17.2 million. Additionally, deep cuts in Fiscal Year 2013 resulted in losses of $79.6 million for public universities, $20.9 million for community colleges and $15.4 million for MAP grants. Overall, state appropriations for higher education operations and grants decreased by $228.6 million, or 10.3 percent, between Fiscal Years 2010 and 2015.

Between Fiscal Years 2013 and 2014, operations and grants funding increased $11.5 million, or less than one percent, when retirement funding is excluded. Despite continued budgetary pressures to fund the State's pension systems, the Fiscal Year 2014 budget was held essentially flat as a result of one-time additional tax receipts received by the State in April 2013. Again in Fiscal Year 2015, the higher education budget was held flat; however the budget relies heavily on interfund borrowing and extended payment delays to make up for a projected $2.0 billion revenue shortfall when the state income tax rate is scheduled to drop on January 1, 2015. Without legislative action to extend the temporary income tax rate, the state faces a projected $5.0 billion shortfall in Fiscal Year 2016.

[4] The ongoing contribution of $45 million for group health benefits is not reflected as a reduction in appropriations. Rather, it is transferred from the appropriated amounts each year.

Exhibit 5

State Funding for Higher Education Operations and Grants
Fiscal Years 2002, 2010, 2014, and 2015

(in thousands of dollars)

	FY2002 Approp.	FY2010 Approp.	FY2014 Approp.	FY2015 Approp.	FY2010 to FY2015 Dollar Change	FY2010 to FY2015 Percent Change	FY2014 to FY2015 Dollar Change	FY2014 to FY2015 Percent Change
Public Universities	$ 1,502,910.9	$ 1,394,438.6	$ 1,232,192.0	$ 1,229,438.5	$ (165,000.1)	(11.8) %	$ (2,753.5)	(0.2) %
Community Colleges	333,659.9	320,326.9	292,821.3	294,505.9	(25,821.0)	(8.1)	1,684.6	0.6
Grants to Colleges	331,103.5	318,182.5	290,835.6	292,023.4	(26,159.1)	(8.2)	1,187.8	0.4
ICCB Administration	2,556.4	2,144.4	1,985.7	2,482.5	338.1	15.8	496.8	25.0
Adult Education/Postsecondary Career and Technical Education Grants	39,005.3	50,844.9	51,323.4	51,323.4	478.5	0.9	-	-
Illinois Student Assistance Commission	423,752.3	425,031.1	384,265.7	385,342.8	(39,688.3)	(9.3)	1,077.1	0.3
Monetary Award Program (MAP)	367,528.3	398,521.1	373,198.1	373,254.5	(25,266.6)	(6.3)	56.4	0.0
Other Grant Programs	49,720.0	26,510.0	11,067.6	11,067.6	(15,442.4)	(58.3)	-	-
ISAC Administration	6,504.0	-	-	1,020.7	1,020.7	-	1,020.7	-
Grant Program	97,256.0	6,801.0	8,355.7	8,355.7	1,554.7	22.9	-	-
Illinois Financial Assistance Act	22,169.1	-	-	-	-	-	-	-
Health Education Grants	18,263.3	-	-	-	-	-	-	-
University Center of Lake County	1,025.0	1,716.0	1,200.0	1,200.0	(516.0)	(30.1)	-	-
Institutional Grants	55,798.6	5,085.0	7,155.7	7,155.7	2,070.7	40.7	-	-
Other Agencies	21,245.1	22,468.6	22,351.7	22,343.5	(125.1)	(0.6)	(8.2)	(0.0)
Illinois Mathematics and Science Academy	16,526.7	18,216.4	18,445.7	18,445.7	229.3	1.3	-	-
State Universities Civil Service System	1,441.2	1,276.2	1,205.0	1,202.5	(73.7)	(5.8)	(2.5)	(0.2)
Board of Higher Education	3,277.2	2,976.0	2,701.0	2,695.3	(280.7)	(9.4)	(5.7)	(0.2)
Subtotal - Institutional/Agency Ops and Grant	2,417,829.5	2,219,911.1	1,991,309.8	1,991,309.8	(228,601.3)	(10.3)	-	-
Retirement	235,092.3	567,573.5	1,316,164.7	1,351,659.5	784,086.0	138.1	35,494.8	2.7
Higher Education Total	$ 2,652,921.8	$ 2,787,484.6	$ 3,307,474.5	$ 3,342,969.3	$ 555,484.7	19.9 %	$ 35,494.8	1.1 %

As noted earlier, it is important to recognize the state's significant contributions to public universities in the form of group health benefits and to community colleges and public universities in the form of retirement contributions. In many states, colleges and universities are directly responsible for securing, administering, and funding these employee benefits. For Fiscal Year 2015, funding for the state's pensions systems totals $1.55 billion, an increase of $34.5 million, or 2.3 percent over Fiscal Year 2014. Between Fiscal Years 2010 and 2015, funding for the state's pension system has increased over $842.0 million.

Public Universities. Public universities benefited from increases in state appropriations in Fiscal Years 2007 through 2009; however these increases have since eroded. In Fiscal Year 2010 state support for public universities was reduced to Fiscal Year 2006 levels and federal stimulus funds ($87.0 million total) were allocated to maintain overall public university funding at the Fiscal Year 2009 level. Because state general funds were not appropriated to replace the loss of federal stimulus funds in Fiscal Year 2011, the Fiscal Year 2011 appropriation was nearly that of Fiscal Year 2006. Furthermore, the Fiscal Year 2012 appropriation was reduced $15.0 million, or 1.1 percent, and the Fiscal Year 2013 appropriation was reduced $79.6 million, or 6.1 percent, from the previous year's level. Fiscal Years 2014 and 2015 funding was held essentially flat at Fiscal Year 2013 levels. Overall, state support for public university operations is 11.8 percent less in Fiscal Year 2015 than in Fiscal Year 2010, unadjusted for inflation, bringing state support for public university operations over the past two years to the lowest level in over fifteen years.

Exhibit 6

State General Funds Support for Public Universities
Fiscal Years 2002, 2010, 2014, and 2015

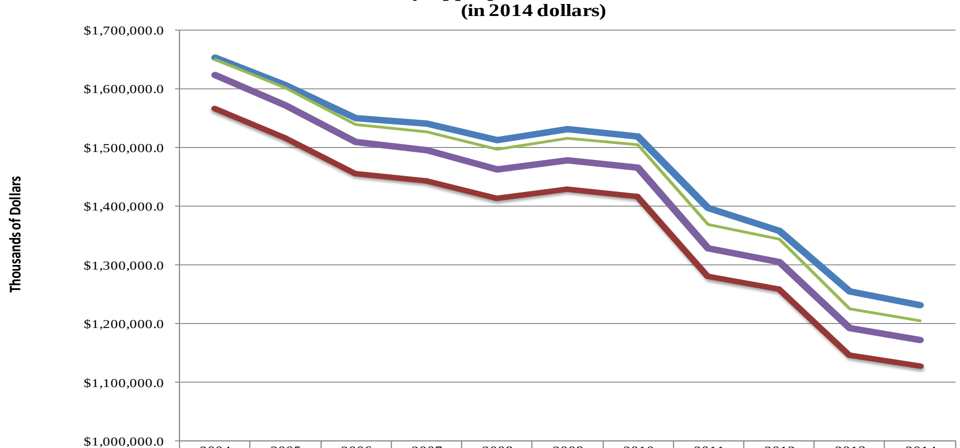
(in thousands of dollars)

Institution	FY2002 Approp.	FY2010 Approp.	FY2014 Approp.	FY2015 Approp.	FY2010 to FY2015 Dollar Change	FY2010 to FY2015 Percent Change	FY2014 to FY2015 Dollar Change	FY2014 to FY2015 Percent Change
Chicago State University	$ 44,027.4	$ 42,112.0	$ 37,262.8	$ 37,166.6	$ (4,945.4)	(11.7) %	$ (96.2)	(0.3) %
Eastern Illinois University	55,274.3	50,566.5	44,078.1	43,964.8	(6,601.7)	(13.1)	(113.3)	(0.3)
Governors State University	28,045.9	28,324.4	24,675.0	24,615.9	(3,708.5)	(13.1)	(59.1)	(0.2)
Illinois State University	93,384.7	85,096.4	74,089.2	73,889.2	(11,207.2)	(13.2)	(200.0)	(0.3)
Northeastern Illinois University	45,396.8	43,401.9	37,847.4	37,748.1	(5,653.8)	(13.0)	(99.3)	(0.3)
Northern Illinois University	118,176.2	107,431.1	93,412.6	93,189.5	(14,241.6)	(13.3)	(223.1)	(0.2)
Western Illinois University	65,047.8	59,919.6	52,755.1	52,629.3	(7,290.3)	(12.2)	(125.8)	(0.2)
Southern Illinois University	249,933.1	234,167.0	204,584.1	204,151.8	(30,015.2)	(12.8)	(432.3)	(0.2)
University of Illinois	803,624.7	743,419.7	663,487.7	662,083.3	(81,336.4)	(10.9)	(1,404.4)	(0.2)
Total, Public Universities	$ 1,502,910.9	$ 1,394,438.6	$ 1,232,192.0	$ 1,229,438.5	$ (165,000.1)	(11.8) %	$ (2,753.5)	(0.2) %

Until the implementation of performance based funding in Fiscal Year 2013, changes in state support to public universities have been similar across the board. The past percentage variation is due primarily to the effects of legislative initiatives on relatively small funding bases. Only Chicago State University and the University of Illinois have experienced less than a 12.0 percent decrease in state support compared to Fiscal Year 2010 levels. Differences across institutions in state support since Fiscal Years 2013 is attributed to the implementation of a performance based funding model to allocate a small percentage (0.5 percent) of total institutional funds.

As shown in Exhibit 7 on the following page, in addition to reduced state support for public universities over the past decade, public universities have been asked to share an increasing burden of the cost for unfunded state mandates. As was previously mentioned, public universities have contributed $45.0 million annually for the costs of group health insurance since Fiscal Year 2002. The Illinois Veteran Grant (IVG) and Illinois National Guard Grant (ING), administered by ISAC, pay for tuition and mandatory fees at Illinois public universities and community colleges for qualified veterans. Both grant programs are tuition and fee waivers, meaning that public colleges and universities must waive tuition and fees – although through the IVG and ING programs, ISAC reimburses institutions for tuition and fee charges. Since Fiscal Year 2001, appropriations from ISAC have failed to fully reimburse public colleges and universities for the cost of waived tuition and fees for qualified veterans, thus leaving the public colleges and universities to make up the difference. In Fiscal Year 2011, no funding was appropriated for IVG and ING leaving public colleges and universities without reimbursement for waiving tuition charges. While funding was restored in Fiscal Year 2012, it was once again eliminated in Fiscal Years 2013 and has not been restored since. State law also provides several other mandatory tuition waivers for qualifying individuals. Public universities waive the collection of tuition and mandatory fees – thus realizing a loss of tuition revenue from these students. As tuition and fees at public universities continues to rise, the financial impact of these waivers also grows. In Fiscal Year 2014, these additional unfunded mandates cost public universities over $104.0 million, significantly higher than the over $86 million cost a decade ago after adjusting for inflation.

Exhibit 7
Public University Appropriations, Net Unfunded Mandates
(in 2014 dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
State General Funds	1,653,68	1,606,79	1,550,63	1,541,83	1,513,06	1,532,70	1,518,83	1,397,20	1,358,34	1,255,19	1,232,19	
Net Unfunded Veterans Grants	1,650,30	1,601,68	1,540,22	1,527,92	1,497,22	1,516,31	1,505,40	1,368,87	1,343,94	1,226,45	1,205,85	*
Net Mandatory Waivers	1,624,17	1,572,29	1,509,85	1,495,73	1,463,72	1,479,52	1,466,15	1,328,41	1,306,07	1,192,60	1,172,68	*
Net Health Insurance Contribution	1,567,09	1,516,88	1,456,46	1,443,70	1,413,55	1,430,04	1,417,13	1,280,37	1,259,40	1,146,68	1,127,68	

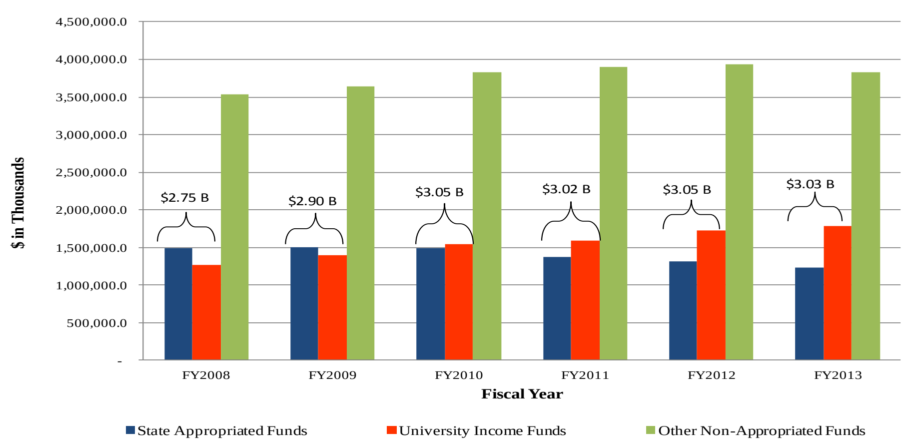
* Estimate

Fiscal Year

Source: IBHE and ISAC records.

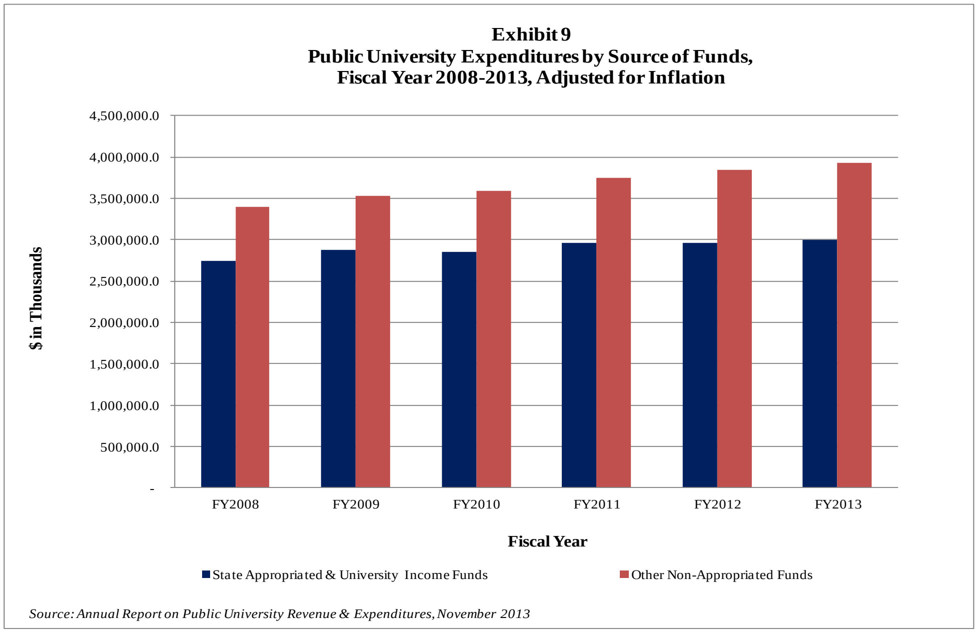
In 2003, the General Assembly and the Governor passed Public Act 93-0229, which requires public universities to submit to the IBHE detailed expenditure and revenue information for all activities. This data provides a valuable supplement to other financial information collected by the IBHE. The information is published annually in the *Annual Report on Public University Revenues and Expenditures* (Fiscal Year 2014 revenue and expenditure data are due in October 2014). As shown in Exhibit 8, educational and related revenues (i.e., revenues from state appropriations and university income funds) increased 10.0 percent, from $2.75 billion to $3.03 billion, or $275.9 million, between Fiscal Year 2008 and Fiscal Year 2013 after accounting for inflation, while non-appropriated funds (which are mostly restricted to uses other than educational and related expenses) increased $293.6 million, or 8.3 percent. However, revenue from state appropriations declined by $250.3 million in inflation-adjusted terms while university income fund revenue – which is primarily from tuition – increased by $526.2 million.

Exhibit 8
Public University Revenues by Source of Funds,
Fiscal Year 2008-2013, Adjusted for Inflation



Source: Annual Report on Public University Revenue & Expenditures, November 2013

Exhibit 9 illustrates changes in public university expenditures by source of funds. Public university expenditures from state appropriations and university income funds increased 9.0 percent between Fiscal Years 2008 through 2013 after accounting for inflation while expenditures from other non-appropriated funds increased by 15.4 percent.



Community Colleges. Exhibit 10 presents state general funds support for community college grants and programs, which has decreased $26.2 million, or 8.2 percent, since Fiscal Year 2010. Appropriations for base operating grants, the largest of the unrestricted grant programs at community colleges, decreased 3.8 percent between Fiscal Year 2010 and 2015. Fiscal Year 2015 appropriations remain significantly below the Fiscal Year 2002 level as many grant programs have been eliminated cut drastically or transferred to other state agencies.

Exhibit 10

State General Funds Support for Community Colleges
Fiscal Years 2002, 2010, 2014, and 2015

					FY2010 - FY2015		FY2014 - FY2015	
Grants to Colleges	FY2002 Approp.	FY2010 Approp.	FY2014 Approp.	FY2015 Approp.	Dollar Change	Percent Change	Dollar Change	Percent Change
Base Operating Grants	$ 193,775.0	$ 198,746.7	$ 191,271.9	$ 191,271.9	$ (7,474.8)	(3.8) %	$ -	- %
Grant to City Colleges of Chicago	-	15,000.0	14,079.0	14,079.0	(921.0)	(6.1)	-	-
Small College Grants	900.0	840.0	550.0	550.0	(290.0)	(34.5)	-	-
Equalization Grants	77,391.5	76,997.3	75,570.8	75,570.8	(1,426.5)	(1.9)	-	-
Performance Based Funding	2,000.0	-	360.0	360.0	360.0	-	-	-
Workforce Development Grants	19,317.0	3,311.3	-	-	(3,311.3)	(100.0)	-	-
Advanced Technology Grants	14,607.0	-	-	-	-	-	-	-
P-16 Initiative Grants	1,500.0	-	-	-	-	-	-	-
Retirees Health Insurance Grant	735.0	626.6	-	-	(626.6)	(100.0)	-	-
Student Success Grants	13,260.0	13,000.0	-	-	(13,000.0)	(100.0)	-	-
Deferred Maintenance Grants	3,500.0	-	-	-	-	-	-	-
Subtotal	$ 326,985.5	$ 308,521.9	$ 281,831.7	$ 281,831.7	$ (26,690.2)	(8.7) %	$ -	- %
Other Grants								
Lincoln's Challenge	125.0	60.0	61.6	61.6	1.6	2.7	-	-
East St. Louis Higher Ed. Center	2,200.0	1,589.1	1,491.5	1,491.5	(97.6)	(6.1)	-	-
Leadership and Core Values	250.0	-	-	-	-	-	-	-
Special Initiative Grants	1,210.0	-	-	-	-	-	-	-
Foundation Matching Grants	333.0	-	-	-	-	-	-	-
Veterans Grants Shortfall	-	7,261.5	750.0	1,287.8	(5,973.7)	(82.3)	537.8	71.7
College and Career Readiness Pilot Prograr	-	750.0	-	-	(750.0)	(100.0)	-	-
Alternative Schools Network	-	-	6,300.8	6,950.8	6,950.8	-	650.0	10.3
Designated Grants	-	-	400.0	400.0	400.0	-	-	-
Subtotal	$ $ 4,118.0	$ 9,660.6	$ 9,003.9	$ 10,191.7	$ 531.1	5.5 %	$ 1,187.8	13.2 %
Total	$ $ 331,103.5	$ 318,182.5	$ 290,835.6	$ 292,023.4	$ (26,159.1)	(8.2) %	$ 1,187.8	0.4 %

Like public universities, community colleges have also been required to absorb a greater share of the costs for providing tuition waivers to qualified veterans through the IVG and ING programs. The impact of unfunded veterans grants on already declining appropriations for community colleges was mitigated to some extent by a specific $7.6 million appropriation for IVG shortfalls at community colleges that began in Fiscal Year 2008. However, in Fiscal Year 2013, this appropriation was reduced to $750,000 and appropriated to eleven specific community colleges. In Fiscal Year 2015, the IVG shortfall grant was increased by $537,800 – for a total appropriation of $1.3 million - to expand the number of specific community colleges served to nineteen.

Exhibit 11
Community College Grant & Initiative Appropriations, Net Unfunded Mandates
(in FY 2014 dollars)

(dollars in thousands)

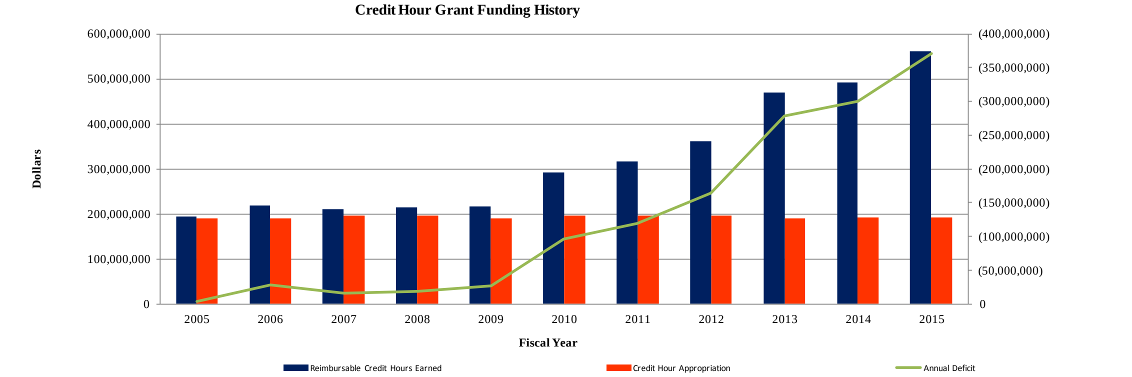
Fiscal Fiscal Year	State General Funds	Net Unfunded Veterans Grants
2004	369,540.3	366,953.3
2005	365,962.6	362,071.0
2006	353,901.5	348,418.3
2007	351,367.6	345,172.6
2008	343,181.3	342,838.4
2009	336,178.0	336,089.6
2010	346,566.3	343,383.1
2011	326,039.8	321,299.9
2012	319,626.7	318,836.3
2013	293,265.9	281,781.4
2014	287,400.6	275,919.2 *

* Estimated

Souce: IBHE and ISAC records.

Base operating grants provide reimbursement to community college districts based on credit hours generated in six funding categories. At full funding, colleges are reimbursed at a calculated credit hour rate for instruction in each of the six funding categories; however, as Exhibit 12 illustrates, the state appropriation has not equaled the system's needs, so the credit hour reimbursement rate has been adjusted downward. A reduction in reimbursable credit hours combined with an increase in the state appropriation led to a reduction in the annual deficit in Fiscal Year 2007; however, since that time the state appropriation has declined by over $4.0 million and the number of credit hours has continued to rise exponentially, resulting in an increase in the annual deficit. In Fiscal Year 2015, an estimated increase in reimbursable credit hours of over 70,000 coupled with level state funding will lead to a record deficit estimated at nearly $370.1 million.

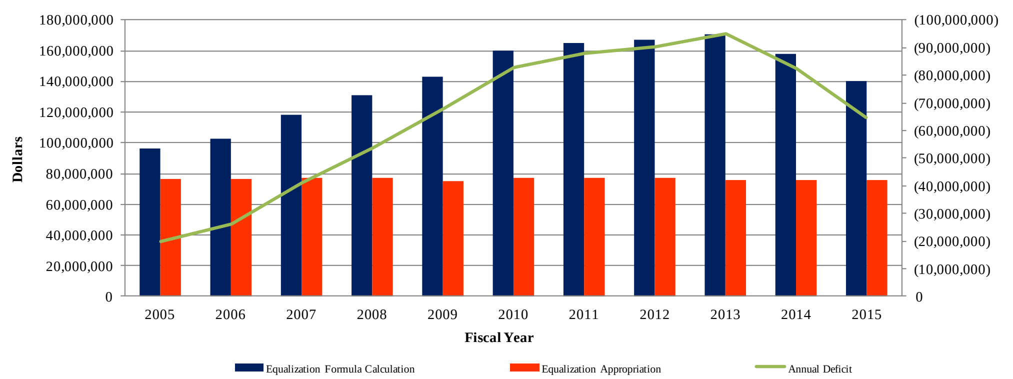
Exhibit 12
Credit Hour Grant Funding History



Source: Illinois Community College Board

The Equalization Grant is designed to assure that community college districts with a limited tax base have access to the funds necessary to support educational programs. A threshold, or foundation, of expected local property tax revenues per student is the basis of equalization funding; any community college district below the threshold is eligible for an equalization grant. As with funding for base operating grants, funding for equalization grants has failed to keep pace with the calculated need and the equalization formula has been prorated. As illustrated by Exhibit 13, funding for the equalization formula has remained relatively unchanged while equalization formula calculations have risen through Fiscal Year 2013 and the annual funding deficit has grown. In both Fiscal Year 2014 and 2015, the annual deficit declined significantly yet equalization grants remain underfunded by an estimated 46.1 percent, resulting in a deficit of $64.7 million.

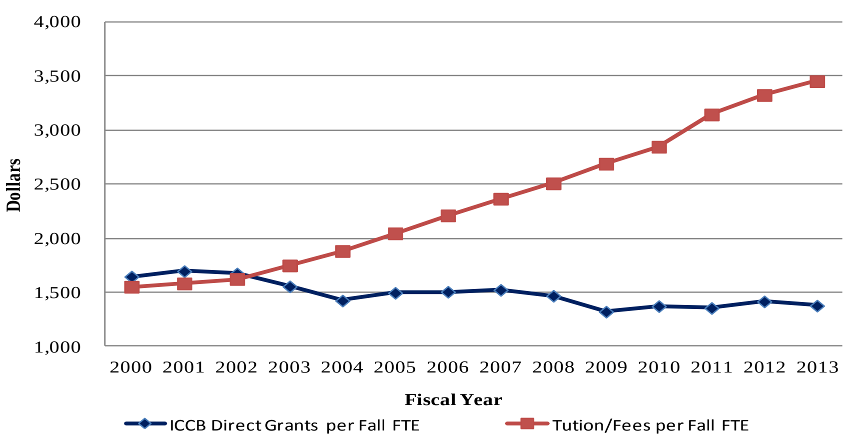
Exhibit 13
Equalization Funding History



Source: Illinois Community College Board

Exhibit 14 demonstrates the relationship between state appropriations and tuition and fees at community colleges. As illustrated by the exhibit, direct grants per full-time equivalent (FTE) student at community colleges declined rapidly between Fiscal Years 2002 and 2004, and from Fiscal Year 2004 to Fiscal Year 2007 increased only slightly. Direct grants per FTE once again declined to historical lows in Fiscal Year 2009 followed by only slight growth in recent Fiscal Years. As state support declined in Fiscal Year 2002, so began a steady yearly increase in student tuition and fees.

Exhibit 14
Total ICCB Direct Grants vs. Student Tuition/Fees



Source: Illinois Community College Board records.

Student Aid. Exhibit 15 includes appropriations to the major grant programs administered by ISAC. The total Fiscal Year 2015 appropriation of $385.3 million is a decrease of $39.7 million, or 9.3 percent, from Fiscal Year 2010. This reduction is largely due to cuts in state funding for need-based financial aid (MAP) and the elimination several grant programs, most notably IVG, ING and Illinois Incentive for Access (IIA) programs. The Fiscal Year 2015 appropriation is $1.1 million more than Fiscal Year 2014 and reflects a new allocation to fund outreach, research, and training.

Exhibit 15
State Funding Support for Illinois Student Assistance Commission Programs
Fiscal Years 2002, 2010, 2014, and 2015

(in thousands of dollars)

	FY2002 Approp.	FY2010 Approp.	FY2014 Approp.	FY2015 Approp.	FY2010 to FY2015 Dollar Change	FY2010 to FY2015 Percent Change	FY2014 to FY2015 Dollar Change	FY2014 to FY2015 Percent Change
Illinois Student Assistance Commission								
Monetary Award Program (MAP)	$ 367,528.3	$ 398,521.1	$ 373,198.1	$ 373,254.5	$ (25,266.6)	(6.3) %	$ 56.4	0.0 %
Silas Purnell Illinois Incentive for Access	7,200.0	4,800.0	-	-	(4,800.0)	(100.0)	-	-
Illinois Veteran Grants	20,000.0	5,750.0	-	-	(5,750.0)	(100.0)	-	-
National Guard Grants	4,500.0	4,400.0	-	-	(4,400.0)	(100.0)	-	-
Other Grant Programs	18,020.0	11,560.0	11,067.6	11,067.6	(492.4)	(4.3)	-	-
ISAC Administration	6,504.0	-	-	1,020.7	1,020.7	-	1,020.7	-
Total	**$ 423,752.3**	**$ 425,031.1**	**$ 384,265.7**	**$ 385,342.8**	**$ (39,688.3)**	**(9.3) %**	**$ 1,077.1**	**0.3 %**

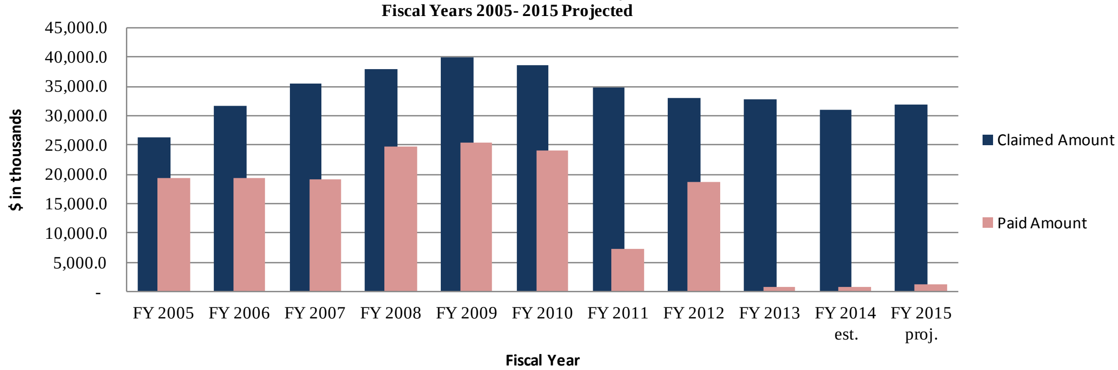
For Fiscal Year 2015, funding for MAP totals $373.3 million, an increase of $56,400, an essentially level appropriation. The current MAP funding level remains far below previous appropriation levels driven largely by a decrease of $52.9 million, or 12.5 percent in Fiscal Year 2013. This dramatic reduction partially due to the loss of $33.5 million in one-time revenue from the Student Loan Operating Fund and a loss of $4.0 million in federal Leveraging Educational Assistance Partnership (LEAP) funds. Additionally, MAP was cut $17.2 million in Fiscal Year 2012, erasing earlier MAP funding gains.

In spite of level funding for Fiscal Year 2015, ISAC suspended award announcements on February 28, 2014, resulting in the earliest suspension date since the creation of the MAP program. As of June 26, 2014, ISAC has suspended 86,673 eligible MAP applications. In total, ISAC projects approximately 159,000 eligible MAP applications will go unfunded because of the suspension date, which is a slight improvement from the estimated $165,492 eligible applications suspended in Fiscal Year 2014. The earlier suspension date tends to disproportionately affect community colleges students, as many that are independent students that tend to apply late for college and financial aid. In Fiscal Year 2015, ISAC projects that of the approximately 159,000 eligible MAP applications suspended, 114,000 are from community colleges.

Exhibit 15 also reflects a significant decrease in funding for ISAC's other scholarship and grant programs, as well as the elimination of state support for agency administration. From Fiscal Year 2005 through Fiscal Year 2013 the agency paid all administrative expenses from federal revenues. In Fiscal Year 2014, in anticipation of cuts to ISAC's federal revenue stream, ISAC was permitted to use up to two percent of the MAP appropriation to fund administrative costs for the program. ISAC elected not to use the full two percent for administrative expenses as the federal government's proposed cuts were not approved until late December 2013. The federal budget cuts the rehabilitation retention rate for student loans effective July 1, 2014, the first day of State Fiscal Year 2015. This rate is the portion of a rehabilitated student loan that a guaranty agency like ISAC is allowed to keep when it successfully helps a borrower to rehabilitate a loan. ISAC receives 32.0 percent of the value of the loan, which makes up the agency's largest single source of revenue. Under the new federal budget, this rate has been reduced by 60.0 percent, which ISAC estimates could reduce the agencies Fiscal Year 2015 revenues by as much as $13.0 million compared to the previous Fiscal Year. The Fiscal Year 2015 budget provides a new allocation of $1.0 million to fund outreach, research, and training to continue efforts previously supported entirely through federal revenue sources. While the budget did not include new state support for agency operations as requested by ISAC, the MAP appropriation language expands the two percent allowance for administrative support to include the agency's "administrative and operational costs" – the Fiscal Year 2014 authority only applied to MAP administration.

One program particularly hard hit is the IVG program, which experienced a reduction in state funding from $19.25 million in Fiscal Year 2009 to $6.0 million in Fiscal Year 2012 (with no funding in Fiscal Year 2011). In Fiscal Year 2013, funding for both the IVG and ING programs was once again eliminated. Community colleges and universities are required to waive tuition and fees for qualified veterans regardless of state funding. Fiscal Year 2001 was the last time in which claims submitted to ISAC from public colleges and universities were fully paid. As shown in Exhibit 16, public college and university claims have increased significantly through Fiscal Year 2009 before declining over the last five fiscal years to roughly the same claim level as that of Fiscal Year 2006. While claim levels have decreased over the last five years, payment of claims by ISAC has also declined. Likewise, over $7.2 million first appropriated in Fiscal Year 2008 to pay claims throughout the community colleges system has dwindled to $1.2 million in Fiscal Year 2015 allocated to designated colleges. Fiscal Year 2015 claims are projected to increase slightly at a time when no state funding is available to pay those claims. In Fiscal Year 2015, colleges and universities will waive over a projected $30.6 million for the IVG program.

Exhibit 16
Illinois Veteran Grant Claims and Payments
Fiscal Years 2005- 2015 Projected



Includes direct appropriation to ICCB for reimbursement of community colleges beginning in FY 08.
Source: Illinois Student Assistance Commission.

In addition to outright shortfalls, MAP has been unable to keep up with increases in tuition and fees. The MAP formula takes into account a cost of living allowance, tuition and fee rates, a maximum award amount, and an expected family contribution (EFC). Since Fiscal Year 2001, the EFC cap as remained at 9,000 and since Fiscal Year 2002 the cost of living allowance has remained at $4,875. Tuition and fee rates from Fiscal Year 2004 are still used to represent costs in the Fiscal Year 2015 formula. In addition, the maximum paid award has not increased since Fiscal Year 2002 (the maximum statutory award was increased by PA 95-0917 in 2008, but funding was not provided to implement the new maximum). Updating these components of the formula would be expensive; for example, according to ISAC incorporating current tuition, fees, and Pell amounts would require an additional $43.0 million. Given early suspense dates, ISAC's preference has been to keep the formula components consistent to enable more students to receive grants. However, as shown in Exhibit 17, the percentage of eligible awards paid has decreased from a peak of 62.2 percent in Fiscal Year 2006 to 37.1 percent in Fiscal Year 2014.

Exhibit 17
MAP Historical Award Summary
FY 2003 - FY 2013

Academic Year		Maximum Award	Effective Award *	Mean Award	# of Announced Eligible Awards	% of Eligible Awards Paid
2002-2003		$4,968	$4,720	$2,539	214,179	61.6%
2003-2004		$4,968	$4,471	$2,355	236,631	59.5%
2004-2005		$4,968	$4,471	$2,198	241,024	62.5%
2005-2006		$4,968	$4,521	$2,365	236,168	62.2%
2006-2007		$4,968	--	$2,613	236,306	62.1%
2007-2008		$4,968	--	$2,637	239,455	60.8%
2008-2009		$4,968	--	$2,662	259,333	55.6%
2009-2010		$4,968	--	$2,762	314,198	45.0%
2010-2011		$4,968	$4,844	$2,740	351,188	40.2%
2011-2012		$4,968	$4,720	$2,599	369,674	41.1%
2012-2013		$4,968	$4,720	$2,630	377,207	37.4%
2013-2014	**	$4,968	$4,720	$2,727	367,890	37.1%

* reduction factor applied to awards

** nearly final

Source: Illinois Student Assistance Commission

Exhibit 18 provides a historical perspective of MAP eligible applicants by sector over the last decade. With the exception of a slight 3.4 percent bump in Fiscal Year 2009, MAP eligible application volumes remained relatively stable through Fiscal Year 2009. As the country entered a period of economic recession, eligible application volumes rose significantly in Fiscal Year 2009 through 2011 before only recently stabilizing once again. While not final, it appears that Fiscal Year 2014 eligible applications will be about 2.5 percent lower than Fiscal Year 2013, the first year-to-year decline in volume in the last ten years. Between Fiscal Years 2004 and 20014, community colleges had the largest increase in the percentage of eligible MAP applications (47.0 percent) while private not-for-profit institutions saw the smallest increase in percentage of eligible applications (15.3 percent). Over the last decade, MAP eligible applications were up for all sectors 131,271, or 35.7 percent.

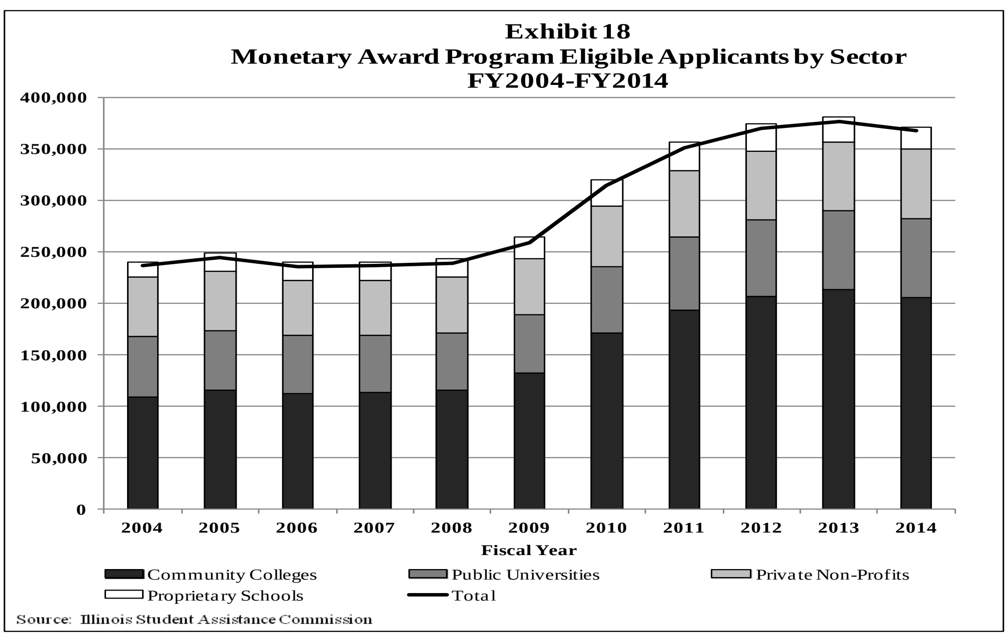
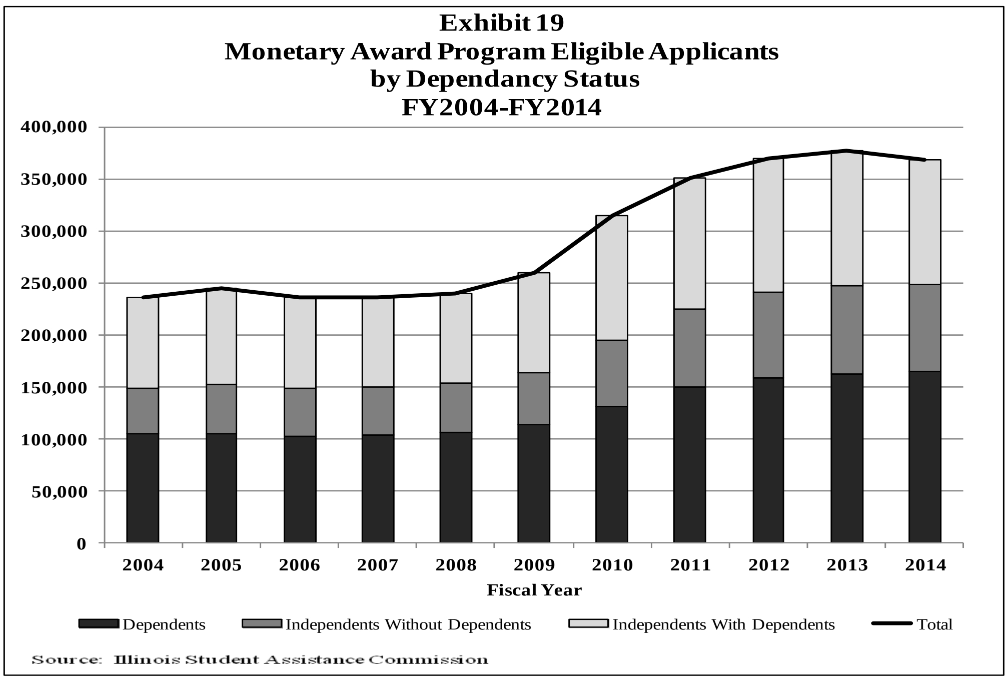


Exhibit 19 provides the distribution of MAP-eligible applications between dependent students, independent students without dependents, and independents students with dependents over the last decade. MAP application volume is affected by demographic and economic conditions that very over time. While projections from the National Center for Education Statistics indicates the number of Illinois high school graduated increased 10.0 percent between 2004 and 2012, the number is expected to decline before rising slightly near the end of this decade. Likewise, the proportion of Illinois students from low-income famiies is on the rise, resulting in more dependent students qualifying for need-based aid. The number of independent students applying for aid typically depends on the economy – as unemployment increases independent students turn to higher education in larger numbers and MAP application volumes increase. Between Fiscal Years 2004 and 2014, MAP eligible applications from dependent students increased 36.8 percent, eligible applications from independents with dependents increased 26.5 percent, and independents without dependents increased 46.6 percent. However, as Illinois' unemployment rate has declined over the past year, so has the number of eligible MAP applications from independent students, a decline of 6.1 percent between Fiscal Year 2013 to 2014. The number of MAP eligible applications from dependent students continues to climb.



Institutional Grants and Higher Education Agencies. Exhibit 20, on the following page, shows that institutional grant programs administered by the IBHE have declined approximately 22.9 percent since Fiscal Year 2010. Many programs are no longer funded by the state, including the Illinois Financial Assistance Act Grants, State Matching Grants, Engineering Equipment Grants, Higher Education Cooperation Act Grants, and Health Service Education Act Grants. Two of these grant programs, the Illinois Financial Assistance Act Grants and Heath Service Education Act Grants, benefited independent colleges and universities exclusively. In Fiscal Year 2014, appropriations for IBHE administered grant programs increased $1.6 million, or 23.3 percent, largely driven by additional funding for Nurse Educator Fellowships, Chicago Area Health and Medical Careers Program (CAHMCP), and Grow Your Own. The Fiscal Year 2014 budget also provided $434,000 in new funding to IBHE for continued efforts to implement the Illinois Longitudinal Data system. In Fiscal Year 2015, IBHE administrated grant program were maintained at previous fiscal year levels.

One notable exceptions to the enduring reductions experienced by higher education since Fiscal Year 2010 has been the Illinois Mathematics and Science Academy (IMSA), which saw its appropriation remain relatively stable. Unlike public universities that also rely on tuition revenues and community colleges that rely on tuition and local tax revenues, IMSA's primary source of revenue is state general funds.

Exhibit 20
State Funding Support for Institutional Grant Programs and Agencies
Fiscal Years 2002, 2010, 2014, and 2015

(in thousands of dollars)

					FY2010 to FY2015		FY2014 to FY2015	
	FY2002 Approp.	FY2010 Approp.	FY2014 Approp.	FY2015 Approp.	Dollar Change	Percent Change	Dollar Change	Percent Change
Institutional Grant Programs								
Illinois Financial Assistance Act Grants	$ 22,169.1	$ -	$ -	$ -	$ -	- %	$ -	- %
Illinois Century Network	16,000.0	-	-	-	-	-	-	-
Graduation Incentive Grants	75.0	-	-	-	-	-	-	-
University Center of Lake County	1,025.0	1,716.0	1,200.0	1,200.0	(516.0)	(30.1)	-	-
Quad Cities Graduate Study Center	220.0	130.0	83.9	83.9	(46.1)	(35.5)	-	-
Diversifying Higher Education Faculty in Illinois	2,000.0	1,640.0	1,490.0	1,490.0	(150.0)	(9.1)	-	-
Competitive Nursing School Grants	-	880.0	425.0	425.0	(455.0)	(51.7)	-	-
Nurse Educator Fellowships	-	180.0	224.3	224.3	44.3	24.6	-	-
Access and Diversity, HECA Grants	7,084.6	-	-	-	-	-	-	-
Health Services Education Grants	18,263.3	-	-	-	-	-	-	-
State Matching Grants	10,000.0	-	-	-	-	-	-	-
Illinois Longitudinal Data System (ILDS)	-	205.0	434.0	434.0	229.0	-	-	-
STEM Diversity Grants	-	590.0	1,575.6	1,575.6	985.6	-	-	-
u.Select System	-	230.0	208.4	208.4	(21.6)	-	-	-
Advanced Photon Source	3,000.0	-	-	-	-	-	-	-
Engineering Equipment Grants	2,800.0	-	-	-	-	-	-	-
Medical Scholarship Program (IDPH)*	3,445.0	-	-	-	-	-	-	-
Cooperative Work Study Grants	2,100.0	1,230.0	1,114.5	1,114.5	(115.5)	(9.4)	-	-
Grow Your Own Teacher **	-	-	1,500.0	1,500.0	1,500.0	-	-	-
State Geological Survey	1,600.0	-	-	-	-	-	-	-
Career Academies	675.0	-	-	-	-	-	-	-
Workforce and Econ. Development, HECA Grant	3,319.0	-	-	-	-	-	-	-
Washington Center Internship Program	-	-	100.0	100.0	100.0		-	-
Teaching, Learning, and Quality, HECA Grants	3,480.0	-	-	-	-	-	-	-
Total	**$ 97,256.0**	**$ 6,801.0**	**$ 8,355.7**	**$ 8,355.7**	**$ 1,554.7**	**22.9 %**	**$ -**	**- %**
Agencies/Other Institutions								
Illinois Mathematics and Science Academy	$ 16,526.7	$ 18,216.4	$ 18,445.5	$ 18,445.5	$ 229.1	1.3 %	$ -	- %
State Universities Civil Service System	1,441.2	1,276.2	1,205.0	1,202.5	(73.7)	(5.8)	(2.5)	(0.2)
Illinois Board of Higher Education	3,277.2	2,976.0	2,701.0	2,695.3	(280.7)	(9.4)	(5.7)	(0.2)

* Medical Scholarship Program transferred to the Illinois Department of Public Health in FY 2009
** Grow Your Own Teacher transferred from the Illinois State Board of Education in FY 2011

Capital Improvement Funding Trends

In Fiscal Year 2010, the Governor and the General Assembly approved the $31 billion *Illinois Jobs Now!* capital program that included more than $1.6 billion in new appropriations for nearly 120 higher education capital construction and renovation projects. While appropriations were approved for these projects, the actual release of funding was not immediately forthcoming due to the lack of available bond proceeds and the limited amount bonding authority authorized for Fiscal Year 2010. Due to these limitations, the GOMB implemented a roll-out plan to fund the new capital projects over the course of several years.

As illustrated by Exhibit 21 on the following page, due to the multiple-year nature of the *Jobs Now!* capital plan, the General Assembly did not appropriate any new funds for capital in Fiscal Year 2011, Fiscal Year 2012, or Fiscal Year 2013. In Fiscal Year 2014, no large scale capital funding was approved; however, $3.95 million in new capital funding was appropriated through grants to IMSA, South Suburban Community College, St. Augustine College, and Aurora University. In Fiscal Year 2015, $255,000 was appropriated via grants from the Department of Commerce and Economic Opportunity for small higher education capital projects. Once again, no large scale capital plan was approved.

During this time period, re-appropriation bills have been passed which allow capital funds to be released to support projects that were appropriated in Fiscal Year 2010. After failing to provide an increase in bond authorization limits for higher education capital projects in Fiscal Year 2013, the General Assembly authorized an increase of approximately $360.0 million in bonding authority for Fiscal Year 2014 to support state capital projects including higher education. As of April 30, 2014, $1.2 billion out of a total appropriation of $1.6 billion has been released for higher education capital projects. IBHE staff will continue to work with institutions, the Capital Development Board (CDB), and the GOMB regarding higher education capital priorities and the release of funds.

Exhibit 21
Higher Education Capital Improvements
Fiscal Year 2010 - Fiscal Year 2015

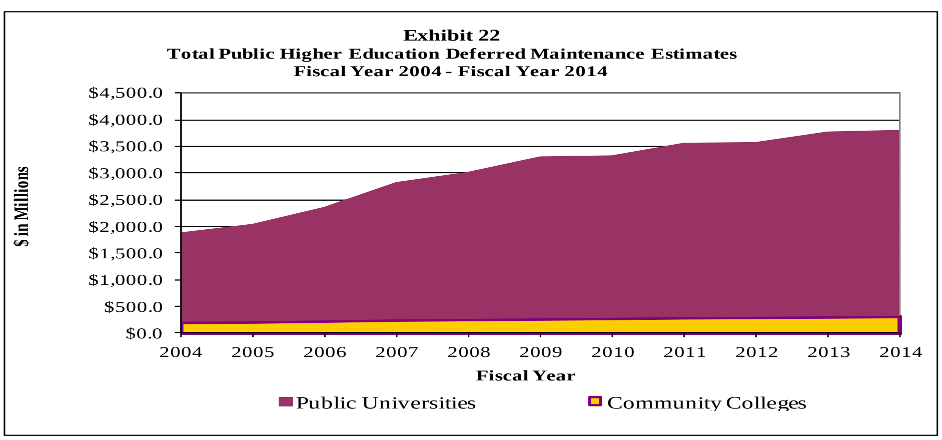
(in thousands of dollars)

Fiscal Year	Requests Submitted to IBHE	IBHE Recommendation	Final Appropriations
2010	2,302,549.2	890,713.7	1,638,475.3
2011	1,941,166.5	+	-
2012	2,306,732.0	1,463,095.6	-
2013	2,330,033.0	1,553,854.0	-
2014	3,777,744.4	1,543,509.4	3,950.0
2015	3,847,553.9	1,546,555.6	255.0

+ In FY2011, the IBHE recommended the authorization and release of funds 'appropriated in FY2010.

Source: IBHE records.

Lack of capital appropriations prevent colleges and universities from constructing new facilities to meet enrollment and programmatic needs, forcing institutions to crowd classrooms and laboratories and preventing them from meeting student demand for courses and services, but it also affects existing facilities. The state has made a significant investment over time in higher education facilities and the Board's Committee on Statewide Capital Policies and Priorities reaffirmed in April 2004 that the IBHE would give high priority to protecting that investment. As illustrated by Exhibit 22, the backlog in deferred facilities maintenance at public universities and community colleges was estimated to be over $3.8 billion in Fiscal Year 2014, an increase of $1.9 billion since Fiscal Year 2004. Lack of capital appropriations and the growing deferred maintenance problem has led nearly all universities to assess students a campus improvement or facilities maintenance fee, which has a direct effect on affordability. The *Illinois Jobs Now!* program will reduce the deferred maintenance backlog to some degree but the colleges and universities will require years of sustained funding to reduce the backlog to a manageable level.



Source: University responses to IBHE technical questions; ICCB

Illinois Funding Trends in a Regional and National Context

Illinois' recent financial difficulties and the measures taken to deal with them have not been unique. Nearly all states were adversely affected by the economic downturn of the early 2000s and again near the end of the last decade. While most all states have begun to recover from the latest economic downturn, these states continue to face difficult financial choices. Despite recent efforts in many states to minimize cuts to Higher education, funding remains below Fiscal Year 2009 levels.

Exhibit 23 shows that the changes in state operating support for higher education in nine Midwestern states (including Illinois) and all states combined. Looking back over the past decade, most Midwestern states have fared worse than the total of all states combined; although more recently, most Midwestern states have improved relative to all states combined. Illinois (as a result of funding for SURS) has experienced significantly higher growth in state support than the Midwest and national average. State support includes all operating appropriations of state tax funds (not expenditures) for higher education institutions, agencies, and financial aid, plus expenditures made on behalf of higher education by other agencies (for example, state group health insurance). Appropriations made to SURS are included in the Illinois figures and account for much of the variation in Fiscal Years 2009 through 2014. Since Fiscal Year 2009, appropriations to SURS have increased over $1.1 billion. Revised Fiscal Year 2014 appropriations and Fiscal Year 2015 appropriations should be available by January 1, 2015.

Exhibit 23

State Support for Higher Education
Nine Midwestern States and All States for Fiscal Years 2004 through 2014
(In Thousands of Current Dollars)

States	2004	2009 [1]	2012 [1]	2013	2014	1-yr Change	2-yr Change	5-yr Change	10-yr Change
Illinois	**2,701,159**	**3,021,929**	**3,594,470**	**3,566,692**	**4,082,979**	**14.5%**	**13.6%**	**35.1%**	**51.2%**
Indiana	1,360,318	1,639,107	1,549,460	1,555,283	1,701,417	9.4%	9.8%	3.8%	25.1%
Iowa	737,752	914,195	740,352	787,420	823,333	4.6%	11.2%	-9.9%	11.6%
Kentucky	1,104,797	1,284,098	1,237,558	1,187,656	1,180,322	-0.6%	-4.6%	-8.1%	6.8%
Michigan	1,984,293	2,046,066	1,549,733	1,608,825	1,669,525	3.8%	7.7%	-18.4%	-15.9%
Minnesota	1,287,455	1,556,963	1,285,041	1,285,247	1,394,503	8.5%	8.5%	-10.4%	8.3%
Missouri	838,596	1,108,459	933,329	942,816	967,123	2.6%	3.6%	-12.8%	15.3%
Ohio	2,071,035	2,474,063	2,013,731	2,050,123	2,096,296	2.3%	4.1%	-15.3%	1.2%
Wisconsin	1,114,812	1,292,041	1,107,424	1,163,257	1,114,018	-4.2%	0.6%	-13.8%	-0.1%
Midwest Totals	**13,200,217**	**15,336,920**	**14,011,097**	**14,147,318**	**15,029,515**	**6.2%**	**7.3%**	**-2.0%**	**13.9%**
National Totals	**60,788,467**	**79,458,925**	**72,001,057**	**72,156,979**	**76,238,167**	**5.7%**	**5.9%**	**-4.1%**	**25.4%**

[1] Includes Federal Stimulus Monies under the American Recovery and Reinvestment Act of 2009 (Education Stabilization & Government Services funds).
Education Stabilization Funds used to restore the level of state support for public higher education.
Government Services Funds exclude funds used for modernization, renovation, or repair.

Source: FY2014 Grapevine 50-State Summary, Illinois State U. Center for the Study of Education Policy

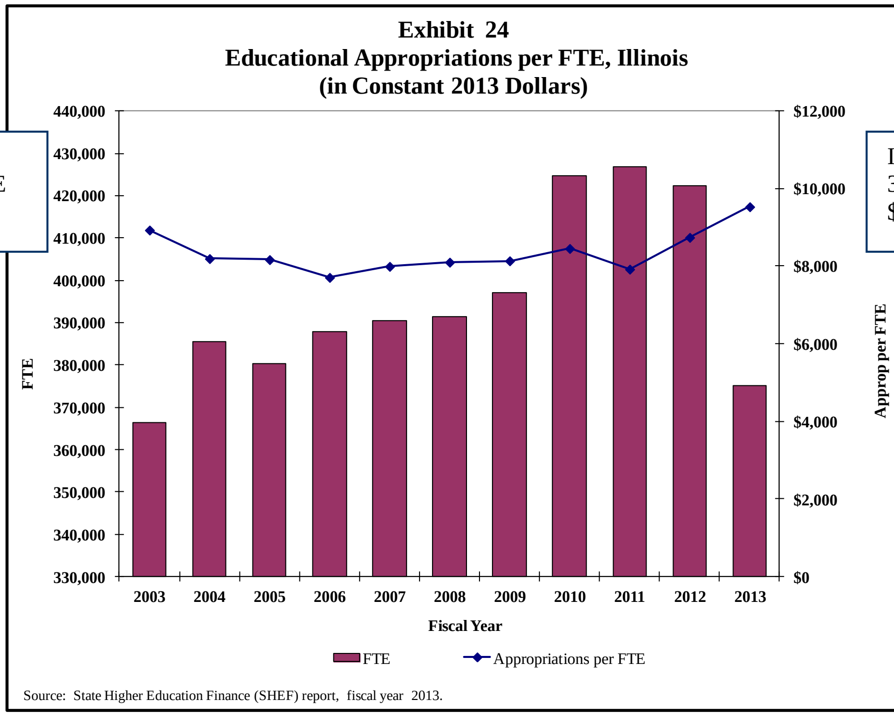
Exhibits 24 and 25 on the following page, created from data collected by the State Higher Education Executive Officers for its annual *State Higher Education Finance* report, show recent state and local appropriations for public higher education on a full-time-equivalent (FTE) student basis adjusted for inflation.[5] Appropriations per FTE in Illinois increased 7.0 percent between Fiscal Years 2003 and 2013, largely due to a significant drop in net FTE in Fiscal Year 2013. For

[5] The appropriations are adjusted to remove research, medical, and agricultural extension funding; capital funding; and financial aid to students attending independent colleges and universities. They are also adjusted by an inflation index designed to approximate the "higher education market basket" rather than the market basket of the typical urban consumer (CPI-U). Appropriations to SURS are included.

all prior years, appropriations per FTE remained below the Fiscal Year 2003 high level. In the nation as a whole, appropriations per FTE fell 22.0 percent between Fiscal Years 2003 and 2013. Illinois' appropriations per FTE continue to be above the national average; however, enrollment growth over that period is far less than enrollment growth nationally.

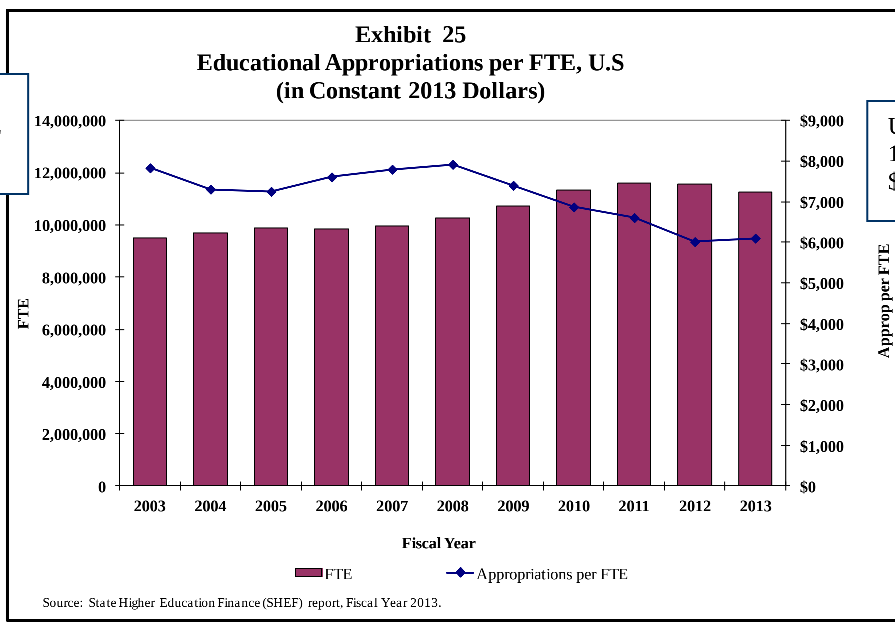
IL 2003:
366,296 FTE
$8,931/FTE

IL 2013:
375,190 FTE
$9,532/FTE



US 2003:
9,503,868 FTE
$7,838/FTE

US 2013:
11,281,810 FTE
$6,105/FTE



Fiscal Context

In January 2011, P.A. 96-1496 increased the individual and corporate income tax rates for the first time in many years. Under the law, the individual income tax rate temporarily increases from 3% to 5% in tax years 2012 – 2014, falling to 3.75% and in tax year 2015 and 3.25% in tax year 2025. The corporate income tax rate temporarily increases from 4.8% to 7% in tax year 2011, falling to 5.25% in tax year 2015 and 4.8% in tax year 2025. The law also establishes state spending limitations as follows: Fiscal Year 2012 – $36.818 billion; Fiscal Year 2013 – $37.554 billion; Fiscal Year 2014 – $38.05 billion; and Fiscal Year 2015 – $39.072 billion. The tax increases are void if the state exceeds spending limits.

On June 30, 2014, the Governor took final action on the series of appropriation bills passed by the General Assembly including HB 6094, the state budget for higher education. Overall, the Fiscal Year 2015 state budget totals $35.7 billion in general funds. Of the total budget, $2.0 billion is appropriated for higher education operations and grants. For most institutions and programs this maintains the appropriations for higher education at the Fiscal Year 2014 level.

Anyone involved in or funded by state government is aware that the fiscal context in Illinois has been extremely challenging in recent years. Illinois has the lowest credit rating of any of the 50 states from Moody's, A3 with negative outlook. Despite these challenges, the state has experienced some good news over the last year. Illinois employers added 64,100 jobs in calendar year 2013 and over the next three years the State's economy is expected to continue to improve through added jobs and increased retails sales and corporate profits. Furthermore, HIS Global Insight, a leading economic forecasting firm, predicts Illinois' economic recovery to accelerate with growth rates of 2.3 percent and 2.5 percent in Fiscal Years 2015 and 2016 respectively.[6]

CGFA's *Monthly Briefing* (June 2014) reported that overall Fiscal Year 2014 general revenues grew $654.0 million, or 1.8 percent. Much of this revenue growth was aided by strong sales tax performance; finishing up $321 million, one-time deposits of court settlement proceeds and prior year overpayments to the State Employees Retirement System. While gross personal income taxes only grew $65.0 million, underlying strong performance was hidden by the spring falloff related to the previous year's "April Surprise." Underline good performance in gross corporate income taxes was also masked by the impact of last year's "April Surprise" as receipts fell $39.0 million. Fiscal Year 2014 marks the fourth consecutive year of general funds revenue growth. Despite projections for modest employment gains and sales tax growth in Fiscal Year 2015, Illinois' general funds revenue is expected decline $2.2 billion as a result of the sunset of current personal and corporate income tax rates on January 1, 2015. Unless the legislature takes action during veto session or the lame-duck session in January to extend current income tax rates, Fiscal Year 2016 revenue losses are expected to nearly double to around $5.0 billion. Exhibit 26, on the following page, provides actual revenues to the general funds for Fiscal Years 2005 through 2014 and estimated Fiscal Year 2015 revenues.

[6] Governor's Office of Management and Budget, *Illinois' Economic and Fiscal Policy Report*, January 1, 2014.

Exhibit 26

General Funds Revenues
Fiscal Years 2005 through 2015

(in millions of dollars)

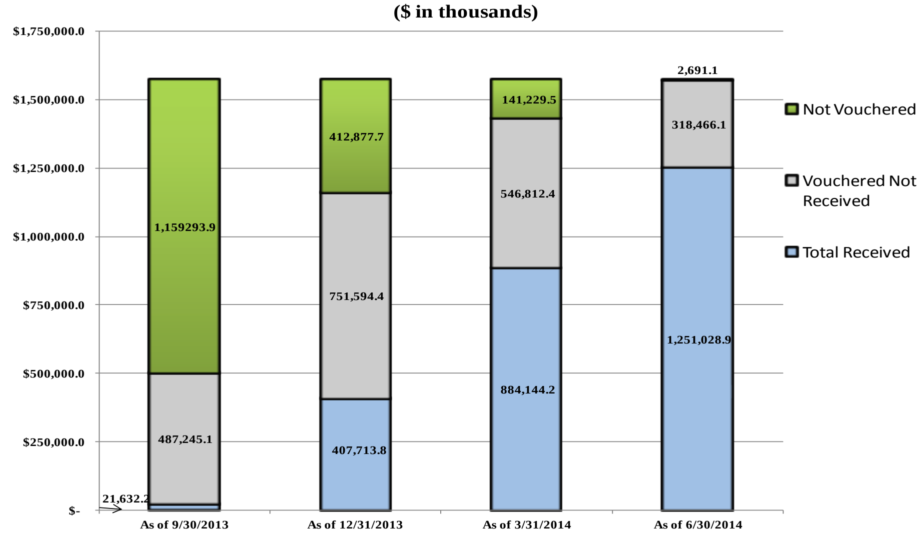
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
State Taxes	20,508	21,818	23,078	24,152	22,343	20,494	24,422	30,187	32,493	32,925	30,865
$ Increase	-	1,310	1,260	1,074	(1,809)	(1,849)	3,928	5,765	2,306	432	(2,060)
% Increase	-	6.4%	5.8%	4.7%	-7.5%	-8.3%	19.2%	23.6%	7.6%	1.3%	-6.3%
General Funds*	26,160	27,359	28,640	29,659	29,144	27,090	30,488	33,797	36,064	36,718	34,495
$ Increase	-	1,199	1,281	1,019	(515)	(2,054)	3,398	3,309	2,267	654	(2,223)
% Increase	-	4.6%	4.7%	3.6%	-1.7%	-7.0%	12.5%	10.9%	6.7%	1.8%	-6.1%

* Includes state taxes (net of personal and corporate income tax refunds), transfers, and federal sources. Does not include short-term borrowing and related transfers, Budget Stabilization Fund transfers, and Pension Contribution Fund transfers.

Sources: Commission on Government Forecasting and Accountability - Senate Appropriations I & II Joint Committee Hearing Economic and Revenue Outlook, February 19, 2014 and Monthly Briefing, June 2014.

In Fiscal Year 2010, Illinois' faced a backlog of unpaid bills of $9.9 billion and lengthy payment delays to everyone from state vendors to public universities and community colleges. According to GOMB, Illinois enters Fiscal Year 2015 with an estimated total backlog of unpaid bills of $3.9 billion, the lowest point in five years. The total backlog includes $2.4 billion in unpaid bills submitted to the Comptroller's office and $1.4 million in group health insurance bills. While the backlog of unpaid bills at the Comptroller's office has dropped, it is unlikely to continue to improve dramatically over the next 12 months. As the State enters Fiscal Year 2015, the sunset of temporary income tax rates during the second half of the fiscal year, without corresponding cuts in spending, threaten to significantly raise the backlog of unpaid bills. According to GOMB's three-year budget projections released in January, the backlog of unpaid bills would almost triple to $16.2 billion by Fiscal Year 2017. In a recent article in Crain's Chicago Business (June 3, 2014), Moody's Investor Services reports, "renewed growth in the backlog could put financial pressure on rated entities, such as public universities awaiting payment from the state." As of June 30, 2014, public universities were owed a total of $284.7 million and community colleges were owed $33.8 million in state payments (see Exhibit 27). It is likely that final Fiscal Year 2014 payments to public universities and community colleges won't be received until the end of September, delaying the receipt of Fiscal Year 2015 payments.

Exhibit 27
Fiscal Year 2014 Public University & Community College General Funds Payments
($ in thousands)



Source: IBHE records.

Although it is early in the state's Fiscal Year 2016 budget development process, the expiration of the temporary income tax rates will continue to play a significant role in budget deliberations among the Governor, General Assembly, and others throughout the fall veto session and into next spring. Additionally, the major spending pressures impacting the state budget in recent years will continue to play a significant role in budget deliberations. These perennial spending pressures include funding for Medicaid; other healthcare programs, including the State Employees' Group Insurance program; and K-12 education. Recent trends in program cost increases, service levels, and other factors in each of these areas suggest that they will once again have the potential to place significant demands on existing state revenues. On December 5, 2013, the Governor signed P.A. 98-0599, which seeks to eliminate the State's $100 billion unfunded pension liability over 30 years through a series of reforms and cost savings measures. This Act translates into savings of $1.1 billion in employer contributions for Fiscal Year 2016 for the state retirement systems.[7] Nearly $207.4 million of the estimated $1.1 billion in savings is for the State Universities Retirement System. However, the pension reform law is currently tied up in litigation and its future is unknown. Should P.A. 98-0599 be declared unconstitutional, lawmakers would once again be looking for ways to reduce the state's significant pension burden, including a possible shift of pension costs to local school districts, community colleges, and public universities.

Fiscal Year 2016 Budget Recommendations and the *Public Agenda*

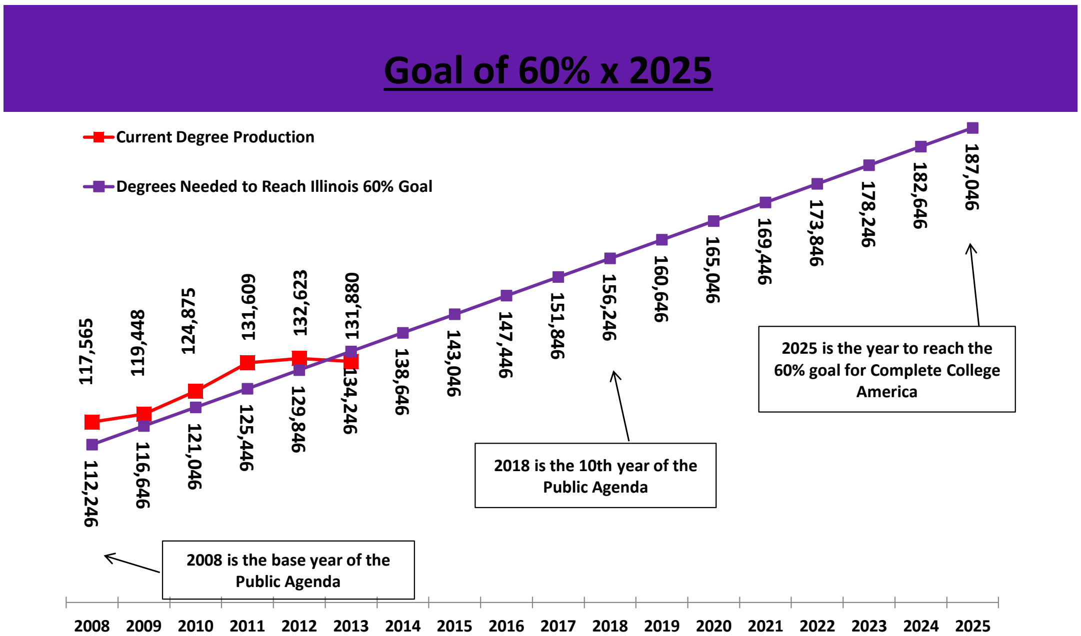
A well-educated workforce is important to all Illinoisans and to the Illinois economy. This is a vision of the Illinois Board of Higher Education's strategic plan, the *Illinois Public Agenda for College and Career Success*, adopted in December 2008. Higher education provides for socioeconomic advancement and for greater mobility among aspiring individuals. Equally important, businesses increasingly require a highly skilled workforce to meet the demands of a competitive global economy. The demand for better educated and skilled employees for the Illinois economy continues to increase. By 2018, an estimated 64 to 71 percent of the jobs in Illinois will require some form of postsecondary education.[8] Today, Illinois is a bit ahead of the nation with just more than 39.3 percent of residents ages 25-64 with an associate's degree or higher. This rate is slightly better than the national average (37.1 percent) but not sufficient to sustain a competitive economy in the future.

Illinois responded to the college completion challenge by committing to the Goal of 60 x 2025 with the help of Complete College America (CCA). Illinois' goal is 60 percent of adults (25-64 years of age) with a college degree or marketable credentials by the year 2025. As illustrated in Exhibit 28 on the following page, this is an ambitious goal for which Illinois has recently lost some ground. In 2013, Illinois, for the first time since joining CCA, saw degree production lagging annual targets to meet the 60 x 2025 goal.

[7] Commission on Government Forecasting & Accountability, *Pensions: Report on the Financial Condition Of Illinois State Retirement Systems*, March 2014, pages 101 and 104.

[8] Carnevale, Anthony P., Smith, Nicole, and Strohl, Jeff. 2010. *Projections of Jobs and Education Requirements Through 2018*. Washington, D.C., Georgetown University Center on Education and the Workforce.

Exhibit 28: Illinois' Progress Towards Goal of 60 x 25



Source: IBHE and Complete College America, 2013 .

Total number of undergraduate certificates (one-year and longer), associate's degrees, and baccalaureate degrees awarded each year in Illinois compared to the annual number necessary to meet the goal of 60 X 2025.

The on-going progress in meeting the vision of a well-educated workforce requires a commitment to eliminating achievement gaps, ensuring access to an affordable education, and sustaining state support for higher education. It is widely acknowledged that higher education improves the lives of Illinoisans and provides the stimulus for a stronger economy. The goals of the *Public Agenda*, which are listed below, and the strategies adopted to achieve them have clear ramifications for state higher education funding.

Goal 1. Increase educational attainment to match best-performing U.S. states and world countries.

a. Increase success of students at each stage of the P-20 education pipeline to eliminate achievement gaps by race, ethnicity, socioeconomic status, gender, and disability.
b. Increase the number of adults, including GED recipients, reentering education and completing a postsecondary credential.
c. Reduce geographic disparities in educational attainment.

Goal 2. Ensure college affordability for students, families, and taxpayers.

a. Make Illinois one of the five most affordable states in the country to get a college education.

Goal 3. Increase the number of high-quality postsecondary credentials to meet the demands of the economy and an increasingly global society.

a. Increase the number of people with high-quality postsecondary credentials to ensure the state has an educated workforce and an engaged citizenry.
b. Improve transitions all along the education pipeline.
c. Increase the number of postsecondary degrees in fields of critical skill shortages.

Goal 4. Better integrate Illinois' educational, research and innovation assets to meet economic needs in the state and its regions.

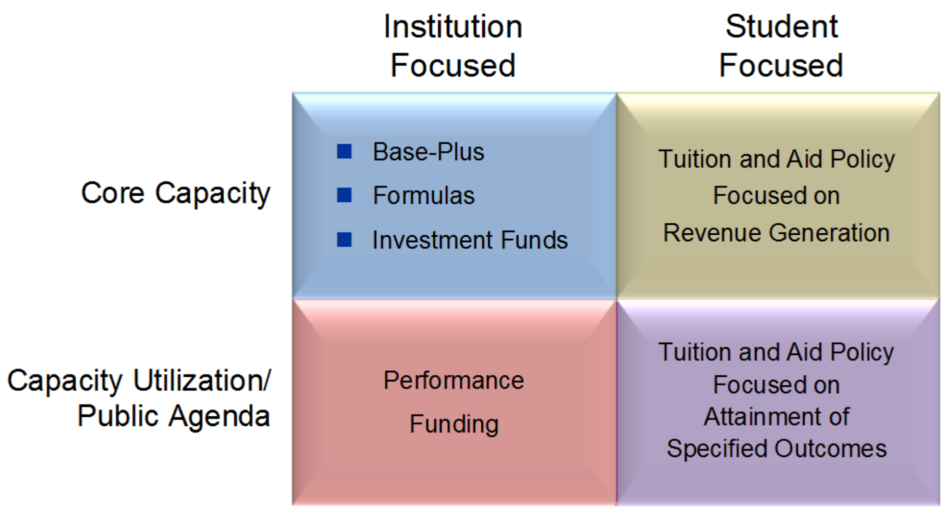
a. Boost Illinois into the ranks of the five states with the fastest growing economies.

Performance-Based Funding

The Higher Education Finance Study noted in its 2010 report that institutional funding policy in Illinois has not been directly tied to the *Public Agenda* and concludes that performance funding is a viable policy tool to align higher education finance with state goals. In response to the Commission's recommendations, Public Act 97-320 directed IBHE, beginning in Fiscal Year 2013, to form a broad-based group of individuals to devise a system for allocating State resources to public institutions of higher education based upon performance in achieving State goals related to student success and certificate and degree completion. In creating such as system, IBHE wanted to develop a model that is linked directly to the goals of the *Illinois Public Agenda* and the principles of Public Act 97-320.

The National Center for Higher Education Management Systems (NCHEMS), which assisted the Public Agenda Task Force with the development of the *Public Agenda*, provides a useful framework (Exhibit 28) for understanding how finance policy can be directed toward meeting strategic goals.

Exhibit 29: Finance Policy Options



Source: NCHEMS Consultants' Report: Developing a Public Agenda for College and Career Success, August 4, 2008.

The IBHE established the Performance Funding Steering Committee to formulate a performance based funding model based upon feedback from the vested parties involved (community colleges, public universities, elected officials, labor, community groups, etc.). The resulting performance funding models for public universities and community colleges focuses on the fundamental goal of increasing completion, rewarding performance of institutions in advancing the success of students who are academically or financially at-risk, and accounting for the unique differences of each of Illinois' public colleges and universities. The model is a dynamic model devised to capture the changes in institutional performance from year to year. The performance measures are meant to indicate the status of each of the schools on an annual basis, which allows them to adjust their practices in order to improve in certain areas as they go forward. The model takes into account the diversity of each university's student population in addition to awarding funding based on academic criteria.

Since performance funding's inception in Fiscal Year 2013, IBHE has continued to evaluate, review, and revise the performance funding model with support and guidance from the Steering Committee. Along with IBHE, the Performance Funding Refinement Committee, comprised of public university finance and research experts, was tasked with strengthening the existing performance measures and sub-categories to the extent possible or finding replacement or additional measures that capture the principles of the performance funding Act. The Committee's efforts over the past two years have generated the addition of certain measures designed to enhance efficiency, reward student progress prior to degree completion and account for transfer students. Committee discussion also produced an additional step to the model which provides for an adjustment factor for high cost entities such as hospitals, medical, dental, and veterinary schools.

The current models adopted in the IBHE's Fiscal Year 2015 Budget Recommendations provides an accurate blue print for today's higher education system based on a wide range of research, data, and input from highly credible resources. However, the Fiscal Year 2015 budget for public universities does not include the allocation of funds based on the performance funding model adopted by the Board for Fiscal Year 2015, instead funds are allocated using the previous year's performance funding model and allocations. The Fiscal Year 2015 budget does include $360,000 for allocation based on performance at community colleges, the same level as previous years.

As the Board moves forward with its budget recommendations, it will need to consider how to balance institutional needs for sufficient revenues to carry out their missions with the ability of students and families to pay for higher education and the use of performance funding to accomplish particular strategic goals such as increasing certificate and degree completion, particularly among minority and adult students. Compounding this task, the Board must remain cognizant that colleges and universities are waiting months for state funds to be disbursed to them, creating great uncertainty and strain on other revenues, notably tuition. The IBHE's Fiscal Year 2015 budget recommendations continued the *Public Agenda* implementation process by focusing state funds on core activities and targeted interventions meant to make quality higher education widely available and affordable. The Board's Fiscal Year 2016 recommendations will continue that focus on the *Public Agenda*. Many of the potential funding priorities appear in Exhibit 30 on the following page.

Exhibit 30: Align Potential Initiatives with Public Agenda Goals, Fiscal Year 2016

Goals for College and Career Success	1.) Increase Educational Attainment	a. Eliminate Achievement Gaps	b. Increase Adults Reentering Education	c. Reduce Geographic Disparities	2.) Ensure College Affordability	3.) Increase Production of Postsecondary Credentials	a. Improve Learning and Skill Levels	b. Increase Production	c. Improve Transitions (between associate and baccalaureate degree levels)	d. Critical to Illinois Economy	4.) Better Integrate Educational, Research, and Innovation Assets
Potential Initiatives for FY16											
Institutional Support for Core Capacity		x	x	x	x		x	x	x	x	x
Early Intervention and Financial Aid		x		x	x		x				
Adult Education Opportunities		x	x	x	x		x	x	x		
Application of University Research											x
Baccalaureate Completion Initiatives		x	x	x	x		x	x	x	x	
Workforce Certification and Credentialing		x	x		x		x	x		x	x
P-20 Longitudinal Data Systems		x	x	x			x	x	x		x
Faculty Diversity		x		x			x				
Dual Credit				x	x		x	x			
Student Financial Aid		x	x		x			x			
Interinstitutional Cooperation Initiatives		x	x	x					x	x	x
Nursing and Health Education Initiatives								x		x	
Research Matching Grants											x
Minority Enrollment and Completion Incentives		x		x	x		x	x	x		
School Leader & Teacher Prep		x		x			x				
Rapid Response to Employer Needs			x	x			x			x	x
Incentives for Regional Collaboration		x	x	x				x	x		x
Performance Funding		x			x		x	x	x		
Career and College Readiness		x	x		x		x	x			
GED Testing			x	x							
Transfer and Articulation		x			x			x			

Recommendation Structure

In Fiscal Year 2009, the Board departed from previous recommendations by adopting an investment-level approach offering recommendations at four different levels of investment. The investment-level approach has since been adopted each year by the Board although the numbers of levels and degrees of investment have changed each year to reflect both the Board's priorities and the state's fiscal condition. It is anticipated that Board will continue to make investment-level recommendations in Fiscal Year 2016 alongside and impacted by the refinement of performance-based funding to public colleges and universities.

Timeline

The tentative timeline and processes for the development of the Board's Fiscal Year 2016 operating and capital budget recommendations are contained in Appendix A.

Appendix A: IBHE Timelines and Processes

ILLINOIS BOARD OF HIGHER EDUCATION

Fiscal Year 2016 Budget Development Schedule Summary

2014

July 7	Distribute budget development schedules and accompanying memos
August 1	Distribute historical RAMP schedules Distribute operating and capital budget request materials Distribute technical questions
September 26	Historical RAMP submissions due back to BHE
October	Begin budget overview meetings
October 1	IMSA operating and capital requests due back to BHE
October 15	All other operating and capital requests due back to BHE Technical question responses due back to BHE
October 28	Annual Revenue and Expenditure Report due to Governor and General Assembly
November 14	Annual Sick/Vacation Leave Status Report due to Governor, Commission on Government Forecasting/Accountability, and SURS

2015

January	Discussion budget meetings
February	BHE to consider staff budget recommendations