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Illinois’ Two-Decade Disinvestment in Higher Education

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Illinois' Two-Decade Disinvestment in Higher Education

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1. Introduction

Given the strong relationships between educational attainment and economic viability, investing in Higher Education makes more sense now than ever. Not only do individuals with college degrees experience lower rates of unemployment[1] and higher incomes than those who do not complete college, but communities with more college-educated individuals exhibit lower crime rates, better overall health, and higher wages for *all* workers.[2]

Despite the growing body of evidence that greater educational attainment benefits both individuals and communities, Illinois' investment in Higher Education has continued to decline in real, inflation-adjusted terms over time. In fact, after adjusting for inflation, General Fund appropriation for Higher Education in Fiscal Year ("**FY"**) 2020 is scheduled to be some $1.9 billion or around 50 percent less in real terms than two decades previously in FY2000.[3] In other words, Illinois has cut its Higher Education funding in half since FY2000. One clear reason of this diminishing support for Higher Education has been Illinois' long-term fiscal difficulties, including an accumulated General Fund deficit which is estimated to be $7.5 billion by the end of FY2020.[4]

As General Fund support for public colleges and universities has declined over time, public universities and colleges have had to increase their reliance on revenues from student tuition and fees significantly. Indeed, after removing the impact of inflation, between FY2000 and FY2017, average in-state tuition at Illinois' four-year public universities more than doubled – increasing by 136 percent.[5] Over the same period, real median household income in Illinois *declined* by 1.74 percent.[6] The inescapable consequence of these trends is that it is becoming increasingly difficult for students from low and middle income families to afford attending public colleges and universities in Illinois.

Compounding this problem, the current funding level for the state's financial aid program for low-income students – known as the "**Monetary Award Program**" ("**MAP"**) – does not nearly make up the difference between the rapid growth in tuition at public institutions of higher learning in Illinois and the concomitant decline in median income. Consider that, in FY2002, every eligible applicant in Illinois was offered a MAP grant, the maximum value of which could cover over 100 percent of the average tuition and fee cost of attending a public university in the state. By FY2018, however, only 43.7 percent – or less than half – of all eligible applicants received MAP grants, and the maximum award covered just 32.1 percent of the average tuition and fee costs at public universities in Illinois.[7]

Not surprisingly, as tuition costs have surged and the value and scope of financial aid through MAP grants has diminished, enrollment in Illinois public colleges and universities has plummeted. Between 2009 and 2018, total enrollment in Illinois' public institutions of higher learning declined by over 20 percent, and between 2000 and 2016, the net out-migration of freshman students in Illinois nearly doubled.[8]

In 2008, Illinois adopted a ten-year blueprint for education policy, known as the "Public Agenda for College and Career Success". As part of the Public Agenda, the state committed to the goal of having 60 percent of adults in Illinois earn a college degree or post-secondary credential by the year 2025.[9] Not surprisingly, the state has fallen behind on this goal.[10] Research indicates, however, that boosting state General Fund appropriation for Higher Education could help Illinois get back on track by stimulating additional degree completion.[11]

2. Key Findings

Higher Education creates economic benefits for individuals and communities.

- In 2016, the unemployment rate in Illinois for an individual without a college degree was over 2.7 times higher than the rate for individuals with a four-year degree.[12]
- At the national level in 1980, full-time workers with bachelor's degrees or higher had median weekly earnings that were 41 percent greater than workers whose highest level of education was a high school diploma. By 2017, that wage gap had nearly doubled to 79.6 percent.[13]
- The median bachelor's degree holder earns $2.3 million over their lifetime, which is 31 percent more than the average associate's degree holder and 74 percent more than those with just a high school diploma.[14]
- For every dollar spent by an institution of Higher Education in Illinois, an average of $2.28 is generated in private sector economic activity statewide.[15]
- The wages of all workers, regardless of level of education, are higher in areas with high concentrations of college-educated adults.[16]

Higher Education attainment enhances upward mobility.

- Only 28 percent of individuals born into families at the bottom of the income distribution who did not obtain a postsecondary degree ended up in one of the top two income quintiles by age 40.
- By comparison, 41 percent of individuals born into families in the lowest income quintile who did obtain a college degree ended up in one of the top two quintiles.[17]

Despite the documented benefits of a well-educated workforce, Illinois' investment in Higher Education is inadequate.

- The FY2020 General Fund appropriation for Higher Education is $1.943 billion, an 8.6 percent nominal dollar increase from FY2019 levels.[18]
- Despite a year-to-year nominal dollar increase of $154 million, the FY2020 General Fund appropriation for Higher Education remains nearly 50 percent less in real, inflation-adjusted terms than it was in FY2000.[19]
- Though non-pension-related appropriations for Higher Education have declined in value over time, the General Fund pension contribution Illinois owes to the State University Retirement System (**"SURS"**) for FY2020 is scheduled to be 5.9 times greater than it was in FY2000.[20] Because of the back-loaded debt service structure created under the 1995 "Pension Ramp," 75.6 percent of the state's pension contributions to SURS in FY2020 are for paying debt owed in the form of unfunded liabilities, while only 24.4 percent are for covering the cost of benefits currently being earned.[21]

Decreasing state support for public institutions of higher learning has caused tuition to skyrocket.

- In FY2002, Illinois General Fund appropriations accounted for 72 percent of total revenue at the state's public universities, with the remaining 28 percent derived from University Income Funds or (**"UIF"),** which are primarily comprised of tuition and fees.[22] By FY2017, appropriations made up just 37.8 percent of in-state public university revenue, while UIF made up the remaining 62.2 percent.[23]
- After adjusting for inflation, ***average in-state tuition at Illinois' four-year public universities more than doubled – an increase of 136.3 percent – between FY2000 and FY2017.***[24]
- Worryingly, over the same time sequence, the median household income in Illinois has *declined* by 1.74 percent, meaning that the costs of Higher Education have become increasingly burdensome for families at or below median income over time.[25]
- In Illinois, middle-income families would need to set aside nearly a quarter of their total annual earnings to pay the net cost of attending the average public university in-state,

while low-income families would need to set aside 63 percent of their annual income to do so.[26]

The jump in tuition costs for public universities in Illinois has had disparate impacts along racial and ethnic lines.

- In 2017, the average cost of in-state tuition and fees at a public four-year university in Illinois totaled 36.6 percent of the median income for a black household, and 25.3 percent of median income for a Latino household.
- For comparison, in 2017 average tuition and fees comprised just 19 percent of median income for a white household.[27]
- It should be no surprise, then, that low-income and minority students are disproportionately over-burdened with student debt. Twelve years after starting college, the median white borrower still owed 65 percent of the college loan amount originally borrowed to attend college. By comparison, after 12 years, the median black borrower owes 13 percent ***more*** than what was originally borrowed.[28]

Increases in tuition in Illinois have coincided with decreases in funding for Monetary Award Program (MAP) grants.

- In FY2000, the average MAP award Illinois provided to public university students covered 65.6 percent of the then average of public university tuition and fees.[29] From FY2000 to FY2018, average tuition for both in-state and out-of-state students attending a public university in Illinois jumped by 265.9 percent. However, the average public university MAP award over that sequence increased by just 45.2 percent. Consequently, by FY2018, the average MAP award granted to students attending public universities in Illinois covered just 26 percent of the average cost of tuition and fees.[30]

As state investment in public Higher Education has fallen and net tuition costs have grown, enrollment has declined.

- Nationally, public Higher Education enrollment increased by 7 percent between FY2008 and FY2018, with a steep increase of 12.9 percent from 2008 to 2012.[31] That said, beginning in FY2012 and continuing until FY2018, national enrollment actually decreased by a total of 5.24 percent.
- Illinois' enrollment, by comparison, increased by only 7.23 percent from FY2008 to FY2012 or almost 5.7 percentage points less than the national average. Moreover, during the FY2012-FY2018 sequence, enrollment in Illinois public colleges and universities decreased far more dramatically than the national rate, with Illinois enrollment dropping by 19.11 percent – which is over three times worse than the national decline of 5.24 percent.[32]
- The decline in enrollment at Illinois public colleges and universities has varied significantly along racial lines. For instance, between Fall 2010 and Fall 2017 (the most recent year with enrollment data available by race), total white enrollment in Illinois public institutions saw the largest decrease – 30.09 percent – followed by black enrollment with decrease of 26.13 percent.[33] Latino enrollment, however, increased by 29.61 percent.
- Illinois experienced net out-migration of first-time undergraduates as far back as FY2001, but out-migration worsened following the Great Recession and was exacerbated during the budget impasse of FY2016-FY2017.[34] In FY2001, the net loss of all Illinois residents to colleges in other states was 10,222.[35] By FY2017, the net loss had grown 88 percent to 19,195, as shown in Figure 17.[36]

3. Adequate Investment in Higher Education Makes Economic and Fiscal Sense

3.1. Higher Educational Attainment Correlates to Higher Wages and Lower Unemployment for individuals while contributing to Better State-Level Economic Growth

Post-secondary educational attainment is crucial to the economic well-being of individuals and to the economic health of the state as a whole. Over the last 30 years, the magnitude of correlations between obtaining a post-high school degree and both unemployment rates and wage levels have grown significantly.[37] This trend is expected to continue. In fact, it is currently projected that by 2020, 70 percent of all jobs will require postsecondary education and training beyond high school.[38] That raises significant concerns in Illinois, given that currently, only about half of working-age adults in the state hold a two- or four-year degree or workforce relevant certificate.[39]

Hence, it should come as no surprise that, as shown in Figure 1, unemployment rates decrease as educational attainment rises, regardless of geographical location. In 2017, the unemployment rate in Illinois for an individual without a college degree was 2.2 times higher than the rate for individuals with a four-year degree.[40]

Figure 1

2017 Unemployment Rates by Educational Attainment and Geographical Location

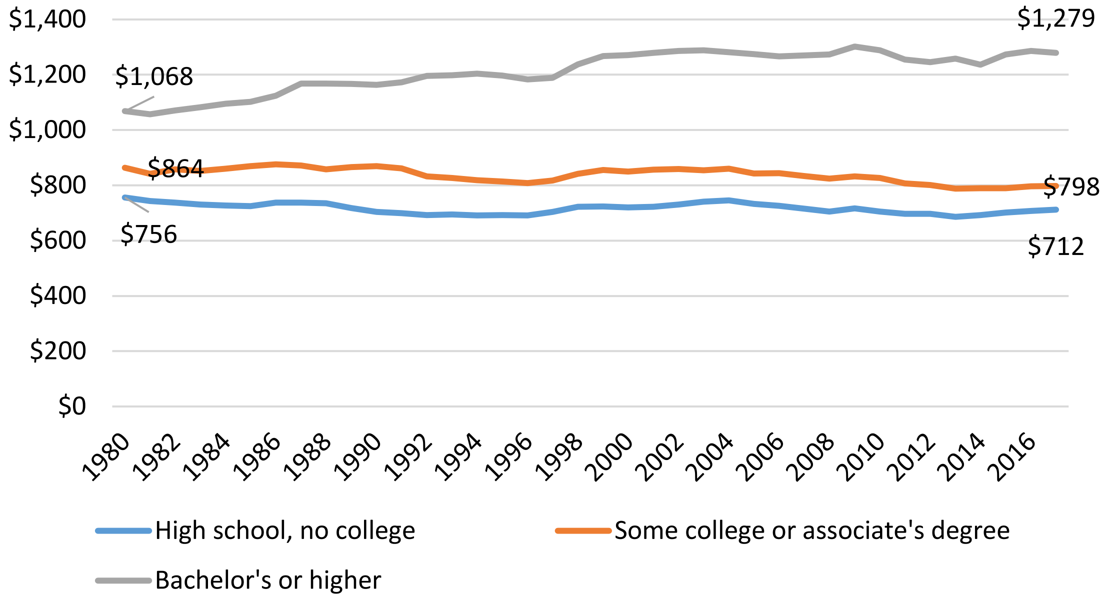
	Illinois	Midwest Region	Nation
Less than a high school diploma	8.1	8.1	6.5
High school graduates, no college	5.5	4.3	4.6
Some college or associate degree	4.4	3.4	3.8
Bachelor's degree and higher	2.4	2.0	2.3

Sources: BLS "Geographic Profile of Employment and Unemployment 2017" and BLS Labor Force Statistics from the Current Population Survey

As indicated previously, the correlation between an individual's economic viability and educational attainment extends beyond unemployment rates to include wages. For instance, since 1980 the only workers in America who have seen their incomes grow faster than the rate of inflation – i.e. have seen real growth in purchasing power – are those with a college degree.[41] Over that sequence, the difference in earning power between individuals with and without a college degree widened substantially. Consider that, at the national level in 1980, full-time workers with bachelor's degrees or higher had median weekly earnings that were 41 percent greater than workers whose highest level of education was a high school diploma. By 2017, that wage gap had nearly doubled to 79.6 percent, as shown in Figure 2.[42]

Figure 2

Weekly Earnings by Educational Attainment, in 2017 Dollars



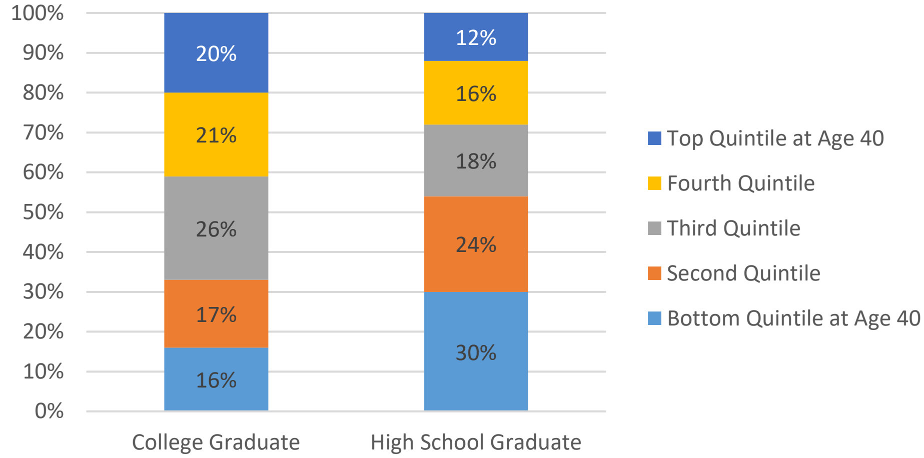
Source: CTBA analysis of Labor Force Statistics from the Current Population Survey

In fact, the median bachelor's degree holder earns $2.3 million over their lifetime, which is 31 percent more than the average associate's degree holder and 74 percent more than those with just a high school diploma. Those who obtain a graduate degree – which about one-third of bachelor's degree holders do – can expect lifetime earnings at least double that of those with just a high school diploma.[43]

Given the discrepancies in pay by educational attainment, it should also be no surprise that a college degree is a valuable tool for upward mobility. A study by the Brookings Institute shows how educational attainment impacted income mobility for individuals born into the bottom income quintile, by the time those individuals reached the age of 40. As shown in Figure 3, the Brookings study found that only 28 percent of individuals born into families at the bottom of the income distribution who did not obtain a postsecondary degree, managed to reach one of the top two income quintiles by age 40. By comparison, it found that 41 percent of individuals born into families in the lowest income quintile who did obtain a college degree ended up in one of the top two income quintiles. This powerfully demonstrates how a college degree can impact upward mobility for individuals born into lower income classes.[44]

Figure 3

Income Quintile of Adults Born into the Bottom Income Quintile, by Educational Attainment



Source: Brookings Institute, "Three Reasons College Matters for Social Mobility," Feb 2015.

College access and completion not only benefits individuals, but also state economies as a whole. For instance, between 1979 and 2012, the states with the greatest increases in productivity as measured by gross state product per hour worked also had the largest share of adults with a college degree.[45] Not surprisingly, states with the highest high school and college completion rates also had the highest per capita incomes.[46] From 1970-2010, there was also a strong relationship between the academic achievement of a state's adult workers and economic growth in that state, with states like Massachusetts and Minnesota having both significantly greater levels of achievement and rates of economic growth, while states like Alabama and Nevada lagged the nation in both achievement and rate of economic expansion.[47]

3.2. Taxpayer Investments in Higher Education Generate a Positive Rate of Return

A 2016 study of the economic impact of higher education in McClean County (the **"Impact Study"**), concluded that investments in Higher Education create meaningful, positive economic multipliers across the state.[48] For instance, the Impact Study found that in McClean County – home of both Illinois State University (**"ISU"**) and Illinois Wesleyan – the aggregate impact of institutions of Higher Education on the local economy was $394.6 million of activity. This total economic impact resulted from both institution payrolls and student spending. Overall, the Impact Study found that for every dollar of direct economic activity generated by a college or university, an additional $0.36 in indirect or induced private sector economic activity was created.[49]

The reason for this is simple: when a state funds postsecondary institutions, those institutions use that funding to pay salaries for staff and boost enrollment. Those staff members and students then spend money on economic transactions in the local community – such as renting apartments, buying food, or purchasing school supplies. The businesses patronized by those staff members and students in turn spend the money earned from their new customers, generating additional economic activity.[50]

Peoria and Champaign County colleges and universities had economic impacts on their respective communities relatively similar to what McClean County realized. The Chicagoland area and the State of Illinois overall, however, had economic multipliers nearly double the order of magnitude found in McClean County. This is because of limited "leakage" of economic activity out of larger geographical areas. For example, spending on textbooks in McClean might "leak" into other communities because there are no publishers physically present in McClean County, while spending on textbooks in Chicago generates additional economic activity in the city because of the publishing industry presence located there.[51]

So, while McClean County realized $1.36 of private sector economic activity, for every dollar spent on things like institutional payroll, the statewide economic multiplier is 2.28. This means that for every dollar spent by an institution of Higher Education in Illinois, $2.28 is generated in economic activity.[52] In FY2020, Illinois' General Fund appropriation for public colleges and universities was $1.91 billion. Applying the statewide multiplier to that investment in Higher Education translates to $4.35 billion in direct, indirect, and induced economic activity.

The Impact Study also found that the labor multiplier for Higher Education in McClean County is 1.22, meaning that for every 100 college and university employees, 22 additional individuals are employed in the region's private sector.[53] Based on the positive multiplier affect associated with Higher Education, increased state General Fund investment in Illinois' institutions of Higher Education can be expected to boost employment and earnings for individuals, as well as contribute significantly to the vitality of state and local economies.

3.3. Individuals with Higher Educational Attainment Pay More in Taxes

Increases in personal income for individuals translate into increases in tax revenue for the state. Over a lifetime, the average bachelor's degree holder in the nation spends $278,000 more on local goods and services than the average high school graduate, and contributes $43,888 more in state and local taxes.[54] According to Illinois Board of Higher Education ("**IBHE"**) calculations, if Illinois were to increase the percentage of its workforce with a postsecondary credential or college degree from the current 51 percent to 60 percent (the state's goal for 2025), Illinois would collect over $900 million more in tax revenue annually.[55]

4. Illinois' FY2020 General Fund investment in Higher Education remains below pre-impasse levels

Despite the evidence that adequately funding Higher Education is good for individuals and the economy as a whole, Illinois' General Fund investments have been insufficient when viewed over the long term. The FY2020 General Fund appropriation for Higher Education is $1.9 billion, which represents a nominal dollar increase of $154 million, or 8.6 percent, from FY2019 appropriation levels.[56] While that modest increase is a sign that the state is moving in the right direction, as shown in Figure 4, the FY2020 General Fund appropriation for Higher Education is still lower in both nominal dollars and inflation-adjusted, "real" terms than it was in FY2015, which was the fiscal year before the infamous two-year budget impasse.

Figure 4

Total FY2015 Higher Education Appropriation & FY2020 Enacted ($ Millions)

Category	FY2015 Approp (Nominal)	FY2015 Approp (Infl/Pop Adj)	FY2020 Enacted	$ Difference (Infl Adj)	% Difference (Infl Adj)
Higher Education	$1,950	$2,164	$1,943	($221)	(10.2%)

Source: CTBA analysis of P.A. 101-007; CTBA, *More of the Same: The FY2019 General Fund Budget Fails To Address Illinois' Long-Term Structural Fiscal Issues.* Inflation adjusted using ECI from the BLS and population from the Census Bureau.

Indeed, Higher Education realized its most significant year-to-year cut in authorized appropriations, declining by $1.3 billion or 68 percent, between FY2015 and the start of the General Fund budget impasse in FY2016.[57]

Because state General Fund appropriations for Higher Education have not yet been restored to pre-impasse levels in nominal or real dollars, many public universities and community colleges have not been able to recover from the cuts they imposed during the budget impasse.[58] For instance, at the university level, numerous staff positions that were eliminated as a result of the budget impasse of FY2016-FY2017 remain vacant today. Some of these staff reductions were material. Consider the case of Northern Illinois University (**"NIU"**), where non-instructional staff declined by 10 percent, a loss of 275 positions, between FY2014 and FY2018.[59] In addition to these staff cuts, many NIU faculty members were shifted from full- to part-time.[60] Meanwhile, public universities also received credit rating downgrades during the impasse – and in most cases, multiple downgrades – due to their weakened competitive position driven by reputational damage.[61]

The under-funding of Higher Education in Illinois has also contributed to substantial growth in deferred maintenance for community colleges and public universities across the state. As campus facilities age and deteriorate, lack of adequate state funding has caused maintenance projects – including critical repairs, remodeling, and infrastructure improvements – to be delayed or deferred. With almost no state funding for Higher Education facility maintenance projects since FY2004,[62] total deferred maintenance grew from $2.7 billion in FY2005 to nearly $6.2 billion in FY2019.[63]

To address some of the need for state-wide infrastructure investments, in July 2019, Governor Pritzker approved of the Rebuild Illinois Capital Plan, which will fund much needed infrastructure projects across the state. The good news is, the Rebuild Illinois Capital Plan earmarks $1.036 billion specifically for deferred maintenance projects at state universities and the Illinois Math and Science Academy, and an additional $952 million for university capital projects and $285 million for community college capital projects.[64] This project funding is intended to be used to assist in covering programmatic requirements, enrollment demands, and rehabbing of existing spaces.[65] The bad news is that leaves $5.164 billion, or roughly 83 percent of existing deferred maintenance costs with no apparent funding source.

5. Even Before the Impasse, Illinois' General Fund Investment in Higher Education Had Been Inadequate and Declining

Higher Education funding cuts did not begin with the budget impasse over the FY2016-FY2017 sequence. ***In fact, despite representing a year-to-year nominal dollar increase of $54 million or 3.9%, the FY2020 General Fund appropriation for Higher Education remains nearly 50 percent less in real, inflation-adjusted terms than it was in FY2000.***[66] Though most core service categories also experienced real cuts in funding over this sequence, Higher Education was the only one to experience a decrease in both real and *nominal* dollars since FY2000, as shown in Figure 5.[67] By comparison, on the national level, nominal state appropriations for Higher Education *increased* by 65 percent between FY2000 and FY2018.[68]

Figure 5

Illinois General Fund Spending On Core Services: FY2020 Enacted Compared to FY2000 Enacted ($ Millions)

Category	FY2000 Enacted (Nominal)	FY2000 (Adj for Infl & Population)	FY2020 Enacted	$ Difference (Infl/Pop Adjusted)	% Change
K-12 Education	$4,674	$8,234	$8,340	$106	1.28%
Early Childhood Education	$170	$299	$544	$245	81.64%
Higher Education	$2,152	$3,791	$1,943	($1,848)	-48.75%
Healthcare	$5,022	$10,301	$7,004	($3,297)	-32.00%
Human Services	$4,599	$8,102	$6,268	($1,834)	-22.64%
Public Safety	$1,350	$2,378	$1,977	($401)	-16.87%
Total General Fund Service Appropriations	**$20,064**	**$36,800**	**$27,427**	**($9,373)**	**-25.47%**

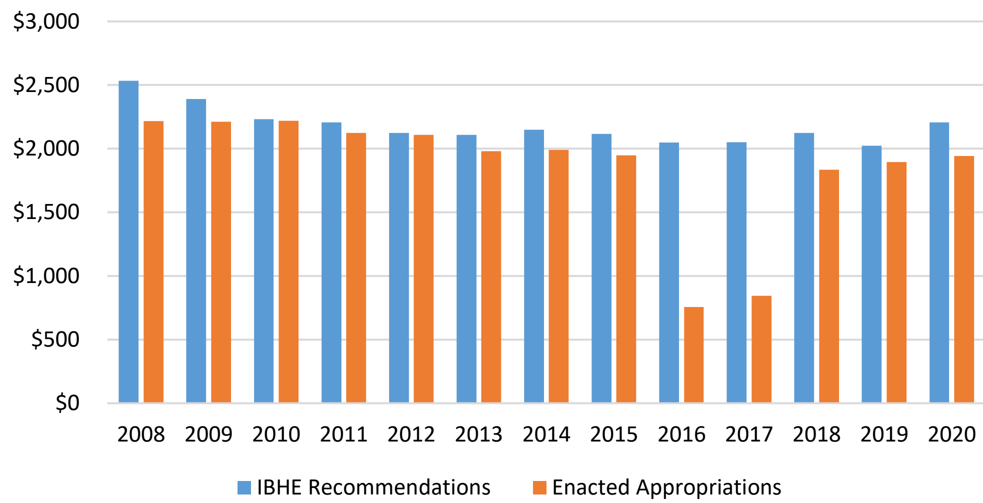
Sources: FY2000 unadjusted appropriations from Governor's final budget summary for FY2000; and FY2020 appropriations from CTBA analysis of P.A. 101-007. Healthcare appropriations inflation adjusted using Midwest Medical Care CPI; all other appropriations adjusted using ECI-C from the BLS as of May 2019 and population growth from the Census Bureau as of January 2019.

State General Fund appropriations for Higher Education peaked in FY2002 at $2.4 billion[69] – or $3.9 billion in today's dollars after adjusting for population change and inflation.[70] To reach FY2002 levels again, Illinois would have to invest $2 billion more into Higher Education than what was appropriated in FY2020 – or more than double the state's current General Fund appropriation for Higher Education.

Each year, the Illinois Board of Higher Education is required to submit to the Governor and the General Assembly a Higher Education budget recommendation for the ensuing fiscal year. Despite the demonstrable economic importance of Higher Education, Illinois decision-makers have opted to underfund IBHE's budget recommendations every fiscal year since 2008, as shown in Figure 6.

Figure 6

IBHE General Fund Budget Recommendations versus Enacted General Fund Appropriations FY2008-FY2020 ($ Millions)



Source: IBHE FY2008-FY2017 Budget Recommendations

Between FY2008 and FY2019, Illinois underfunded the aggregate IBHE budget recommendation for Higher Education by a total of $4.25 billion in nominal dollars. ***If those $4.25 billion had been invested in Illinois institutions of Higher Education, the state could have generated an additional $9.69 billion in economic activity, according to the statewide economic multiplier referenced previously in Section 3.2.[71]***

Though non-pension-related appropriations for Higher Education have declined in value over time, public university pension contributions have grown drastically over the last 10 years, and under the debt service plan created in the 1994 "Pension Ramp" law,[72] are scheduled to continue to grow materially through 2045.

Contributions to the State Universities Retirement System ("**SURS"**) are made up of two items. First is the "normal cost" of covering the benefits that will ultimately be paid to current workers who are members of SURS when those workers retire. Second is the amount needed to repay SURS for the accumulated unfunded liabilities or debt that the state ran up by intentionally under-funding SURS in the past.

Based on this 1994 Pension Ramp – which both identifies the payment of normal costs in a given year, as well as the amortization schedule for repaying unfunded liabilities – 75.6 percent of the total pension contribution to SURS in FY2020 covered repayment of past liabilities, while only 24.4 percent was for the full normal cost of benefits being earned.[73]

Though the normal costs of funding pensions being earned under SURS have remained relatively stagnant (and have even begun a downward trend due to the implementation of less generous Tier II benefits for employees hired on or after January 1, 2011), the state's contribution to SURS required under the Pension Ramp for FY2020 was 7.07 times greater than the contribution made in FY2002.[74] This shows how significantly back-loaded the debt service plan is created under the Pension Ramp. In fact, the FY2020 pension contribution to SURS represented 42.1 percent of total appropriation to Higher Education for all purposes, while in FY2007 they made up just 10.3 percent. [75]

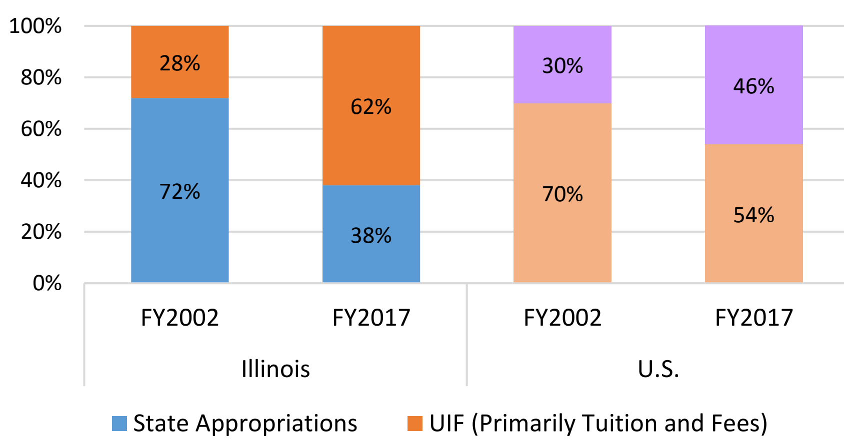
Unfortunately, until the repayment of the pension debt is reamortized into an affordable and responsible schedule, state contributions to SURS will continue to grow and compete for available state resources that could otherwise go to current Higher Education programs and operations. (*For more information on how to create a responsible approach to funding the pensions, see CTBA's report "Addressing Illinois' Pension Debt Crisis with Reamortization")*

6. As State Investment in Higher Education Declines, Public Colleges and Universities Rely Increasingly on Tuition and Fees, Making Post-Secondary Education Unaffordable for Many Illinoisans

In FY2002, state appropriations accounted for 72 percent of total university revenue, with the remaining 28 percent derived from University Income Funds ("**UIF**"), which are primarily the tuition and fees paid by students.[76] By FY2017, state appropriations made up just 37.8 percent of public university revenue, while the remaining 62.2 percent was made up of UIF.[77] Even though nationally, tuition and fees have also accounted for an increasing percentage of total public university revenue over this time period, the shift in Illinois is significantly more drastic than the national shift, as shown in Figure 7.[78]

Figure 7

Total Public University Revenue by Source, FY2002 and FY2017



Sources: IBHE, "Examining the relationship between state appropriation support and tuition," June 2018; and SHEEO, "State Higher Education Finance: FY2017"

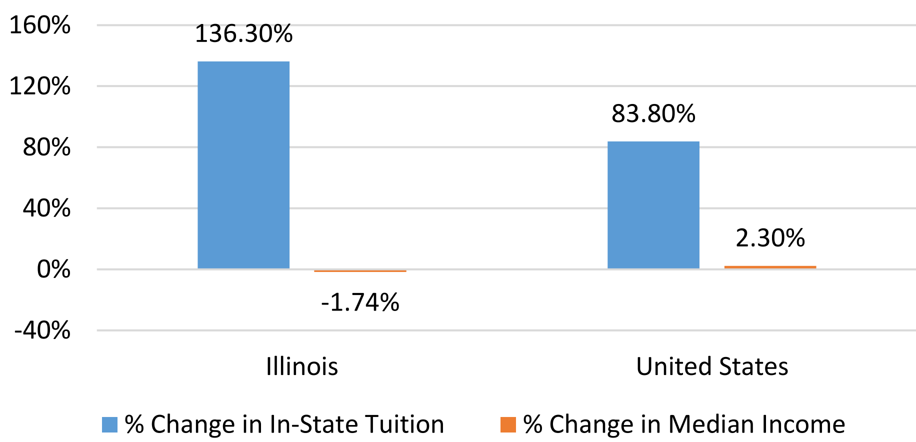
Over this same FY2002-FY2017 time period, community college support also shifted away from the state, but this time it shifted not just onto students and their families, but also local property taxes. Community colleges were initially developed based on the principle that funding would be evenly split among the state, tuition, and property taxes.[79] However, the portion of community college costs actually covered by state revenue has fallen from 27.4 percent in FY2002 to just 14.5 percent in FY2017.[80] During this sequence, the share of costs covered by property tax revenue increased slightly, from 42 to 45.2 percent. Meanwhile, the share covered by tuition jumped from 30.6 percent in FY2002, to 40.3 percent in FY2017.[81] In FY2016, the first year of the budget impasse, property taxes covered the majority of community college costs – 52.2 percent – tuition covered 43.7 percent, and state funds covered just 4.1 percent.[82]

Cuts in Illinois state-level funding for Higher Education over the last two decades have directly led to an increased tuition burden placed on students and their families. In FY2000, Illinois ranked 13th nationally in total, in-state public university tuition and fees, with an average annual cost of $4,038 in nominal dollars, or $5,747.94 in 2017 dollars.[83] By FY2017, the average student in Illinois had to pay $13,636 for in-state tuition and fees to attend a four-year public university – the fourth highest price tag in the nation.[84] This means that, ***after adjusting for inflation, average in-state tuition at Illinois' four-year public universities has more than doubled – an increase of 137.2 percent – between FY2000 and FY2017***.[85]

This creates a real economic challenge for most Illinois families, given that the median household income in Illinois has *declined* by 1.74 percent over the same sequence.[86] As shown in Figure 8, national trends are similar to but not as extreme as in Illinois. Between FY2000 and FY2017, national median income rose by just 2.3 percent[87] while average in-state public university tuition went up 83.8 percent to $8,804.[88]

Figure 8

Percentage Change in Median Income and Public University In-State Tuition, FY2000-FY2017



Sources: CTBA analysis of FRED St. Louis Fed Median Income data and NCES Digest of Education Statistics Table 330.20

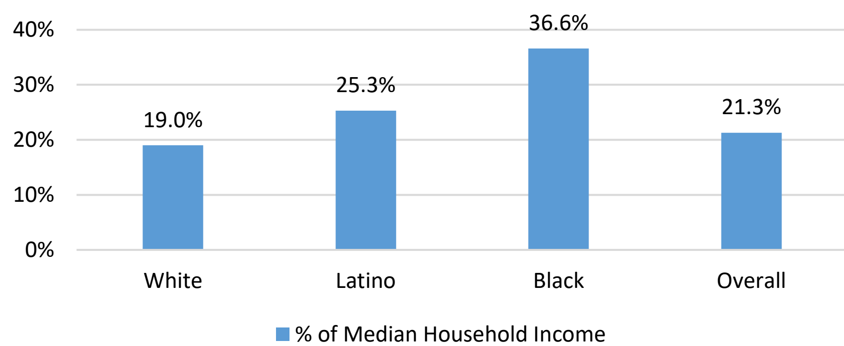
7. Increases in Tuition and Fees Have a Disproportionately Negative Impact on Low-Income Students and Students of Color

Though the drastic increase in the net price of attending a public university – that is, total tuition and fees minus average financial aid – has made Higher Education less affordable for most families, the impact has disproportionately affected low-income students. So much so that currently in Illinois, middle-income families would need to set aside nearly a quarter of their total annual income to pay the net price of the average public university, while low-income families would need to set aside 63 percent of their annual income to do so.[89]

Given that median income for whites in Illinois is 48 percent greater than median income for blacks, and 25 percent greater than median income for Latinos, it should be no surprise that college affordability issues disproportionately burden people of color.[90] In 2017, the average cost of in-state tuition and fees at a public four-year university in Illinois would cost 36.6 percent of the median black household income and 25.3 percent of median Latino household income. For comparison, average tuition and fees in Illinois cost just 19 percent of median white household income, as shown in Figure 9.[91]

Figure 9

Average In-State Tuition and Fees at a Public 4-Year University as a Share of Median Household Income in Illinois, by Race/Ethnicity, 2017

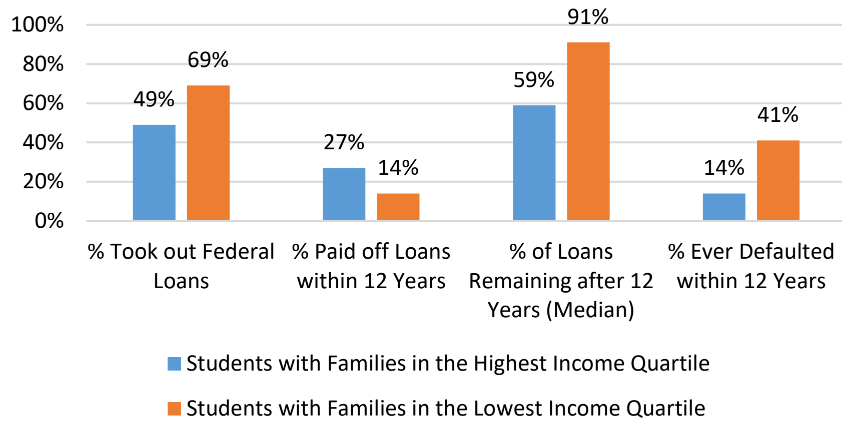


Source: CBPP, "Unkept Promises: State Cuts to Higher Education Threaten Access and Equity," Oct 2018

It should be no surprise, then, that low-income and minority students are disproportionately over-burdened with student debt. According to a 2017 report from the National Center of Education Statistics, postsecondary students with family income in the lowest quartile not only take out loans for school at higher rates than other income classes, but also still owe a much larger percentage of the amount borrowed 12 years after incurring their student debt. As shown in Figure 10, only 14 percent of low-income students pay off all of their federal loans within 12 years, and 41 percent have defaulted on their loans within those 12 years. Compare that to the 27 percent of high-income students who pay off all of their loans, and the 14 percent who have defaulted within 12 years.[92]

Figure 10

Student Debt and Repayment, by Family Income Quartile



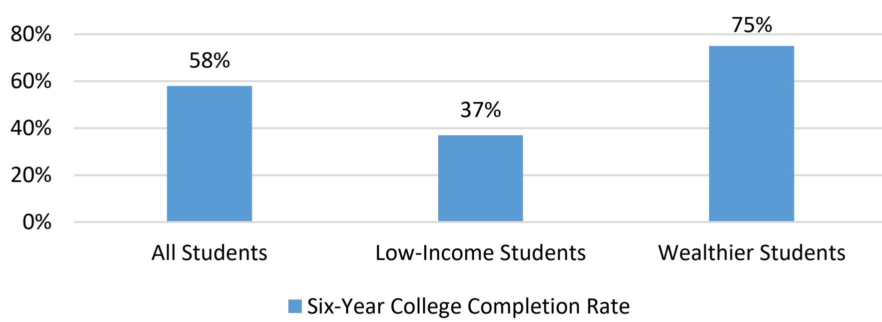
Source: NCES, *Repayment of Student Loans as of 2015 among 2003-04 First-Time Beginning Students,* 2017.

As a sub-group, black students are particularly hit hard by student debt. Seventy-eight percent of black students who began college in the 2003-2004 school year took out federal loans, compared to 57 percent of white students, and 60 percent of all students. Twelve years after beginning school, the median white borrower still owed 65 percent of the amount they originally borrowed. By comparison, after 12 years, the median black borrower owed 13 percent ***more*** than they originally borrowed.[93]

Another example of the disproportionate impact of rising college costs on low-income students and students of color can be observed in college completion rates, which are shown in Figure 11. While 58 percent of all students who enroll in college in Illinois graduate in six years, just 37 percent of low-income students do, compared to 75 percent of wealthy students.[94]

Figure 11

Six-Year Postsecondary Completion Rate for Students Enrolled in College in Illinois



Source: Advance Illinois, "Every Student Counts: The State we're in: 2016-2017"

College completion rates also vary by race and ethnicity. Of all students enrolled in four-year Illinois universities, 66 percent of white students graduate in six years, compared to just 36 percent of black and 48 percent of Latino students. The three-year community college completion rate for white students is 36 percent, compared to 17 percent for black and 24 percent for Latino students.[95]

Unfortunately, many individuals who amass college debt also are unable to graduate. The 12-year federal student loan default rate among borrowers who started college in 2005-2006 but did not complete their degree was 45 percent nationally, compared to 22 percent for those who completed their associate's degree, and just 8 percent for those who completed their bachelor's degree.[96]

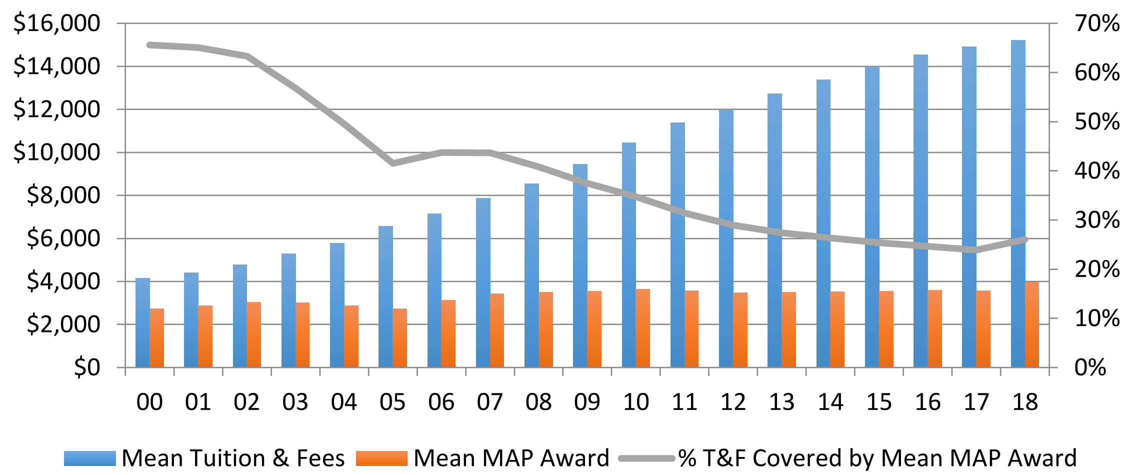
8. As Tuition Costs Skyrocket, Underfunded MAP Grants Add another Layer of Unaffordability to College in Illinois

The Monetary Award Program – or MAP – is a grant program administered by the Illinois Student Assistance Commission ("**ISAC**") and funded by the State of Illinois. Eligibility for MAP is based on financial need as determined by information provided on the Free Application for Federal Student Aid ("**FAFSA**") and does not need to be repaid. For many who would otherwise not have sufficient resources to afford tuition and fees, MAP can be a deciding factor in whether to attend college. Grants are awarded on a first-come, first-served basis, with eligible applicants who are not initially awarded a grant being added to a waitlist.[97]

The average MAP award granted to public university students in FY2000 covered 65.6 percent of the then average annual cost of public university tuition and fees.[98] From FY2000 to FY2018, average public university tuition for both in-state and out-of-state students in Illinois jumped 265.9 percent – outpacing inflation by 82 percent – while the average public university MAP award increased by just 45.2 percent – which is less than the rate of inflation. Consequently, the average public university MAP award granted in FY2018 covered just 26 percent of the average annual cost of tuition and fees, as shown in Figure 12.[99]

Figure 12

Comparison of Public University Tuition and Fees to Mean MAP Awards, FY2000-FY2018

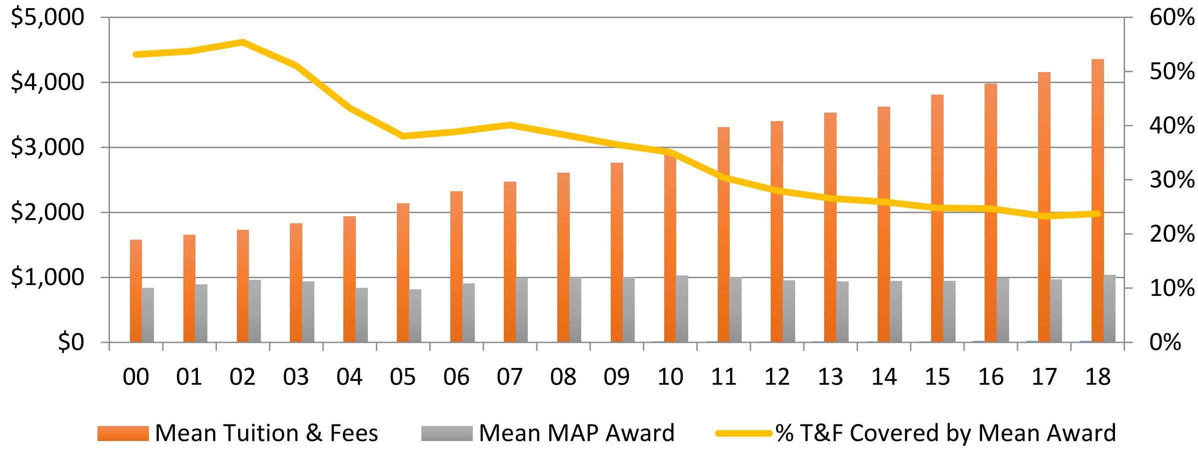


Source: ISAC 2018 Databook, Tables 2.1 and 2.2

MAP grant coverage of community college tuition and fees followed a similar downward trajectory over the same time sequence. In FY2000, the average community college MAP award covered 53.1 percent of average community college tuition and fees. Between then and FY2018, community college tuition and fees grew by 176.4 percent in Illinois, while the average MAP award grew by just 23.5 percent. In FY2018, the average MAP award for a student attending community college in Illinois covered just 23.7 percent of average community college tuition and fees, as shown in Figure 13.[100]

Figure 13

Community College Tuition and Fees and Mean MAP Award, FY2000-FY2018



Source: ISAC 2017 Databook, Tables 2.1 and 2.2

Between FY2017 and FY2018, appropriations for MAP increased 10 percent to $401.3 million. That funding level was held flat in FY2019, and increased by $50 million in FY2020.[101] Despite that increase in FY2020, appropriations for MAP remain $34 million lower in real, inflation-adjusted terms than the peak appropriation made in FY2011.[102] Because MAP grants help pay tuition costs for low-income students, those grants become revenue for the universities and community colleges grantee students attend. Cuts in funding for MAP grants in conjunction with cuts to direct grants to public institutions puts additional financial strain on public institutions.

By underfunding need-based MAP grants, Illinois hinders economic mobility for low-income families in general, and families of color in particular. Over half of MAP grant recipients are first generation students, and more than half of the undergraduates at Illinois's public universities who identify themselves as Black or Latino receive a MAP grant.[103]

In August 2018, then-Governor Rauner signed into law a bill that ostensibly secures MAP grants for eligible students for four-years, rather than on an unpredictable year-to-year basis. However, the language in the statute stops short of actually guaranteeing grants for four years, instead promising "priority" access to MAP grants for returning students.[104] The only way to ensure reliable and predictable MAP grants for students each year is for state decision-makers to recognize the value of MAP and fund the program accordingly.

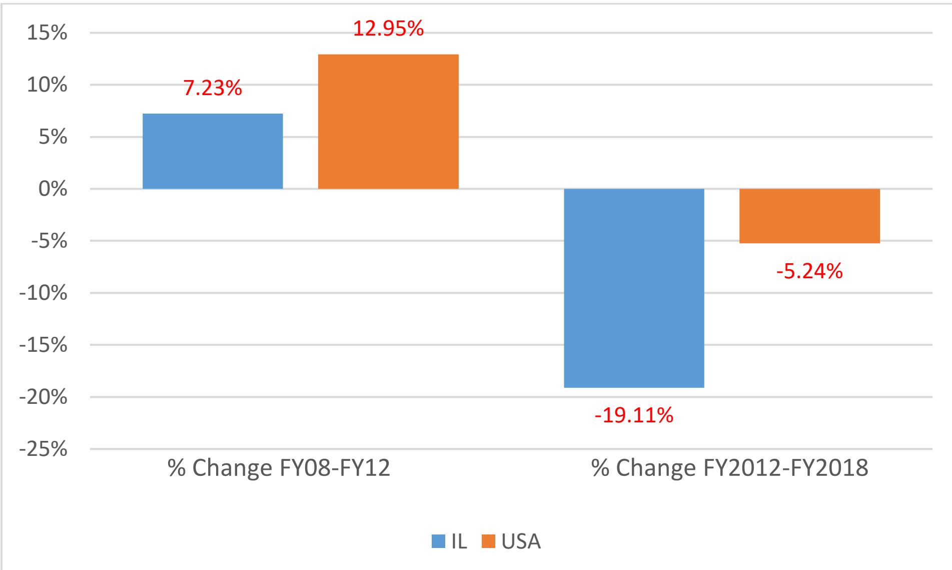
9. Growing Tuition Costs in Illinois Have Contributed to a Decrease in Enrollment

Overall, between FY2008 and FY2018, national public Higher Education Full-Time Equivalent ("**FTE**") enrollment **increased by** 7.1 percent. By comparison, enrollment in Illinois **declined by** 13.3 percent overall between FY2008 to FY2018.[105]

Similar to U.S. trends, Illinois FTE enrollment increased from FY2008 to FY2012, albeit enrollment increased in Illinois by 7.23 percent over this sequence, which is less than the 12.95 percent increase in enrollment nationally. From FY2012 to FY2018, Illinois experienced a more dramatic decline of 19.1 percent compared to the national enrollment decline of 5.24 percent, as shown in Figure 14.[106]

Figure 14

Percent Changes in Enrollment in Public Higher Education, FY2008-FY2012 and FY2012-FY2018



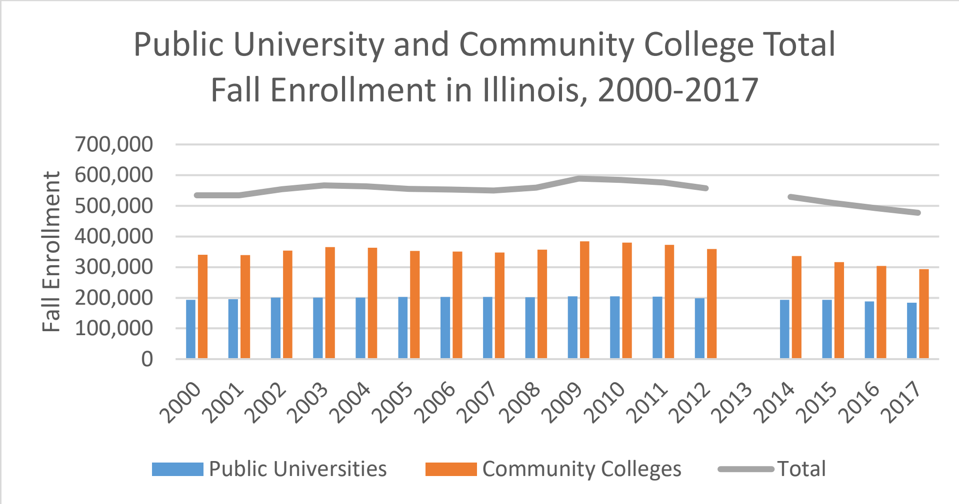
Source: State Higher Education Officers Association, FY2018 State Higher Education Finance Report

Between FY2008 and FY2018, all but nine states saw an increase in total public FTE enrollment. Not only was Illinois one of those nine states, but it was the state with the greatest percentage decline (13.3 percent) in public enrollment.[107] Nationally, the average increase over this sequence was a 7.28 percent, with Texas showing the greatest increase in enrollment of 30.8 percent.[108] That is a nearly 40 percent difference between the state with the greatest decline and state with the greatest increase of student enrollment over the FY2008-FY2017 period.

In Illinois, combined total fall enrollment for public universities and community colleges peaked in FY2010 and has been declining ever since, as shown in Figure 15.[109] Between Fall 2008 and Fall 2017, total enrollment in Illinois' public institutions declined by 14.67 percent. Community Colleges have seen the steepest decline in enrollment of 17.85 percent during that same time period, which coincidentally included both the peak enrollment year (FY2010), and lowest enrollment year (FY2017).

Figure 15

Public University and Community College Total Fall Enrollment in Illinois, 1999-2018



Sources: IBHE Illinois Higher Education Enrollment & Degrees System, "Fall Enrollment", 2000-2017; IBHE had no available data for Fall 2013 enrollment.

Between Fall 2008 and Fall 2017, total white enrollment in Illinois' public institutions saw the largest decrease of 30.09 percent, followed by black enrollment which decreased by 26.13 percent, as shown in Figure 16.

Figure 16

Total Fall Enrollment in All Public Institutions, by Race/Ethnicity

	2008	2010	2012	2014	2016	2017	% Chance
Black	78,670	85,929	82,633	72,883	61,242	58,112	-26.13%
Hispanic	75,980	80,013	85,235	93,760	97,254	98,481	29.61%
White	345,843	342,818	312,684	283,098	254,985	241,783	-30.09%
Total	500,493	508,760	480,552	449,741	413,481	398,376	-20.40%

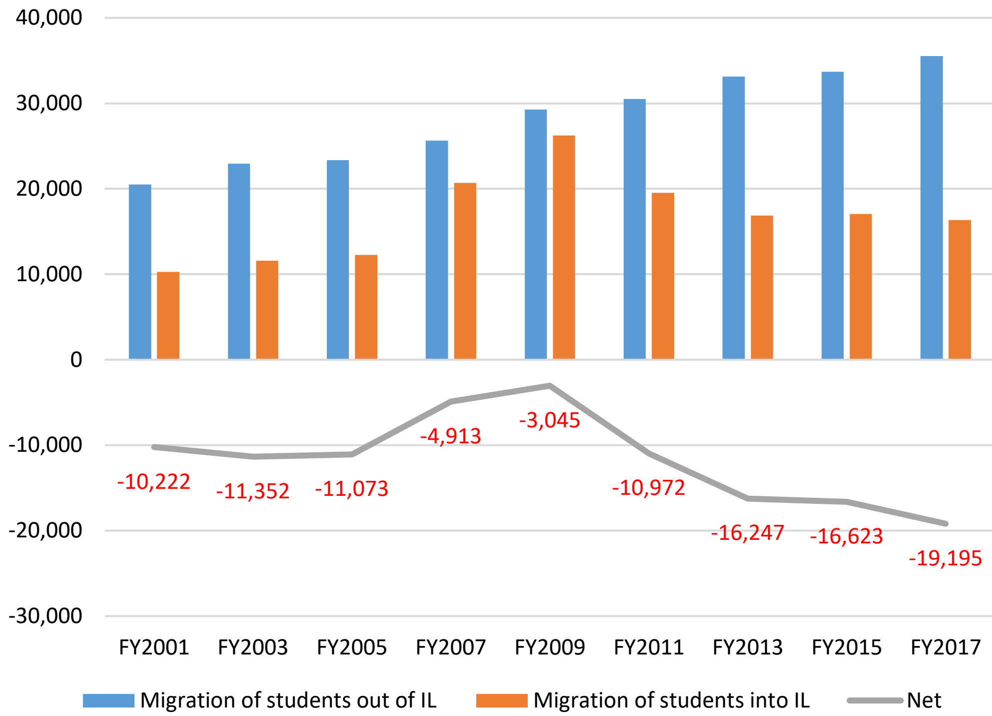
Source: IBHE Illinois Higher Education Enrollment & Degrees System, 2019

Interestingly, as black and white enrollment in Illinois plunged after the 2010 academic year, Latino enrollment continued an upward trend, increasing 23.08 percent since 2010 and 57.21 percent since 2000.[110] One potential contributing factor to the rise in Latino college enrollment could be the increasing Latino population in Illinois. Between 2005 and 2016, Illinois' Latino population jumped 18.4 percent, while the state's black population grew by just 1.1 percent and its white population actually declined two percent.[111]

Some of the decline in college enrollment in Illinois can be attributed to increasing migration out of the state for college. Illinois has experienced net out-migration of first-time undergraduates as far back as FY2001, but out-migration worsened following the Great Recession and was exacerbated during the budget impasse of FY2016-FY2017.[112] In FY2001, the net loss of all Illinois residents to colleges in other states was 10,222.[113] By FY2017, the net loss had grown 88 percent to 19,195, as shown in Figure 17.[114]

Figure 17

Migration of Freshmen Students into and From Illinois, FY2001-FY2017



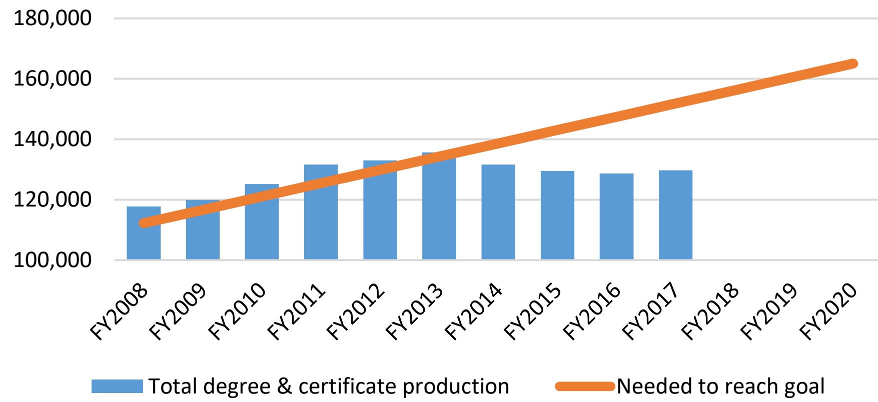
Source: NCES Digest of Education Statistics, Chapter 3, Years 2000-2016

10. What Would Adequate Investment in Higher Education Look Like in Illinois?

To "foster its economic vitality," Illinois has committed to the goal of having 60 percent of adults in the state earn a college degree or post-secondary credential by the year 2025 (the "**60% by 2025 Goal**").[115] Measuring progress toward that goal involves examining the educational attainment of all adults in Illinois currently, as well as yearly degree production at Illinois colleges and universities. The Illinois P-20 Council determined that to make sufficient progress toward the 60% by 2025 Goal, about 4,400 additional degrees and certificates must be conferred on Illinois residents each year. Since the goal was formally established in 2009, annual goals were met each year through 2013, when the production of certificates and degrees was 101.1 percent of the goal. As shown in Figure 18, after FY2013, degree production began to decline. Between FY2014 and FY2017, Illinois produced just 89 percent of the degrees needed to stay on track toward meeting the 60% by 2025 Goal.[116]

Figure 18

Illinois 60 Percent by 2025 Goal Progress



Source: Robinson, Nyle, "Setting a Context for Fiscal Year 2020 Budget Development, IBHE, 2019

Given Illinois' disinvestment in Higher Education concomitant, increases in tuition costs, and drops in college enrollment, it's no wonder that the number of degrees conferred each year has not kept pace with what's needed to meet the state's 60% by 2025 Goal. A 2018 study by researchers from Harvard University and the UC Berkeley examined whether public Higher Education support can increase college attendance and completion. The researchers found that budget cuts often target academic support spending – like tutoring and advising – which previous research has indicated has a large impact on student persistence and degree completion. Not surprisingly, then, budget cuts do correlate with higher dropout rates and a slowdown in postsecondary attainment.[117]

However, research suggests that boosting appropriations for Higher Education may be one way to reverse that trend. Those same Harvard researchers estimated that moving from the 25th to 75th percentile of state support in a given year generates a three percent increase in enrollment, which has a positive and statistically significant impact on degree completion.[118] If Illinois increased General Fund appropriations for Higher Education, not only would enrollment increase, but there would be fewer dropouts and more degrees completed, and that in turn has been shown to increase economic viability.

Not only will restoring state support for Higher Education help increase enrollment and degree completion, but it will also help institutions keep costs down for students, which is particularly important for attracting and retaining low-income students and students of color. In fact, research has shown that increases in net tuition prices affect the diversity of students that enroll in college. New York University researchers found that, all else equal, a $1,000 increase in tuition for full-time undergraduate students is associated with a 6 percent decline in campus diversity.[119] A study out of Harvard University also found that states with the largest tuition hikes between 1980 and the early 1990's saw wider gaps in enrollment between high- and low-income young people.[120]

A much-needed increase in state General Fund support for Higher Education will also help in-state colleges and universities adequately fund the staff, programs, and infrastructure improvements that will make them competitive with out-of-state universities. Building competitiveness with other institutions will help recruit more students from Illinois, which would help put Illinois back on track to reach the goal of having 60 percent of adults in the state earn a college degree or post-secondary credential – if not by 2025, at least within a reasonable period thereafter.

11. Conclusion

Given the body of research showing how post-secondary educational attainment benefits both individuals and society as a whole, Illinois' decades long decision to cut Higher Education appropriations as a means of dealing with its General Fund deficit cannot be justified.

Underfunding Higher Education makes it harder for many Illinois students to attend college at a time when a college degree is more important than ever for success in the labor market. And while the state's FY2020 General Fund appropriation for Higher Education was 8.78 percent greater than FY2019 appropriation levels in real, inflation-adjusted terms[121], it is still 48.8 percent less in real terms than in FY2000.

Based on the research, it is clear that enhancing state support for both public institutions of Higher Education and the MAP program can be expected to generate numerous positive outcomes. For instance, public universities and community colleges could simultaneously rebuild their staff and program capacity while reducing their overreliance on tuition and fee revenue. Reducing reliance on tuition and fee revenues combined with an expansion of the MAP program would make attending college more affordable for low and middle-income students.

Indeed, making high-quality public Higher Education more affordable through increased General Fund support, would encourage more students to attend Illinois universities and colleges. This in turn would help counter the long-term trend of declining enrollment in Illinois, while resulting in more degrees being conferred. And that would ultimately aid in Illinois realizing its 60% by 2025 Goal (if not necessarily by 2025). Simply put, making an adequate General Fund investment in Higher Education is not only the right thing to do from a public policy standpoint, but also from an economic one.

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