

HIGHER EDUCATION IN ILLINOIS

Commission on Government
Forecasting and Accountability
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Forecasting and Accountability*

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EXECUTIVE SUMMARY

Higher Education has been greatly affected by the financial crisis of recent fiscal years. State revenues are being stretched further to cover increasing demands. Illinois is no stranger to this challenge, which affects states across the board.

As a result, public universities receive less state funding and are forced to increase tuition in order to close the funding gap. Students and families must come up with the additional funds to cover the increase in tuition. Oftentimes, students end up with larger debt to meet this demand.

Although Illinois tuition has increased, enrollment continues to rise. The total enrollment for all class levels at Illinois Public Universities for Fall 2004 was 200,467 students, an increase of approximately 3.6 percent since 1998. Data indicates it is taking students longer to achieve a degree, which may have an impact on debt level.

This report focuses on current issues facing higher education in Illinois including: funding; tuition; enrollment; and investment tools. Some of the key points include the following:

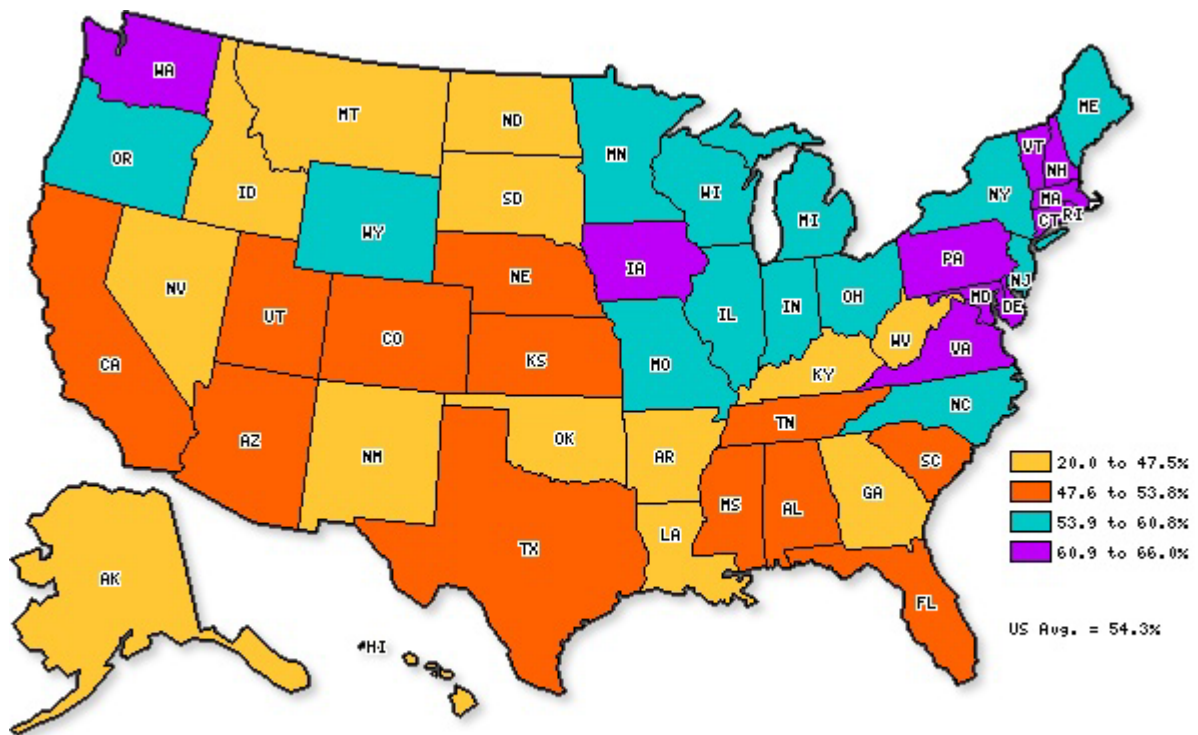
- In the United States, state and local governments provided \$69.4 billion in funding for general operating expenses for higher education.
- Illinois receives the third greatest dollar amount of local tax appropriations for higher education. Illinois receives the fourth greatest dollar amount of state sources for higher education. However, state sources for Illinois make up 63.8% of total state, local and net tuition revenue, which ranks Illinois 23rd in the United States.
- In FY 2006, \$2.2 billion in Illinois general funds are designated for higher education operations and grants. This is an increase of 2 percent or \$44.1 million, from FY 2005 appropriations. However, when funding for the State Universities Retirement System is excluded, funds designated for institutional operations and grants equals \$2.1 billion, an increase of only 0.2 percent from FY 2005 appropriations.
- As higher education funding in Illinois decreases, tuition increases in order to offset the loss in revenue. Illinois is expected to have a “structural fiscal shortfall” of -4.2 percent, compared to -3.4 percent nationally, by 2010 (*State Spending for Higher Education in the Coming Decade, 2002*).
- Since 2001, “net tuition revenues per [full time equivalent enrollment] in public institutions grew 10.7 percent faster than inflation (*State Higher Education Finance FY 2004*). “

- From FY 2001 to FY 2006, the average tuition and fees for Illinois Public Universities increased 78%, with a yearly average increase of 15.6%.
- Public Act 093-0228 (HB 1118), was enacted to place limitations on tuition increases. In essence, the Act placed a freeze on tuition costs for four continuous academic years following initial enrollment of undergraduate students who are Illinois residents.
- Among class levels, except Doctoral, Fall 2004 Illinois female enrollment was greater than male enrollment.
- The largest percentage of Fall 2004 undergraduate enrollment in Public Universities was students between the ages of 20 and 21.
- The average age for undergraduate students was 22.6 and with a median age of 21.1.
- Based on the Higher Education Cost Adjustment, public colleges and universities have grown by 11.8 percent, and costs have increased 10.3 percent as state and local appropriations for public colleges and universities have essentially been flat since 2001.
- There are various types of financial aid including grants, tuition waivers, loans, and work programs.

HIGHER EDUCATION OVERVIEW

Across the nation, higher education faces various obstacles as funding decreases and tuition increases results in students and families having to tackle growing financial burdens. “Both the price students pay and higher education costs have grown consistently faster than the consumer price index. For over fifty years, the United States could rightfully claim to have the finest system of higher education in the world in terms of access, graduates, and research. Today, this basic assumption is under challenge (State Higher Education Executive Officers, 2005).”

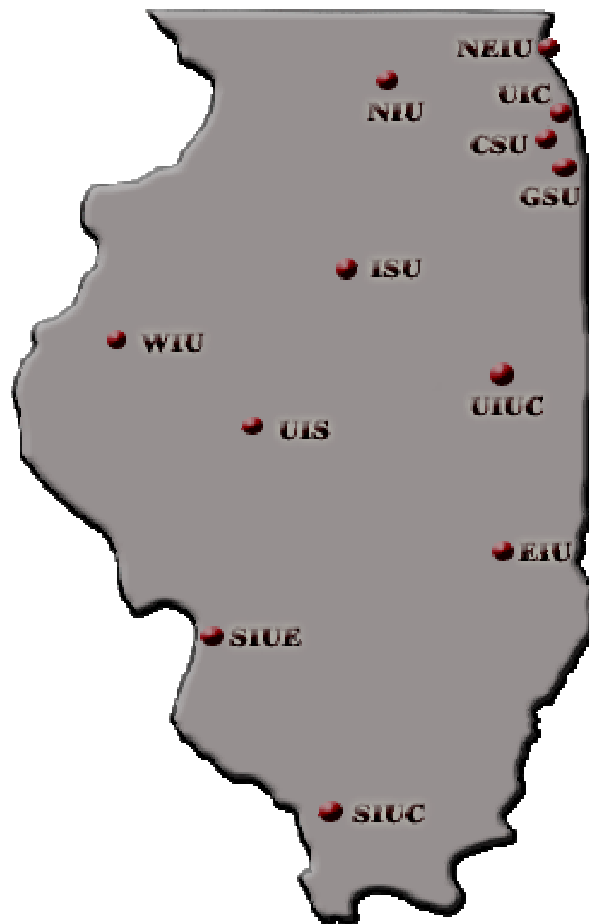
According to the State Higher Education Executive Officers, the United States no longer leads the developed world in the rate of college completion for the first time in decades. For example, four out of ten students in colleges and universities fail to graduate within six years (State Higher Education Executive Officers, 2005). The following map exemplifies the six-year graduation rates of bachelor students in 2003, throughout the nation.



Source: NCES & IPEDS Graduation Rate Survey

There are nine public universities in Illinois, which include the following:

- Chicago State University (CSU)
- Eastern Illinois University (EIU)
- Governors State University (GSU)
- Illinois State University (ISU)
- Northeastern Illinois University (NEIU)
- Northern Illinois University (NIU)
- Southern Illinois University
 - Carbondale (SIUC)
 - Edwardsville (SIUE)
- University of Illinois
 - Chicago (UIC)
 - Springfield (UIS)
 - Urbana/Champaign (UIUC)
- Western Illinois University (WIU)



Source: Illinois Board of Higher Education

ILLINOIS HIGHER EDUCATION FUNDING

Higher Education funding is primarily derived from state governments. In the United States, state and local governments provided \$69.4 billion in funding for general operating expenses of higher education. Of this amount, state governments provided approximately 90 percent, mostly via appropriations from state tax revenues, with smaller amounts from lotteries, earnings on state endowments, and lease or royalty income (*State Higher Education Finance FY 2004*).

Illinois receives the third greatest dollar amount of local tax appropriations for higher education. California ranks first and Texas ranks second. Illinois receives the fourth greatest amount of state sources for higher education. California, New York, and Florida rank first, second, and third, respectively. However, state sources for Illinois make up 63.8% of total state, local and net tuition revenue, which ranks Illinois 23rd in the United States. The chart on the following page exhibits the state, local and net tuition revenue by State Fiscal Year 2004:

**STATE, LOCAL, & NET TUITION REVENUE BY STATE
FISCAL YEAR 2004
(Dollars in Thousands)**

State	Total State, Local, & Net Tuition Revenue	State Sources Total*		Local Tax Appropriations**		Net Tuition Revenue***	
		\$	%	\$	%	\$	%
Alabama	1,950,889	1,167,537	59.8%	1,699	0.1%	781,653	40.1%
Alaska	278,271	217,245	78.1%	720	0.3%	60,307	21.7%
Arizona	1,903,371	866,906	45.5%	463,593	24.4%	572,872	30.1%
Arkansas	945,134	659,507	69.8%	7,741	0.8%	277,887	29.4%
California	13,547,584	8,977,012	66.3%	2,122,805	15.7%	2,447,767	18.1%
Colorado	1,371,985	578,430	42.2%	43,646	3.2%	749,910	54.7%
Connecticut	1,140,981	747,737	65.5%	0	0.0%	393,244	34.5%
Delaware	439,955	191,289	43.5%	0	0.0%	248,666	56.5%
Florida	3,597,069	2,723,588	75.7%	0	0.0%	873,482	24.3%
Georgia	2,361,951	2,005,743	84.9%	0	0.0%	356,208	15.1%
Hawaii	482,306	398,836	82.7%	0	0.0%	83,470	17.3%
Idaho	419,337	327,551	78.1%	8,500	2.0%	83,286	19.9%
Illinois	4,242,030	2,706,659	63.8%	611,641	14.4%	923,730	21.8%
Indiana	2,450,088	1,360,312	55.5%	0	0.0%	1,089,776	44.5%
Iowa	1,335,215	738,463	55.3%	42,016	3.1%	554,735	41.5%
Kansas	1,202,033	685,832	57.1%	149,772	12.5%	366,429	30.5%
Kentucky	1,510,387	1,108,688	73.4%	0	0.0%	401,699	26.6%
Louisiana	1,602,664	1,245,308	77.7%	0	0.0%	357,357	22.3%
Maine	400,802	231,512	57.8%	0	0.0%	169,290	42.2%
Maryland	2,309,930	1,140,033	49.4%	215,323	9.3%	954,574	41.3%
Massachusetts	1,548,605	995,769	64.3%	0	0.0%	552,836	35.7%
Michigan	4,621,277	1,984,293	42.9%	478,000	10.3%	2,158,985	46.7%
Minnesota	2,042,160	1,286,064	63.0%	0	0.0%	756,096	37.0%
Mississippi	1,134,211	768,414	67.7%	43,082	3.8%	322,715	28.5%
Missouri	1,632,691	934,512	57.2%	111,343	6.8%	586,836	35.9%
Montana	292,740	150,576	51.4%	3,555	1.2%	138,609	47.3%
Nebraska	814,126	511,195	62.8%	63,092	7.7%	239,839	29.5%
Nevada	609,566	482,908	79.2%	0	0.0%	126,658	20.8%
New Hampshire	272,029	112,446	41.3%	0	0.0%	159,583	58.7%
New Jersey	2,862,609	1,740,829	60.8%	185,935	6.5%	935,845	32.7%
New Mexico	823,818	673,743	81.8%	61,719	7.5%	88,357	10.7%
New York	6,621,512	4,326,788	65.3%	536,678	8.1%	1,758,046	26.6%
North Carolina	3,302,760	2,474,773	74.9%	132,276	4.0%	695,711	21.1%
North Dakota	307,045	200,430	65.3%	0	0.0%	106,615	34.7%
Ohio	3,928,080	2,071,795	52.7%	123,014	3.1%	1,733,271	44.1%
Oklahoma	1,085,602	765,570	70.5%	30,447	2.8%	289,584	26.7%
Oregon	1,316,225	587,638	44.6%	99,834	7.6%	628,753	47.8%
Pennsylvania	4,018,617	1,946,617	48.4%	98,426	2.4%	1,973,574	49.1%
Rhode Island	349,905	171,897	49.1%	0	0.0%	178,009	50.9%
South Carolina	1,205,301	817,445	67.8%	43,349	3.6%	344,506	28.6%
South Dakota	282,475	154,240	54.6%	0	0.0%	128,235	45.4%
Tennessee	1,773,264	1,088,681	61.4%	0	0.0%	684,584	38.6%
State		\$	%	\$	%	\$	%
Texas	8,160,515	5,189,125	63.6%	673,518	8.3%	2,297,873	28.2%
Utah	892,163	614,439	68.9%	0	0.0%	277,724	31.1%
Vermont	228,445	59,536	26.1%	0	0.0%	168,909	73.9%
Virginia	2,369,538	1,346,282	56.8%	12,164	0.5%	1,011,092	42.7%
Washington	1,749,570	1,360,709	77.8%	0	0.0%	388,861	22.2%
West Virginia	635,919	406,574	63.9%	0	0.0%	229,345	36.1%
Wisconsin	2,233,724	1,114,812	49.9%	338,584	15.2%	780,329	34.9%
Wyoming	319,502	251,961	78.9%	21,209	6.6%	46,332	14.5%
United States****	100,925,980	62,668,249	62.1%	6,723,681	6.7%	31,534,054	31.2%

* State appropriations of tax and non-tax revenue plus non-appropriated support.

** Appropriations from local government taxes to higher education institutions for operations.

*** Public postsecondary gross tuition and mandatory fee assessments, less tuition/fees paid by public medical school students, less state-appropriated student financial aid for public post secondary tuition.

**** Rows may not add to United States total due to rounding.

Source: SHEEO SHEF

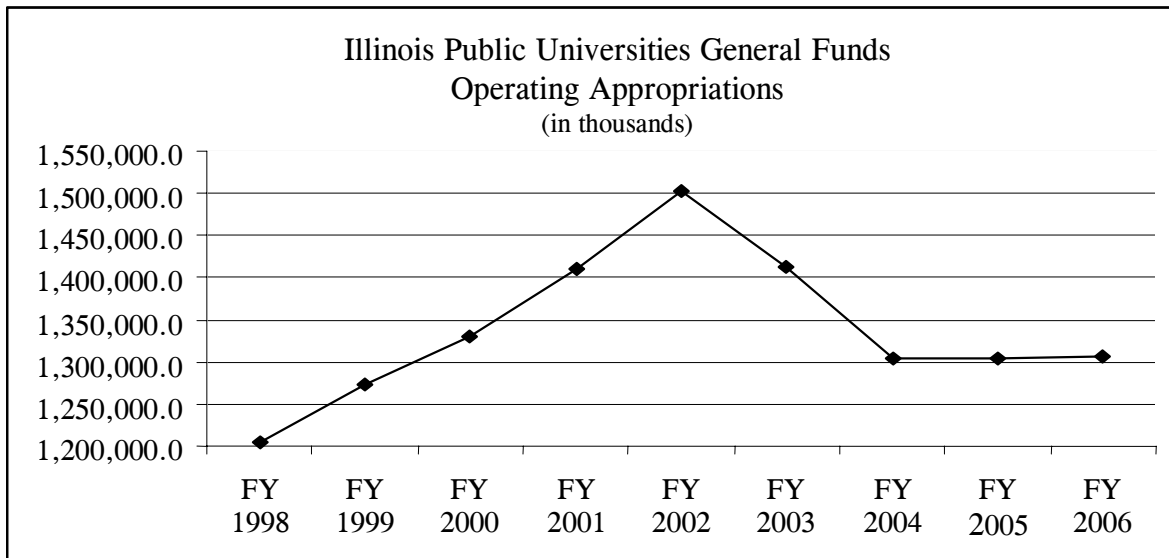
Between Fiscal Year 1990 and 2005, State funding for operations of community colleges and public universities has considerably declined. During this time funding for operations returned to approximately 1984 levels (*Symposium on Financing Higher Education: Putting Illinois in the National Context, 2004*).

Illinois mirrors the national trend of reduced state revenue going into Higher Education. “Higher education’s share of Illinois general funds has declined from 13.2 percent in FY 1990 to 9.4 percent in FY 2005. Between Fiscal Years 2002 and 2005, higher education lost 15.3 percent of its state revenues compared to increases of 5.7 percent for elementary and secondary education and 5.5 percent for all other state functions” (*State Appropriations for Higher Education, 2004*).

FY 2003 experienced a 6.1 percent decrease from FY 2002 in general funds operating appropriations for Illinois Public Universities. FY 2004 experienced a 7.6 percent decrease from FY 2003. The following charts show the general funds operating appropriations for Illinois Public Universities from FY 1998 to FY 2006.

Illinois Public Universities General Funds Operating Appropriations									
(in thousands)									
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Chicago State University	34,110.8	36,990.6	38,246.0	40,983.7	44,027.4	41,531.2	40,450.7	38,760.3	38,600.3
Eastern Illinois University	41,870.4	44,957.8	47,628.4	50,908.7	55,274.3	51,883.0	47,609.5	47,609.5	47,609.5
Governors State University	21,990.1	23,319.9	24,854.5	26,384.2	28,045.9	26,350.6	24,180.1	24,280.1	25,986.1
Northeastern Illinois University	36,024.1	38,189.0	40,330.4	42,610.1	45,396.8	42,545.4	39,077.7	39,227.7	39,247.7
Western Illinois University	52,442.7	54,859.5	58,151.9	61,407.4	65,047.8	61,126.0	56,091.1	56,391.1	56,391.1
Illinois State University	75,540.1	79,724.8	82,971.2	87,761.8	93,384.7	87,673.5	80,452.0	80,452.0	80,452.0
Northern Illinois University	96,971.1	101,459.8	105,933.8	111,286.1	118,176.2	110,936.6	101,798.9	102,274.9	102,974.9
Southern Illinois University	199,903.4	210,018.9	218,742.7	234,150.0	249,933.1	234,716.6	217,203.7	217,428.7	217,653.7
University of Illinois	646,835.8	684,020.7	712,541.9	754,440.7	803,624.7	754,917.4	696,901.1	698,451.1	697,901.1
TOTAL	1,205,688.5	1,273,541.0	1,329,400.8	1,409,882.7	1,502,910.9	1,411,680.3	1,308,764.8	1,304,875.4	1,306,876.4

Source: Illinois Board of Higher Education



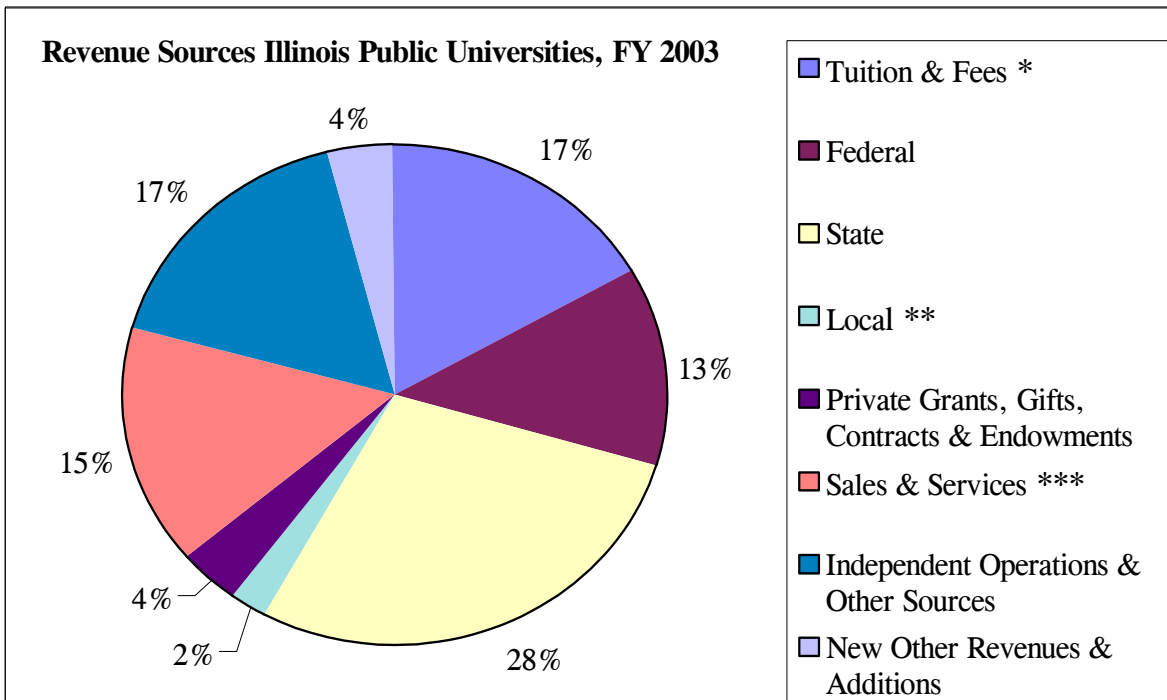
Source: Illinois Board of Higher Education

Since public colleges and universities rely primarily on state general funds and tuition, tuition is making up a larger percent as state funds decrease. Opportunities to tap into resources become more difficult as other funding sources often lack flexibility. Generally, these other funds are not accessible to cover funding for instruction. For example, athletic facility funds may only be utilized for athletic facilities. Therefore, one may argue this may have an impact on determining priorities within in these establishments. The following charts exhibit the current fund revenues and percentage distribution by source at Illinois Public Universities for FY 2003:

	Tuition & Fees*	Government Appropriations			Private Grants		Independent Operations & Other Sources	New Other Revenues & Additions	Total
		Federal	State	Local**	Gifts Contracts & Endowments	Sales & Services ***			
Public Universities									
Chicago State University	21,130,559	18,278,639	53,445,556	1,613,490	938,968	3,645,783	1,809,815	9,344,010	110,206,820
Eastern Illinois University	44,211,332	8,342,930	53,912,250	892,344	2,183,707	31,577,274	25,493,334	4,112,416	170,725,587
Governors State University	13,669,494	3,743,162	25,628,600	1,547,020	54,980	1,291,324	14,020,634	12,710,712	72,665,926
Illinois State University	99,137,292	17,258,730	99,385,664	2,450,953	1,194,130	62,875,466	53,741,155	11,879,628	347,923,018
Northeastern Illinois University	27,866,437	18,450,662	43,610,126	3,757,738	229,401	2,577,555	15,092,136	4,213,536	115,797,591
Northern Illinois University	91,872,821	28,224,911	161,110,971	7,224,793	20,605,146	78,355,289	21,156,697	11,769,698	420,320,326
SIU - Carbondale	91,922,765	37,259,039	182,502,202	16,047,797	15,109,729	42,808,709	115,581,929	20,280,846	521,513,016
SIU - Edwardsville	41,617,387	22,102,822	72,293,919	3,017,696	2,807,847	27,070,523	30,133,866	25,238,703	224,282,763
SIU - System Office	-	202,696	3,720,024	-	230,804	-	2,508,020	-	6,661,544
U of I - Chicago	169,328,977	244,920,152	292,960,005	37,531,006	31,534,024	405,196,826	381,578,406	55,010,197	1,618,059,593
U of I - Springfield	11,088,865	3,057,496	25,022,941	1,570,599	1,173,234	7,205,841	8,541,124	3,444,362	61,104,462
U of I - Adm. University	-	951,705	46,161,626	297,818	26,676,535	-	27,882,885	74,086	102,044,655
U of I - Urbana/Champaign	290,238,977	303,536,703	426,252,985	50,326,538	102,356,377	162,230,475	249,967,531	56,074,175	1,640,983,761
Western Illinois University	42,994,794	18,289,717	85,076,820	760,415	418,126	43,459,509	8,023,737	3,200,708	202,223,826
Total FY 2003	945,079,700	724,619,364	1,571,083,689	127,038,207	205,513,008	868,294,574	955,531,269	217,353,077	5,614,512,888

* Tuition & Fees includes discounts & allowance.
 ** Local includes Local & Private grants & contracts.
 *** Sales & Services includes discounts & allowance.

Source: Integrated Postsecondary Education Data Systems (IPEDS) Finance, FY 2003



* Tuition & Fees includes discounts & allowances
 ** Local includes Local & Private grants & contracts
 *** Sales & Services includes discount & allowances

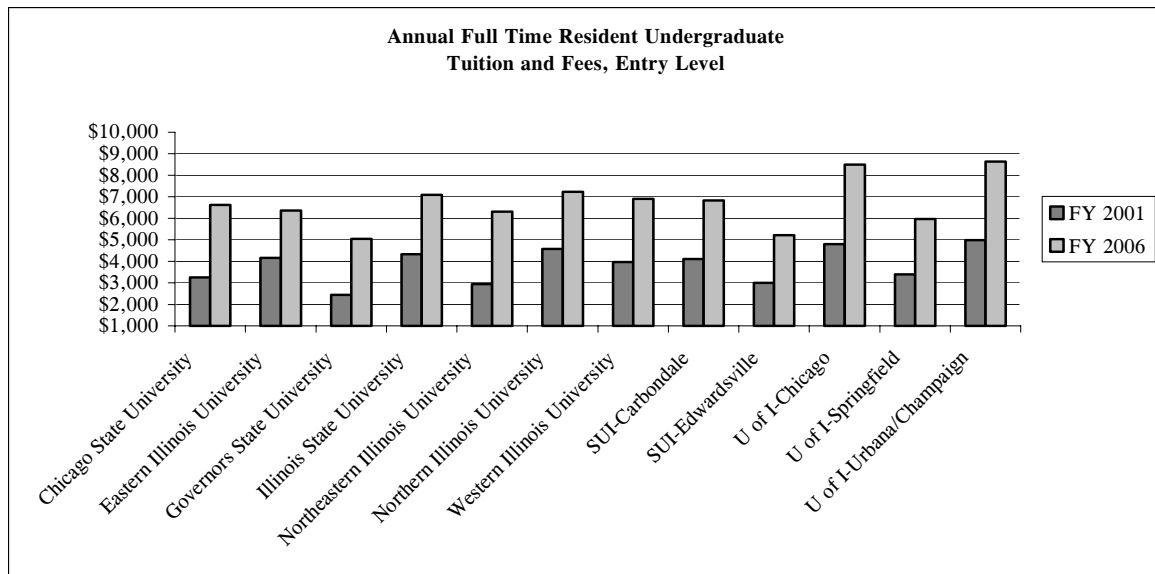
Source: Illinois Board of Higher Education

In FY 2006, \$2.2 billion in Illinois general funds is designated for higher education operations and grants. This is an increase of 2 percent, or \$44.1 million, from FY 2005 appropriations. However, when funding for the State Universities Retirement System is excluded, funds designated for institutional operations and grants equals \$2.1 billion, an increase of only 0.2 percent from FY 2005 appropriations. An additional \$130 million is appropriated to the Capital Development Board for “new public university and community college capital projects and reappropriated unexpended funds for previously authorized projects” (Illinois Board of Higher Education).

As higher education funding in Illinois decreases, tuition must increase in order to offset the loss in revenue. Illinois is expected to have a “structural fiscal shortfall” of -4.2 percent, compared to -3.4 percent nationally, by 2010 (*State Spending for Higher Education in the Coming Decade, 2002*). Therefore, one may conclude future higher education appropriations will reflect this shortfall and result in the continuation of decreasing states funds going towards higher education. If public universities are forced to repeatedly increase tuition to close the funding gap, students will continue to borrow more in order to meet the growing cost of higher education.

INCREASING ILLINOIS TUITION

Since 2001, “net tuition revenues per [full time equivalent enrollment] in public institutions grew 10.7 percent faster than inflation (State Higher Education Finance FY 2004).” Among Illinois Public Universities, the increase in tuition and fees ranges from 52.9 percent (Eastern Illinois University) to 105.8 percent (Governors State University) between FY 2001 and FY 2006. According to the Illinois State Board of Higher Education, within a year, FY 2005 to FY 2006, tuition and fees increased between 7.2 percent (Southern Illinois University, Edwardsville) and 27.9 percent (Northeastern Illinois University). The following chart and table includes the annual full-time resident undergraduate tuition and fees, entry level, for Fiscal Years 2001 thru 2006:



Source: Illinois Board of Higher Education

Illinois Public Universities
Annual Full-Time Resident Undergraduate Tuition and Fees: Entry Level
FY2001 - FY2006

(Annual Based on 30 Credit Hours)

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	\$Increase FY01 - 06	%Increase FY01 - 06	\$Increase FY05 - 06	%Increase FY05 - 06
Chicago State University	\$3,255	\$3,474	\$3,851	\$4,551	\$6,143	\$6,626	\$3,371	103.6%	\$483	7.9%
Eastern Illinois University	\$4,167	\$4,301	\$4,648	\$5,149	\$5,781	\$6,373	\$2,206	52.9%	\$592	10.2%
Governors State University	\$2,454	\$2,526	\$3,054	\$4,010	\$4,622	\$5,050	\$2,596	105.8%	\$428	9.3%
Illinois State University	\$4,340	\$4,486	\$5,037	\$5,530	\$6,328	\$7,091	\$2,751	63.4%	\$763	12.1%
Northeastern Illinois University	\$2,946	\$3,200	\$3,326	\$4,331	\$4,932	\$6,306	\$3,360	114.1%	\$1,375	27.9%
Northern Illinois University	\$4,583	\$4,814	\$5,175	\$5,799	\$6,617	\$7,229	\$2,646	57.7%	\$612	9.2%
Western Illinois University	\$3,973	\$4,282	\$4,846	\$5,431	\$6,183	\$6,899	\$2,926	73.6%	\$716	11.6%
Southern Illinois University										
Carbondale	\$4,114	\$4,254	\$4,865	\$5,521	\$6,341	\$6,831	\$2,717	66.0%	\$491	7.7%
Edwardsville	\$3,007	\$3,291	\$3,709	\$4,183	\$4,859	\$5,209	\$2,202	73.2%	\$350	7.2%
University of Illinois										
Chicago	\$4,800	\$5,620	\$6,592	\$6,958	\$7,824	\$8,498	\$3,698	77.0%	\$674	8.6%
Springfield	\$3,395	\$3,611	\$4,009	\$4,310	\$5,247	\$5,965	\$2,570	75.7%	\$718	13.7%
Urbana/Champaign	\$4,994	\$5,754	\$6,704	\$7,010	\$7,944	\$8,634	\$3,640	72.9%	\$690	8.7%

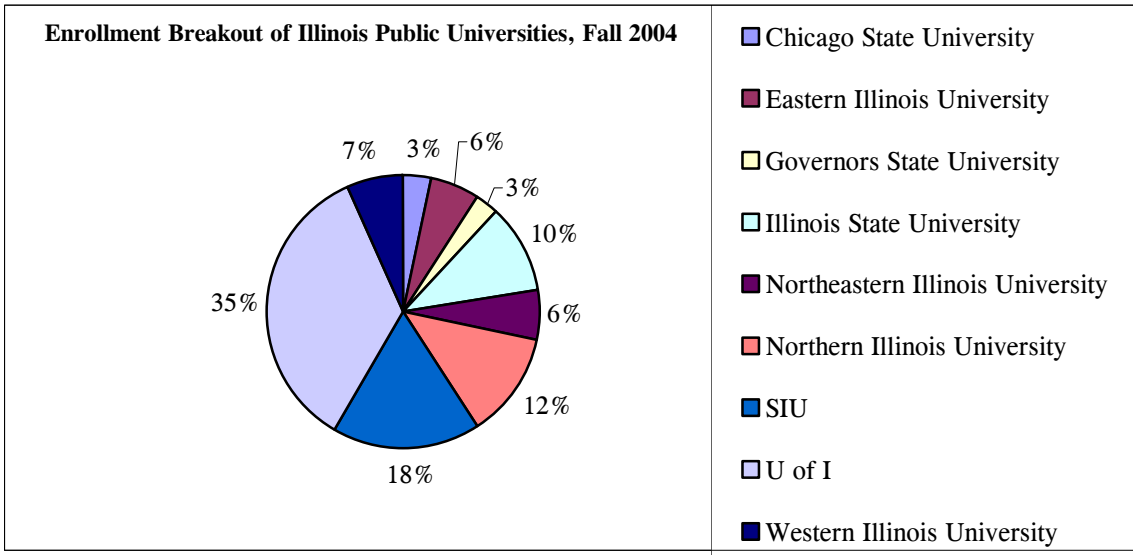
Source: Illinois Board of Higher Education

Public Act 093-0228 (HB 1118), was enacted to place limitations on tuition increases. In essence, the Act placed a freeze on tuition costs for four continuous academic years following initial enrollment of undergraduate students who are Illinois residents. However, if a major is changed during this period, the tuition shall equal the amount the student would have been charged had the student been admitted to the changed major when first enrolled. All nine Illinois public universities were included in Public Act 093-0228.

ILLINOIS HIGER EDUCATION ENROLLMENT

“During an economic recession, state funding for higher education declines while enrollment in colleges and universities tends to increase as students seek credentials for employment or bide time until the economy improves (*Symposium on Financing Higher Education, 2004*).” Since 2001, public colleges and universities have grown by 11.8 percent and costs have increased 10.3 percent as state and local appropriations for public colleges and universities have essentially been flat, based on the Higher Education Cost Adjustment (State Higher Education Finance FY 2004).

The total headcount enrollment for all class levels at Illinois Public Universities for Fall 2004 was 200,467 students. University of Illinois had the largest percentage of enrollment for Fall 2004 with 35 percent. The following charts depict the enrollment breakout for all class levels of Illinois Public Universities for Fall 2004:



Source: Illinois Board of Higher Education

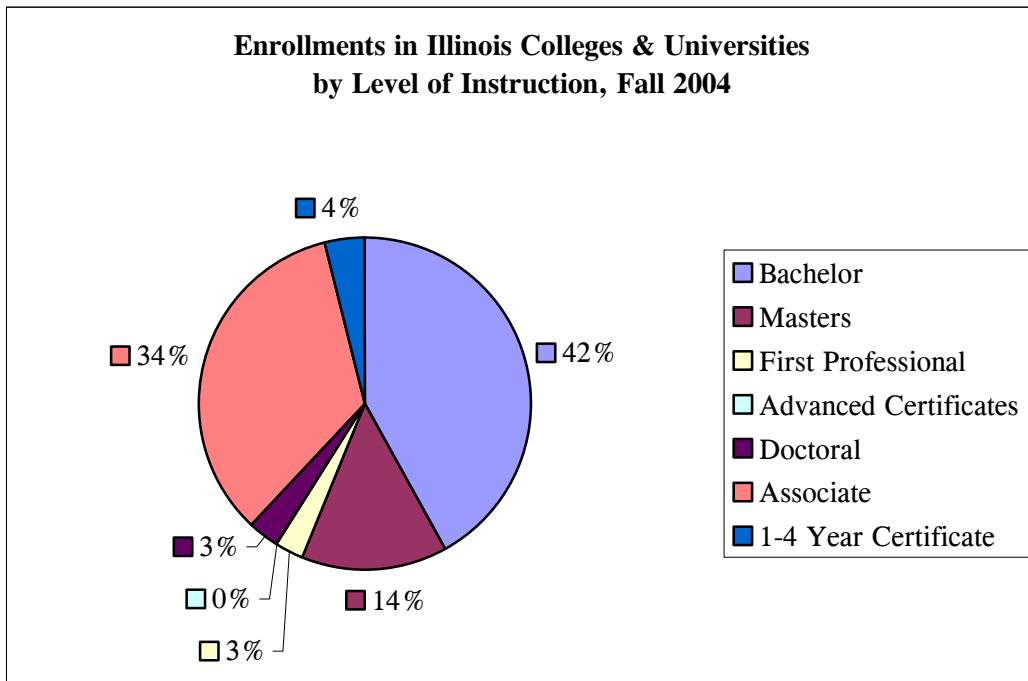
**Enrollment Breakout of Illinois Public Universities Fall 2004
(Total Students)**

University of Illinois	69,948
Southern Illinois University	35,082
Northern Illinois University	24,820
Illinois State University	20,757
Western Illinois University	13,558
Northeastern Illinois University	12,164
Eastern Illinois University	11,651
Chicago State University	6,835
Governor's State University	5,652

Source: Illinois Board of Higher Education

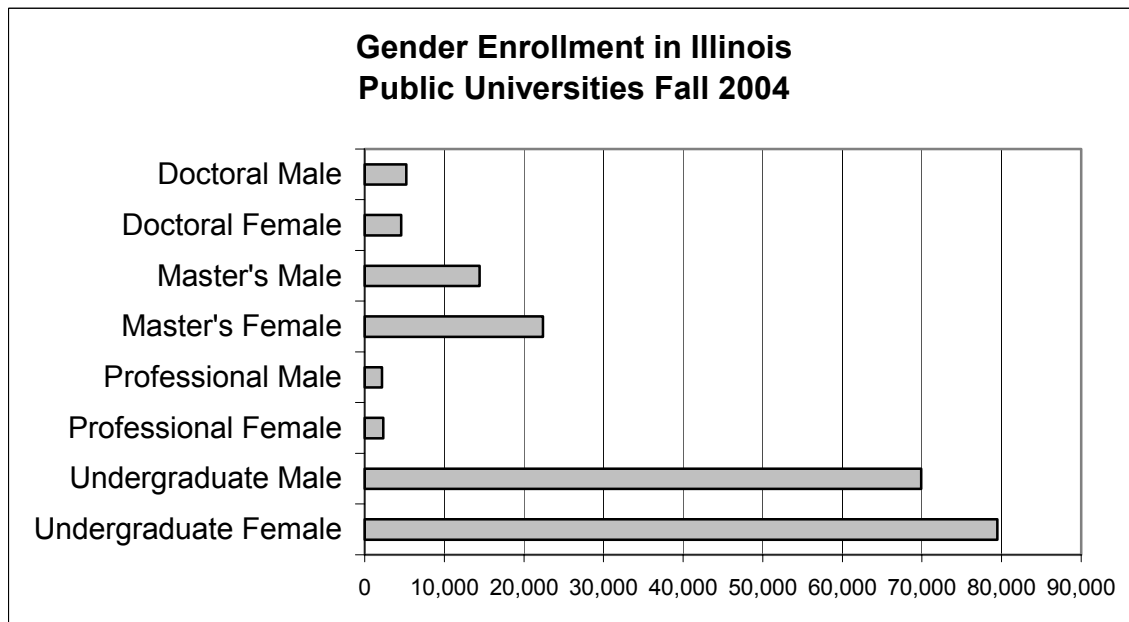
Of the Southern Illinois University totals, Carbondale made up 61.5 percent and Edwardsville made up 38.5 percent. Of the University of Illinois, Chicago, Springfield, and Urbana/Champaign made up 35.5, 6.3, and 58.2 percent respectively.

The largest percent of Fall 2004 enrollment in Illinois Colleges and Universities was at the Bachelor level and accounted for 42 percent. The following chart exhibits the percentage of Fall 2004 enrollments in Illinois Colleges and Universities by level of instruction:



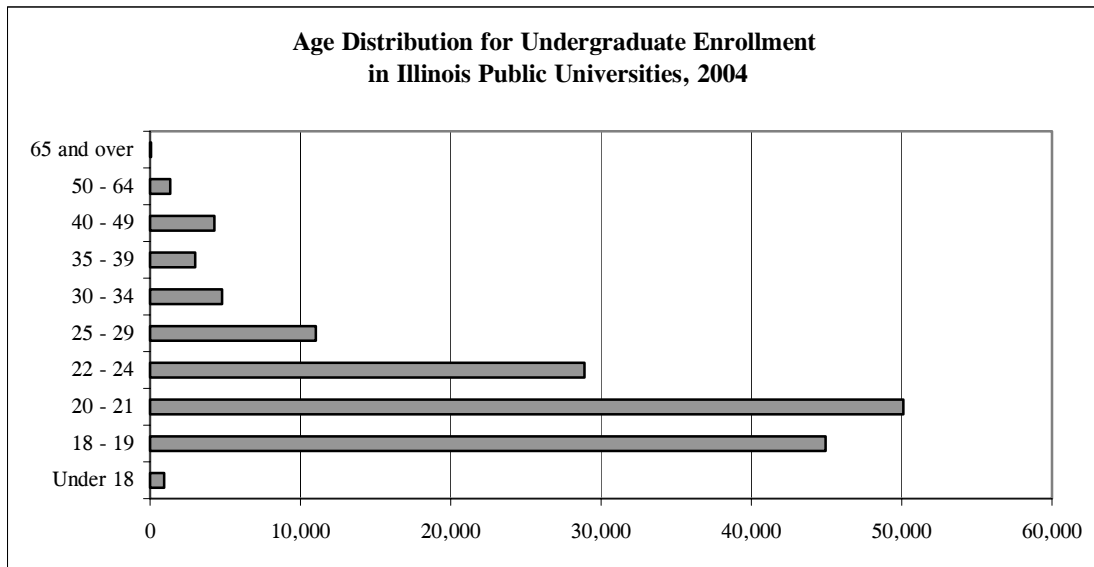
Source: Illinois Board of Higher Education

Among class levels, except Doctoral, Fall 2004 Illinois female enrollment was greater than male enrollment. The following table demonstrates the gender enrollment in Illinois Public Universities, Fall 2004 (Illinois Board of Higher Education):



Source: Illinois Board of Higher Education

The largest percent of Fall 2004 undergraduate enrollment in Public Universities was students between the ages of 20 and 21. Thereafter, as age increases the percent of enrolled students decreases. The average age for undergraduate students was 22.6 with a median age of 21.1 (Illinois Board of Higher Education). The below chart depicts the age distribution of students enrolled in Illinois Public Universities for Fall 2004.



Source: Illinois Board of Higher Education

As the above charts illustrate, as students progress through the education pipeline, the number of remaining students generally decreases.

Of first-time freshmen enrolled in Illinois colleges and universities in Fall 2004, 87.09 percent were from Illinois. The following chart provides a breakout of first-time freshmen enrolled in Illinois colleges and universities in Fall 2004:

From:	Number	Percent of Total
Illinois	82,144	87.09%
Foreign Countries	1,384	1.47%
Indiana	1,049	1.11%
Missouri	1,001	1.06%
Michigan	842	0.89%
Wisconsin	750	0.80%
California	666	0.71%
Total First-time Freshmen in Illinois	94,317	---

Source: Illinois Board of Higher Education

INDIVIDUAL INVESTMENT TOOLS

There are various types of financial aid including grants, tuition waivers, loans, and work programs. The largest source of financial aid dollars is via loans (47.5 percent), followed by grants (41.0 percent), employment (7.1 percent) and tuition waivers (4.5 percent), respectively.

The greatest amount of recipients receive grants (50.6 percent), followed by loans (31.6 percent), employment (13 percent) and tuition waivers (4.8 percent), respectively. The below chart demonstrates the distribution of financial aid dollars in Illinois for undergraduate students at Public Universities for Fiscal Years 2003 and 2004:

Distribution of Financial Aid Dollars in Illinois Public Universities for Undergraduate Students Fiscal Year 2003 -2004										
<i>(In Thousands)</i>										
	Grants*		Tuition Waiver*		Loans*		Employment*		Total*	
	Recipients	Dollars	Recipients	Dollars	Recipients	Dollars	Recipients	Dollars	Recipients	Dollars
Federal	55,995	131,291.5	0	0.0	59,192	260,505.2	7,600	7,755.2	122,787.0	399,551.9
State**	68,098	172,956.5	14,221	39,441.4	0	266.7	11,713	22,917.8	94,032.0	235,582.4
Institutional***	15,575	35,943.9	0	0.0	420	13,846.3	19,570	31,398.4	35,565.0	81,188.6
Other	11,562	20,219.8	0	0.0	34,813	142,907.6	0	204.7	46,375.0	163,332.1
Total	151,230	360,411.7	14,221	39,441.4	94,425	417,525.8	38,883	62,276.1	298,759.0	879,655.0

* Students may participate in a number of programs at the same time, as well as receiving grants from other sources. Total recipients reflects duplicated headcounts across all types of aid.
 ** Includes all State-Appropriated Funds at Public Universities. Institutional funds only reflects funds not supplied from State appropriations.
 *** Includes all Institutional matching funds for Federal Programs at Public Community Colleges and Private Institutions.

Source: 2003 - 2004 Student Financial Aid Survey

BRIGHT START COLLEGE SAVINGS PROGRAM

Administered by the Illinois State Treasurer, the *Bright Start College Savings Program* is a tax-advantaged Section 529 plan, which allows an opportunity to save for higher education. Any individual residing in the United States can establish a Bright Start account and thereafter anyone can contribute to the account. A minimum of \$25 is required to open an account and subsequent contributions, minimum of \$15, can be made anytime. Although there is a management fee of 0.99%, there are no fees to establish an account or to make a withdrawal. Individuals may choose between the

following investment options: age-based, equity, balanced, fixed income, and principal protection income.

Bright Start funds may be used to cover higher education costs associated with the following; books, fees, required supplies and equipment, room and board, and tuition. However, coverage is only permissible at educational institutions eligible to receive Title IV funds: colleges, community colleges, graduate schools, technical and vocational schools, and universities. Some schools outside of the United States are included (www.brightstartsavings.com).

COLLEGE ILLINOIS!

Another savings vehicle sponsored by the State of Illinois is *College Illinois!*. As a 529 prepaid tuition program, an individual may purchase community and/or university level semesters. One may purchase a minimum of one semester, several semesters, a maximum of four community college semesters, or a maximum of nine university semesters. In addition, a fixed program is also available, which includes four community college semesters and four university semesters.

Through *College Illinois!* community college and university prepaid semesters cover 100 percent of tuition and mandatory fees for Illinois students. Coverage may include out-of-state and private colleges by using a mean-weighted average, recalculated annually, of tuition and fees at comparable community colleges and public universities in Illinois.

College Illinois! benefits may be used at any community college, public Illinois universities, or at most private or public colleges throughout the United States. However, benefits may not be used at proprietary schools, except for the following: Argosy University, DeVry University, Illinois Institute of Art – Chicago, Midstate College in Peoria, Northwestern Business College in Chicago, and The Cooking and Hospitality Institute of Chicago (www.collegeillinois.com).

GRANTS

“Illinois is among the states that have placed priority on need-based student financial aid programs, resisting the national trend toward merit-based programs (Symposium on Financing Higher Education: Putting Illinois in the National Context).” FY 2006 will see the elimination of the Merit Recognition Scholarships since no funding will be received. FY 2005 Merit Recognition Scholarships received \$5.4 million. These Scholarships provided one-time, nonrenewable \$1,000 scholarships to high-achieving Illinois high school students who attend college in Illinois.

Grants are administered through the Illinois Student Assistance Commission (ISAC), which will receive \$390.3 million in general funds for operations and grants from the

Illinois General Assembly for FY 2006. This is a decrease of \$2.0 million from FY 2005.

The amount and number of grants is dependent upon annual appropriations by the Illinois General Assembly. Grants do not need to be paid back and are provided by the government or college a student attends. Generally, the amount of the grant is based on financial need, which is determined by information provided by the student on the Free Application for Federal Student Aid (FAFSA). Once a FAFSA is completed, a student is automatically considered for the following three types of grants:

- Monetary Award Program (MAP)
- Federal Pell Grant (PELL)
- Federal Supplemental Educational Opportunity Grant (SEOG)

Monetary Award Program

The State of Illinois provides Monetary Award Programs (MAP) grants to Illinois residents based on financial need as identified via the Free Application for Federal Student Aid (FAFSA). Besides demonstrating a financial need, a student must also meet the following criteria:

- Be a United States citizen or an eligible non-citizen
- Be an Illinois resident (if student is a dependent, the parent whose information is used on the FAFSA must be an Illinois resident)
- Be enrolled a minimum of 3 hours per term at an approved Illinois college, in a degree or certificate program
- Maintain satisfactory academic progress as determined by the college
- Neither be in default on any student loan, nor owe a refund on any state or federal grant
- Not have received a bachelor's degree
- Not have used the equivalent of 135 MAP Paid Credit Hours or more (MAP Paid Credit Hours usage is determined by the student's enrollment status each term)
- Comply with federal Selective Service registration requirements

Source: www.collegezone.com

The MAP grant may only be applied toward tuition and mandatory fees. The amount of an individual's MAP grant may vary annually. The current maximum-awarded amount one may receive is \$4,968, which is dependent on legislative action. FY 2006, "overall spending on MAP was increased by \$11.7 million, with the state providing \$8 million more and the federal government adding \$3.7 million in matching grants. Although the estimated FY 2006 average award is \$1,287 more than FY 1993, the average Map award as a percentage of weighted tuition/fee has decreased significantly. The following chart illustrates the MAP average award levels and weighted average

tuition and fees from Fiscal Year 1993 to estimated FY 2006 (State of Illinois Board of Higher Education).”

Monetary Award Program			
Average Award Levels and Weighted Average Tuition and Fees			
Sector Statistics: FY 1996 – FY 2006*			
<u>Fiscal Year</u>	<u>Average Award</u>	<u>Weighted Tuition/Fees</u>	<u>Average Award as % of T/F</u>
FY 1993	\$1,957	\$2,901	67.5%
FY 1994	\$1,935	\$3,134	61.7%
FY 1995	\$2,132	\$3,303	64.5%
FY 1996	\$2,243	\$3,434	65.3%
FY 1997	\$2,353	\$3,629	64.8%
FY 1998	\$2,486	\$3,817	65.1%
FY 1999	\$2,539	\$3,942	64.4%
FY 2000	\$2,729	\$4,160	65.6%
FY 2001	\$2,868	\$4,406	65.1%
FY 2002	\$3,029	\$4,786	63.3%
FY 2003	\$3,011	\$5,298	56.8%
FY 2004	\$2,865	\$5,785	49.5%
FY 2005	\$2,733	\$6,565	41.6%
FY 2006	\$3,144	\$7,151	44.0%

*FY 2006 Estimated

Source: Illinois Board of Higher Education

Pell Grant

The *Federal Pell Grant* is based on financial need to students who have not earned a bachelor’s or professional degree. However, a student may receive a Pell Grant for attending a post-baccalaureate teacher certificate program. The maximum award during for 2002-2003 award year was \$4,000. A student cannot receive more than one Pell Grant in an award year and from more than one school at a time.

Federal Supplemental Educational Opportunity Grant

The *Federal Supplemental Educational Opportunity Grant* is based on financial need and available only to undergraduate students. First priority is given to recipients of the Federal Pell Grant.

Other Grants

The State of Illinois offers the following other grants:

- Silas Purnell Illinois Incentive for Access (IIA) Program
- Illinois National Guard (ING) Grant Program

- Illinois Veteran Grant (IVG) Program
- Grant Program for Dependents of Police or Fire Officers
- Grant Program for Dependents of Correctional Officers
- Bonus Incentive Grant (BIG)
- Illinois Teachers and Child Care Providers Loan Repayment Program
- Student to Student Program of Matching Grants
- Higher Education License Plate (HELP) Program

Silas Purnell Illinois Incentive for Access Program

The maximum amount of *Silas Purnell Illinois Incentive for Access Program* is \$500. A recipient must meet the following criteria:

- Be a United States citizen or an eligible non-citizen.
- Be an Illinois resident.
- Be enrolled at least halftime as a freshman at an IIA participating college.
- Have a valid Student Aid Report with zero expected family contribution.
- Not have a baccalaureate degree.
- Meet Monetary Award Program (MAP) eligibility requirements.
- Meet satisfactory academic progress standards of the student's college.
- Not be in default on any student loan.
- Not owe a refund for any state or federal grant.

Source: www.collegezone.com

Illinois Veteran Grant Program

Recipients must have served at least one year of federal active duty service in the Armed Forces of the United States or who served on federal active duty service in a foreign country during a time of hostilities in that country, and are honorably discharged. As of September 15, 2004, any member of the Illinois National Guard or a Reserve component of the Armed Forces of the United States who meets the eligibility requirements is considered a qualified applicant of the IVG Program (www.collegezone.com).

The *Illinois Veteran Grant Program* pays eligible tuition and certain fees at any Illinois public college or community college. The grant may be used at the undergraduate or graduate level for the equivalent of four academic years of full-time enrollment. A recipient must meet the following criteria:

- Have served at least one year of federal active duty service in the Armed Forces of the United States, unless they served in a foreign country in a time of hostilities in that country, or were medically discharged and the medical reason for discharge was service related, or were discharged prior to August 11, 1967.
- Have received an honorable discharge for each period of federal active duty service.

- Not be a member of the Reserve Officer Training Corps (ROTC).
- Have resided in Illinois within six months before entering federal active duty service or within six months prior to entering the service.
- Have returned or plan to return to Illinois within six months after leaving federal active duty service unless they are residing with a spouse in continued military service and establish or plan to establish Illinois residency within six months of her/his leaving federal active duty service.
- Be enrolled at an Illinois public two or four year college.
- Reside in Illinois unless serving federal active duty service at the time of enrollment in college or residing with a spouse in continued military service who is currently stationed outside of Illinois.
- Neither be in default on any student loan, nor owe a refund on any state or federal grant.
- Maintain the minimum grade point average required by her/his college.

Source: www.collegezone.com

Illinois National Guard Grant Program

- Be an Illinois National Guard member, defined as being active in the Illinois National Guard or based on legislative changes effective beginning with the 2004-2005 academic year, have been active in the Illinois National Guard for at least five consecutive years and have been called to federal active duty service for at least six months and be within 12 months after their discharge date from the Illinois National Guard.
- Have completed one full year of service in the Illinois National Guard.
- Be an enlisted member or an officer.
- Be enrolled at an Illinois public two or four year college.
- Not be in default of any student loan, nor owe a refund on any state or federal grant.
- Maintain an acceptable grade point average (GPA) according to the policy determined by the applicant's college.

Source: www.collegezone.com

Grant Program for Dependents of Police or Fire Officers

“Children or spouses of Illinois police or fire officers who were killed or became at least 90 percent disabled in the line of duty may be eligible for the Grant Program for Dependents of Police or Fire Officers” (www.collegezone.com). In addition, the recipients must meet the following criteria:

- Be a U.S. citizen or an eligible non-citizen.
- Be enrolled on at least a half-time basis at an ISAC-approved Illinois two or four year college.

- Maintain satisfactory academic progress as established by the applicant’s college.
- Neither be in default on any student loan, nor owe a refund on any state or federal grant.
- Be the spouse, natural child, legally adopted child, or any child in the legal custody of the police or fire officer at the time of death or disability.

Source: www.collegezone.com

Grant Program for Dependents of Correctional Officers

“Children or spouses of Illinois Department of Corrections officers who were killed or became at least 90 percent disabled in the line of duty may be eligible for the *Grant Program for Dependents of Police or Fire Officers*” (www.collegezone.com). In addition, the recipients must meet the following criteria:

- Be a U.S. citizen or an eligible non-citizen.
- Be enrolled on at least a half-time basis at an ISAC-approved Illinois two or four year college.
- Maintain satisfactory academic progress as established by the applicant’s college.
- Neither be in default on any student loan, nor owe a refund on any state or federal grant.
- Be the spouse, natural child, legally adopted child, or any child in the legal custody of the correctional officer at the time of death or disability.

Source: www.collegezone.com

College Savings Bonds Incentive Grant Program

Beneficiaries of Illinois College Savings Bonds may be eligible to receive a Bond Incentive Grant. The amount of the grant ranges from \$40 to \$440 per \$5,000 of the bond. The application process cannot begin prior to the redemption of the bond(s). The State of Illinois disburses the funds to the student beneficiary on the school’s behalf. The bondholder must meet the following criteria:

- Have continuously owned the bond(s) for at least 12 months preceding the date of maturity.
- Use, directly or indirectly, at least 70 percent of the proceeds received when the bond(s) are redeemed at maturity to finance the student beneficiary’s educational expenses incurred at an eligible Illinois institution.
- Use the proceeds from the bond(s) in either the academic year in which the bond(s) were redeemed, or the academic year immediately following the redemption.
- Designate only one student beneficiary for each bond redeemed, but the same student beneficiary may be named to five bonds with no more than \$25,000 of aggregate compound accreted value at maturity for each academic year.

- Be enrolled on at least a halftime basis at an ISAC approved two or four year college in Illinois.
- Not attend an educational institution organized solely for the purpose of religious instruction.
- Not be enrolled in an academic program of divinity for any religious denomination or pursuing a course of religious study to become a minister, priest, rabbi, etc.

Source: www.collegezone.com

Illinois Teachers and Child Care Providers Loan Repayment Program

“The *Illinois Teachers and Child Care Providers Loan Repayment Program* provides grants to encourage academically talented Illinois students to teach in Illinois schools in low-income areas and to enter the early child care profession and serve in low-income areas in Illinois. If these obligations are met by a Federal Stafford Loan borrower who has qualified for the federal government’s loan forgiveness programs, he or she may receive up to \$5,000 in a matching grant to be used for repayment of student loans (www.collegzone.com).” Recipients must meet the following criteria:

- Be a U.S. citizen or an eligible non-citizen.
- Be an Illinois resident.
- Be a borrower who has had an amount of his or her educational loans forgiven under the federal government’s loan forgiveness programs.
- Have fulfilled his or her 5-year teaching obligation in an Illinois elementary or secondary school designated as a low-income school or have worked full time for 2 consecutive years in a child care facility that serves a low-income area in Illinois.

Source: www.collegezone.com

Student to Student Grant

The Student-to-Student Grant is based on voluntary contribution from students and matching grants from the State. The grant is available to undergraduates at participating state supported college. These colleges determine eligibility criteria and application process.

Higher Education License Plate Program

The Higher Education License Plate Program is available to students who attend Illinois colleges, which have special collegiate license plates. Parts of these license plates are used for undergraduate grants attending these colleges. Grants may only be used for tuition and mandatory fees for two semesters or three quarters in an academic year. The number and amount of grants is dependent on the number of license plated sold and the annual appropriation.

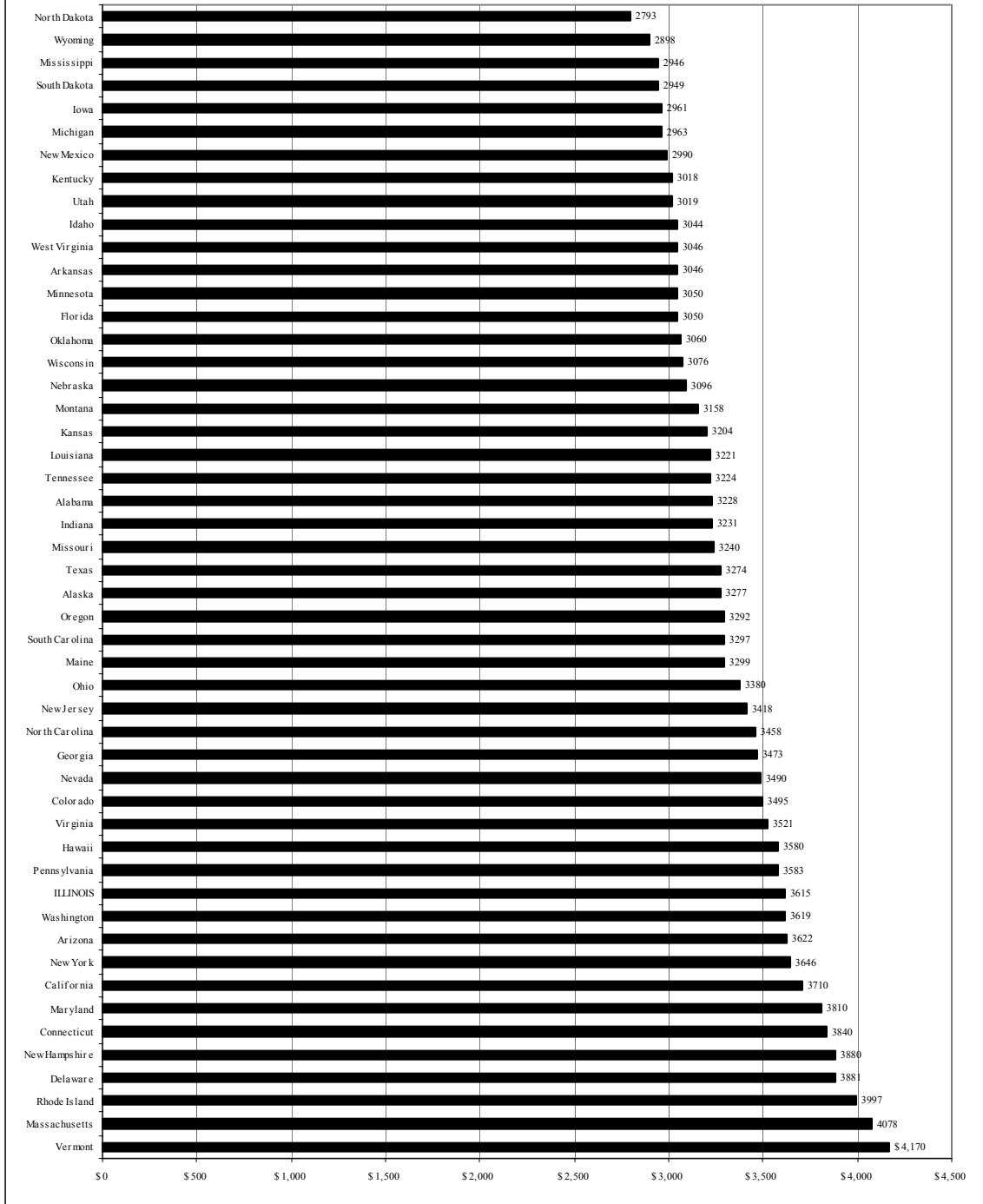
LOANS

Loans are another type of financial assistance available to students of higher education. A loan allows a student to borrow money from a bank, government or other lending institutions. Loans, plus interest, must be paid back within a certain amount of time. There are two categories of loans, which include subsidized and unsubsidized. Subsidized loans are based on financial need, whereas an unsubsidized loan is not based on financial need. Federal loans usually offer the lowest interest rates with the greatest flexibility. Generally loans are the last step of acquiring financial assistance since eligibility is determined after Federal Work-Study program(s), grants and scholarships are considered. Students at Illinois institutions borrowed \$2.41 billion in educational loans. ISAC's guarantees of student loans represents 41 percent of Illinois entire student loan volume (ISAC). The following are four types of loans:

- Federal Perkins Loan
- Federal Stafford Loan Program
- Federal PLUS Loan Program
- Federal Family Education Loan Program (FFELP) or William D. Ford Federal Direct Loan Program (Federal Direct Loans)

The following chart demonstrates the average yearly loan amount for students nationwide based on state data. Illinois ranks the 12th highest in the nation in terms of the average yearly loan amount borrowed by students:

Average Annual Loan Amount



Source: Measuring Up: The State-by-State Report Card for Higher Education

Federal Perkins Loan

The Federal Perkins Loan has a low interest rate and the grace period is longer than other educational loans. The maximum amount an undergraduate student may borrow is \$4,000, whereas a graduate student may borrow \$6,000 annually. A student must demonstrate a financial need in order to receive a loan. The loan plus its 5 percent interest rate must begin repayment nine months after a student graduates or drops below half-time enrollment status. The minimum monthly payment is \$40.

Federal Stafford Loan Program

Federal Stafford Loans are available through the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program. The college determines which loan program is applicable.

According to Illinois Student Assistance Commission, “between FY 2000 and FY 2005 the average cumulative Stafford loan debt for students with loans guaranteed by ISAC increased 28 percent. Average debt increased 7 percent just since last year. The current Stafford loan limits have been in place since FY 1994 and have undoubtedly constrained borrowing to some extent”. During this time, the number of borrowers with ISAC-guaranteed Stafford loans increased by 54 percent, from 83,961 to 128,898 (ISAC RPPA FYI).

There are two types of Federal Stafford Loans available: subsidized and unsubsidized. Eligibility for subsidized Federal Stafford Loans is based on financial need, and the federal government pays the interest on the borrower’s behalf while the borrower is enrolled at least half time, during the grace period, and authorized deferment periods. Eligibility for unsubsidized Federal Stafford Loans is not based on financial need, but the borrower is responsible for paying interest at all times. The borrower may pay this interest while in school, or you can allow it to accrue and capitalize and it will be added to the principal balance to be paid off with the rest of the loan when the student stops attending on at least a half-time basis (www.collegezone.com).

A student must start repaying both principal and interest six months after graduation, or after she/he drop below half-time enrollment. If the student has an unsubsidized Stafford loan, she/he must start repaying the interest from the day it is disbursed, although there are options for paying the interest, which can be worked out with the lender. As with a subsidized loan, repayment of principal on an unsubsidized loan begins six months after graduation or after the student drops below half-time enrollment.

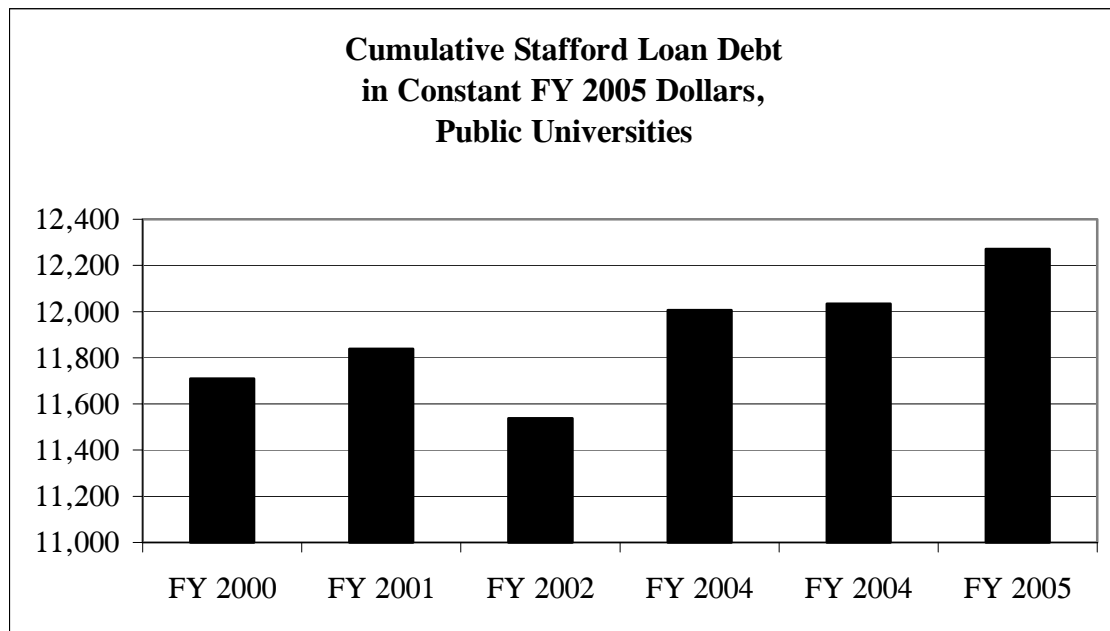
Recipients must meet the following criteria:

- Be a U.S. citizen or an eligible non-citizen.
- Have a high school diploma or GED certificate.

- Attend college on at least a half-time basis, and be working toward an eligible degree or certificate.
- Comply with federal Selective Service registration requirements.
- Neither be in default on any student loan, nor owe a refund on any state or federal grant.
- Maintain satisfactory academic progress as determined by the college.

Source: www.collegezone.com

The chart on the following page illustrates the cumulative Stafford Loan debt at Public Universities, in constant FY 2005 dollars:



Source: ISAC RPPA FYI

Federal Plus Loan Program

Federal Plus Loan Program allows parents of undergraduate students and parents to borrow money with low interest available through Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program. The college determines which loan program is applicable. The loan is not based on financial need.

The interest rate is variable and cannot exceed nine percent over the life of the loan. The rate is adjusted annually on July 1st. The rate is 6.10 percent for July 1, 2005 – June 30, 2006. The maximum allowable amount is equal to the Cost of Attendance minus the amount of financial aid received (www.collegezone.com). According to Illinois Student Assistance Commission, the average cumulative PLUS loan balances have increased even more quickly than Stafford – 43 percent between FY 2000 and FY 2005 and 9 percent between FY 2004 and FY 2005. Between FY 2000 and

FY 2005, the number of PLUS borrowers increased from 6,244 to 11,494, or 84 percent (ISAC RPPA FYI).

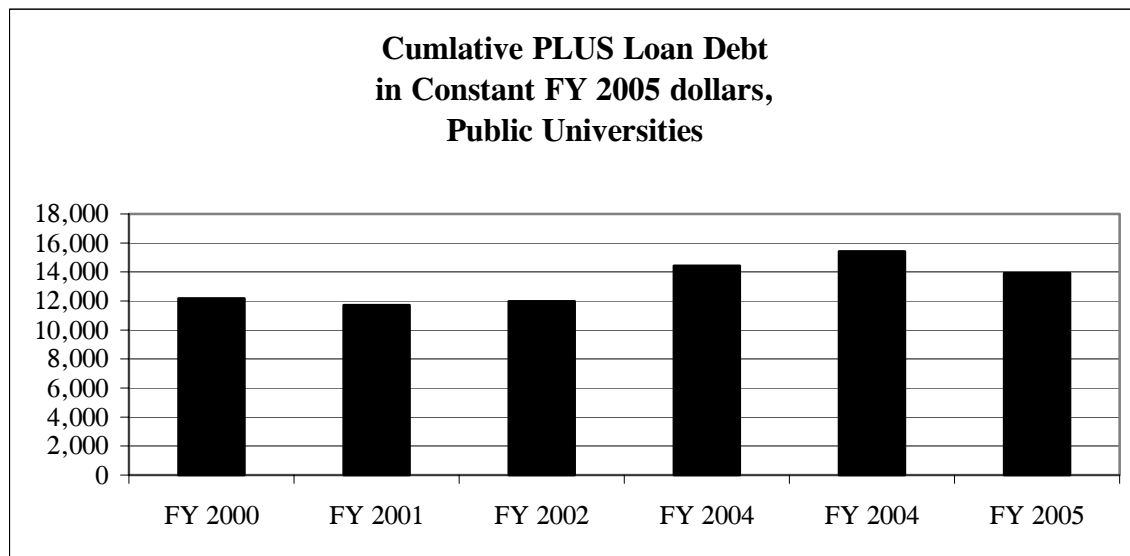
There is no grace period on a Federal Plus Loan. Repayment of the principal and interest begins within 60 days after the funds are disbursed. However, under some circumstances the borrower may defer the payment of principal.

Parents must meet the following criteria:

- Be a U.S. citizen or eligible non-citizen.
- Be borrowing for a dependent student who meets the eligibility criteria for the Federal Stafford Loan.
- Be subject to a credit check by the lending institution.
- Meet any further eligibility criteria required by the lender.
- Not be in default on an educational loan or owe repayment on federal or state grant.

Source: www.collegezone.com

The following chart illustrates the cumulative PLUS Loan debt, Public Universities, in constant FY 2005 dollars.



Source: ISAC RPPA FYI

Federal Family Education Loan Program or Federal Direct Loans

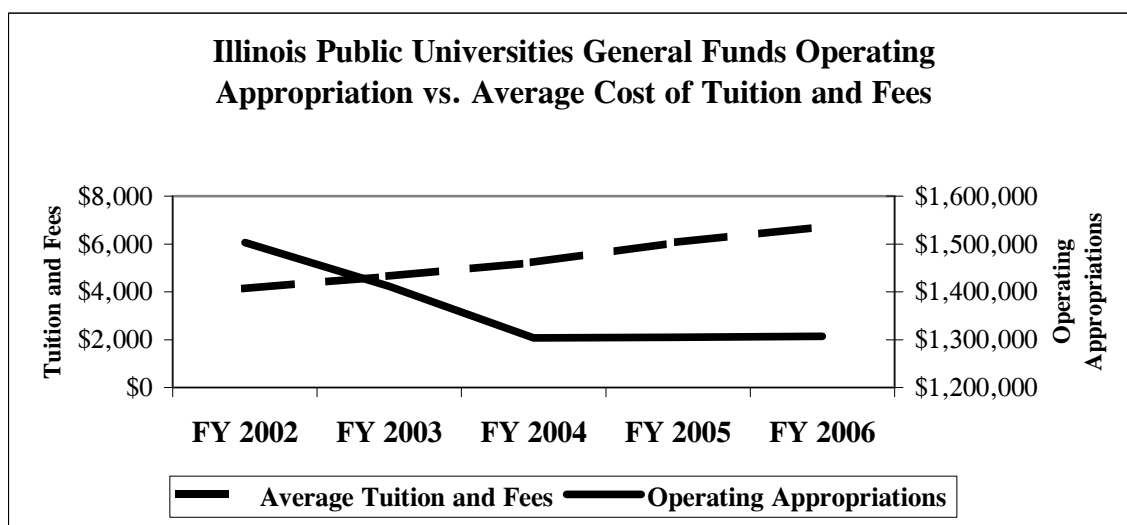
Colleges may participate in either the Federal Family Education Loan Program or the William D. Ford Federal Direct Loan Program, which has the same benefits, conditions, general terms, interest rates, and loan amounts. The differentiation is Federal Direct Loans are funded by the government, whereas, FFELP are funded via private lending institution.

WORK STUDY PROGRAM

The Federal Work Study Program is based on financial need. The program allows students to work on campus as part of her/his financial aid. A student must indicate on the financial aid application if she/he is interested in the program.

SUMMARY

The State of Illinois must continue to examine the challenges facing Higher Education. While Illinois is not alone in facing these difficulties the State must weigh these challenges as appropriations are set for Higher Education and other programs. As funding decreases, the current trend is to increase tuition and fees, while enrollment increases in Illinois Public Universities. The below chart illustrates the correlation between decreasing operating appropriations and increasing tuition and fees.



Source: State of Illinois Board of Higher Education

As tuition and fees increase, students are forced to find additional funds to cover the increasing cost of higher education. Although, there are numerous forms of financial aid available to students, the number of student loan recipients and the amount borrowed continues to increase.

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans;
- 5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
- 6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
- 7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Bonded Indebtedness Report" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

http://www.ilga.gov/commission/cgfa/cgfa_home.html