



Higher Education and Illinois' Future

The state's longstanding commitment to affordability is being eroded by increasing reliance on tuition to pay the operating costs at public universities and community colleges, and by the inability of need-based student aid to keep pace.

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By Stanley O. Ikenberry, Daniel T. Layzell and W. Randall Kangas

Education at every level is crucial to the state's future. Job creation, the quality of life in Illinois, and the strength of the Illinois economy all depend on well-educated citizens. Given the changing nature of the global economy, virtually every Illinois citizen should have some education beyond high school. In this brief snapshot, we address the following issues:

- How will higher education in Illinois compare with other states going forward?
- Will the relative decline of the state's role in funding higher education diminish access and quality or have other troublesome consequences?
- Are tuition and fee increases in public universities and community colleges in Illinois restricting access to higher education?
- What is the overall enrollment picture for Illinois higher education?
- Given the changing demographic character of Illinois, what are the implications for higher education?
- What is the economic impact of higher education on the state and how well is Illinois developing and capitalizing on that asset?

Snapshot of Illinois Higher Education: *What does Illinois higher education look like?*

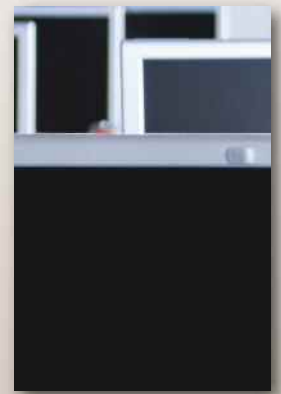
Illinois has a long history of providing access to college and choice among a wide range of higher education opportunities. The state also has made a commitment to ensure that financial need will not be an insurmountable obstacle to higher education. However, recent trends are placing a strain on these long-standing policy goals. Economic, demographic, and political trends have diminished state higher education funding to a smaller fraction of the overall state budget. Tuition and fees have been raised by the state's universities and colleges to fill the gap, exceeding the ability of state student

aid funds to cover these cost increases. All of this is occurring at a time when the state is becoming more diverse and college participation rates of minority students are of particular concern.

Illinois has a large and diverse system of higher education. The state is home to nine public universities, 48 community colleges, and 123 private colleges and universities. Illinois colleges and universities enrolled 814,200 students in Fall 2006, a state record. Approximately one-quarter of these students were enrolled in public universities, 43 percent were enrolled in community colleges, and the remaining 32 percent enrolled in private colleges and universities. Just over two-thirds of Illinois college students (68 percent) were undergraduates with the remaining one-third enrolled in professional programs such as medicine and law, and in graduate programs. Some 163,200 degrees and certificates were granted in 2005-2006.¹

The operations of each Illinois college and university (public and private) are overseen by a governing board. The duties, responsibilities, and composition of public university and community college governing boards are spelled out in state law. Within these parameters, the appointment of public university board members is made by the governor with the advice and consent of the state Senate. Community college board members are elected by the voters of each community college district.

The Illinois Board of Higher Education (IBHE) serves as the coordinating board for higher education, with statutory responsibilities for master planning, approval of new units of instruction, research and public service at public universities and community colleges, and authorization for private and out-of-state institutions to operate and offer degree programs in Illinois.



¹ Illinois Board of Higher Education. (2007). 2007 Data Book. <http://www.ibhe.state.il.us>.



Other state-level higher education agencies include the Illinois Community College Board (the coordinating board for community colleges), the Illinois Student Assistance Commission (ISAC, the state's student financial aid agency), the State Universities Retirement System (SURS), and the State Universities Civil Service System.

Funding Trends: Will the relative decline in the state's role in funding higher education diminish access and quality or have other troublesome consequences for Illinois' future?

In FY 2007, Illinois ranked fifth among all states in total state tax appropriations for higher education operating costs, according to *Grapevine*, which is an annual survey of state higher education funding conducted by the Center for the Study of Education Policy at Illinois State University. For FY 2008, the state budget includes \$2.2 billion in direct general fund support for higher education operations and grants, plus an additional \$600 million in indirect "payments on behalf" of higher education for employee health and

retirement benefits, an amount that has more than doubled in the past 10 years.

In recent years, state support for elementary and secondary education has increased more rapidly than support for higher education. When adjusted for inflation, the rate of growth in state general fund support for K-12 education over the past 10 years is 46.8 percent. State general funds for public universities declined over the same period by 17.9 percent (see Figure 1) and for community colleges by 13.1 percent.

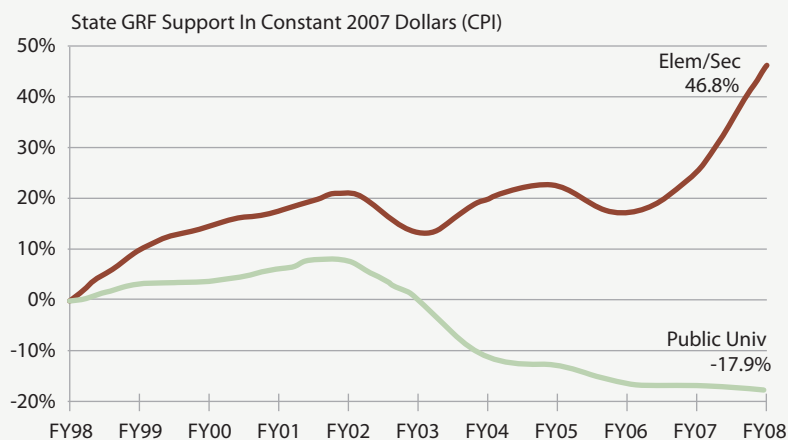
State support for higher education varies among sectors and programs, although funding of the State University Retirement System has outpaced all areas. The 41 percent inflation-adjusted growth in support for SURS since FY 1998 is in response to a statutory change (Public Act 88-0593) designed to improve the long-term financial condition of all state-funded retirement systems. Reduction in state support for SURS in FY 2006 and 2007 was due to the passage of Public Act 94-0004 which temporarily suspended the funding requirements established in Public Act 88-0593 and reduced the state's annual contribution.

Public universities and community colleges are increasingly reliant on revenues from student tuition and fees, and in the case of community colleges, local property taxes. Both sectors also receive revenue from other sources (e.g., federal grants and contracts, private giving), although these funds are typically restricted to specific uses and programs. Figures 2 and 3 show the inflation-adjusted trend in core operating revenues for Illinois public universities and community colleges. As state general fund support diminished in public universities, tuition revenue (university income funds) accounted for a larger share of the total. The ratio of state general fund support to tuition/income funds fell from 2.6-1 over the period to 1.2-1. For community colleges, the ratio of state general fund support to non-state funds (tuition and property tax revenue) declined by a comparable amount.² Have these trends diminished

² Illinois Board of Higher Education. (2007, October). *Setting a context for fiscal year 2009 budget development*. <http://www.ibhe.state.il.us>.

³ Illinois Board of Higher Education. (2003, August). *Final report and recommendations of the IBHE/ISAC Committee on Affordability*. <http://www.ibhe.state.il.us>.

**Figure 1
State Funding Priorities for K-12 Have Risen; Higher Education Has Not Kept Pace**



For FY02 to FY08 Public Universities excludes \$45 million in payments to CMS from Universities for Health Insurance. Sources: Illinois State Budgets, ISBE and IBHE. FY08 is from the Governor's Budget as proposed before initiatives and revolving funds. FY08 GRF funding based on Governor's proposed budget.

access and quality? No clear answers are available but the underlying issues should remain a concern for state policymakers.

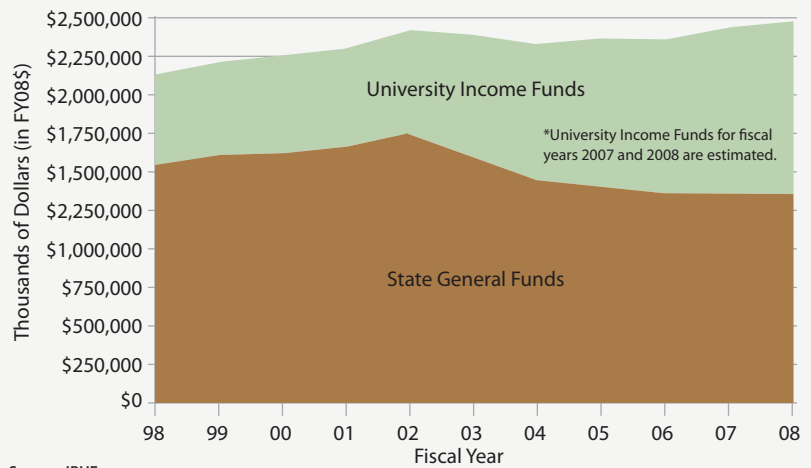
Affordability: Are tuition and fee increases in public universities and community colleges reducing the affordability of a college education in Illinois and restricting access to higher education?

Keeping access to college open and affordable is a key issue for Illinois colleges and universities and for the state’s Monetary Award Program (MAP), one of the largest and most comprehensive need-based student aid programs in the nation. In 1994, the IBHE affirmed affordability as one of its highest priorities: “As a society, we must ensure that all students, whatever their financial resources, can afford a college education and have access to the wide variety of quality higher education programs offered in the state of Illinois.” This commitment to affordability was reaffirmed by the joint IBHE/ISAC Committee on Affordability in 2003.³

Notwithstanding this longstanding commitment, various indicators suggest that the goal of providing all state residents with access to affordable higher education may be at risk. The most recent biennial state higher education report card published by the National Center for Public Policy and Higher Education (2006) gave Illinois an “F” for affordability.⁴ This report card also notes that the share of average family income in Illinois needed to cover the cost of attendance in all sectors (community colleges, public universities, and private colleges and universities) has increased substantially, even after accounting for financial aid. Figure 4 indicates how this share (not accounting for financial aid) has risen for students attending the University of Illinois at Urbana-Champaign over the past 10 years.

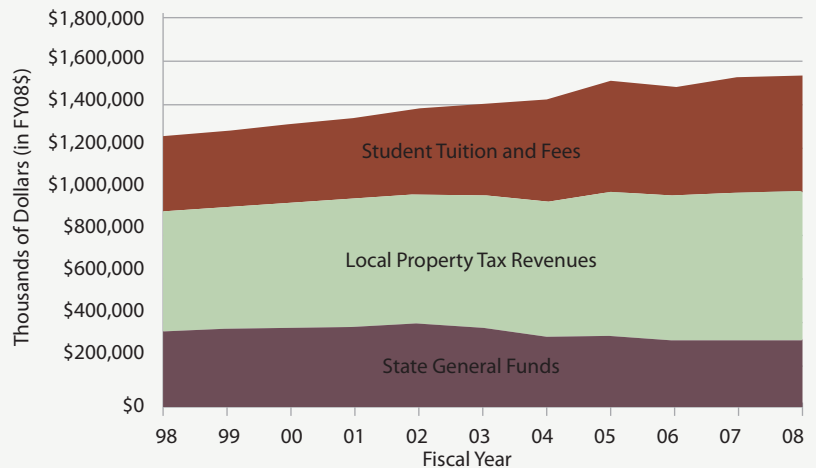
How does college tuition in Illinois compare to national averages? Figure 5 presents a national comparison of public university and community college tuition and fees for FY 2007, illustrating that Illinois public uni-

**Figure 2
Tuition Revenues Have Stabilized Total Funding for Illinois Public Universities**



Source: IBHE.

**Figure 3
Tuition & Property Tax Revenues Have Stabilized Illinois Community College Budgets**

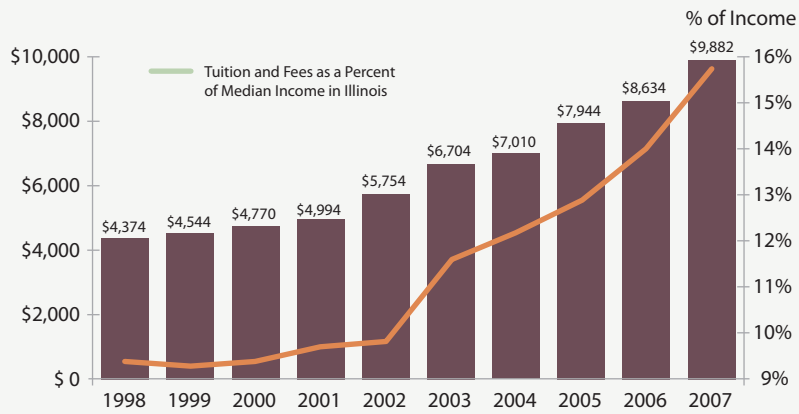


Source: IBHE. Note: property tax and tuition revenues for FY07 & FY08 are estimated.

versity tuition and fees are significantly higher than the national average. While this is due in part to weakened state funding in recent years, it also reflects the impact of the state’s four-year undergraduate tuition guarantee signed into law in 2003 (Public Act 93-0228). As of Fall 2004, entering students are charged the same tuition rate for four consecutive years at an Illinois public university

⁴ National Center for Public Policy and Higher Education. (2006). *Measuring Up 2006: The State Report Card on Higher Education*. <http://measuringup.highereducation.org/>.

Figure 4
Tuition and Fees Have Exceeded Growth in Family Income at UIUC
UIUC General Undergraduate Tuition and Mandatory Fees by Academic Year



⁵ Illinois Board of Higher Education. (2007, October). *Setting a context for fiscal year 2009 budget development*. <http://www.ibhe.state.il.us>.

⁶ National Association of State Student Grant and Aid Programs.

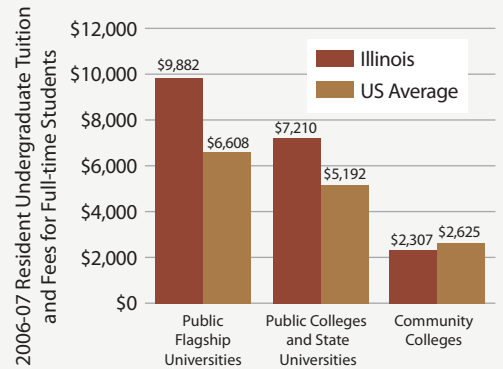


thereby avoiding year-to-year tuition increases. Illinois public universities tended to “front load” to some extent tuition rates for entering students to reflect the expected increase in the cost of attendance over the four-year period. Thus, when the new rates are compared with national public university tuition and fees figures they reflect this “front loaded” aspect.

The key question for access is: How has student financial aid – the state’s Monetary Award Program – kept pace with the Illinois tuition and fee increases over time? Figure 6 illustrates the trend in average MAP awards as a percent of undergraduate tuition and fees by sector between FY 1996 and FY 2008. As noted, MAP awards have been unable to keep up with tuition increases in any sector since FY 2002. Between FY 1996 and FY 2001, the average MAP award for students in Illinois public universities and community colleges covered about 65 percent and 54 percent of overall tuition and fee charges respectively. That ratio has since declined to around 40 percent of the tuition and fee total for both sectors.⁵ At the same time, it should be noted that Illinois’ financial commitment to need-based student aid remains among the highest in the nation (7th in FY 2005), and far surpasses that of any other Big Ten state.⁶

In response to this decline in MAP purchasing power, at least some Illinois public uni-

Figure 5
Illinois Public Universities Tuition & Fees Exceed National Averages



Source: Washington Higher Education Coordinating Board
 Note: All dollars are nominal.

versities have increased the amount of funding provided for need-based aid from institutional sources (e.g., tuition) to help students offset the reduced coverage of their MAP grant. As a case in point, the total amount of funding allocated for need-based aid from institutional sources at the University of Illinois grew from \$792,000 in FY 2000 to \$27.3 million in FY 2008. Still, this strategy is at best a partial short-term solution that tends to exert even more upward pressure on tuition levels. For example, the Urbana-Champaign campus’ resident undergraduate tuition and fees grew by 14.5 percent between academic years 2006 and 2007, far surpassing the rate of change at all other Big Ten universities (the next highest was 9.9 percent) and due in part to the growing demands on the university’s institutional need-based aid program.

Enrollment and Diversity:
What is the overall enrollment picture for Illinois higher education? Given the fast changing demographic character of Illinois and the nation, what are the implications?

Illinois is the fifth-largest state in the nation. It also has one of the largest higher education enrollments with almost 815,000 stu-

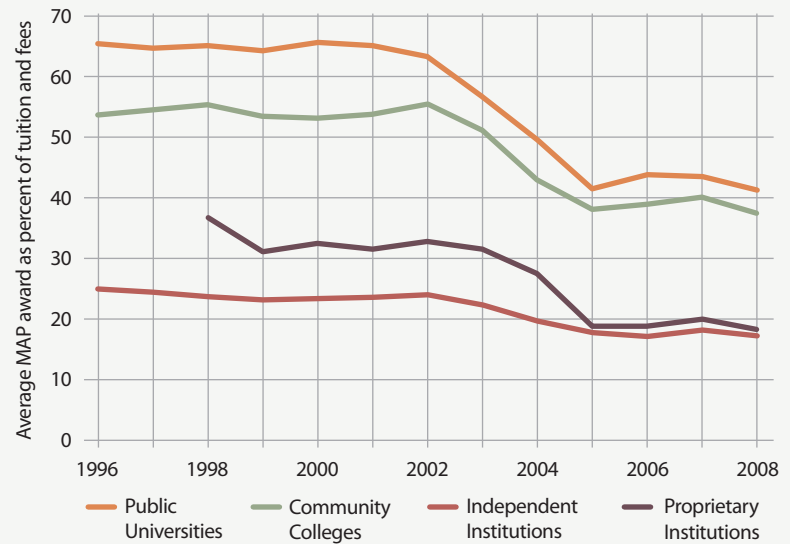
dents. The state's relative success in providing access for its residents is illustrated by the fact that Illinois received an "A" in college participation from the National Center for Public Policy and Higher Education in its most recent (2006) state higher education report card. This report card also notes that while Illinois is one of the top states in college participation, the state's performance in this area has declined over time.

Between Fall 1997 and Fall 2006, total enrollment in Illinois higher education grew by 85,400, an increase of 11.7 percent. By way of comparison, Illinois' total population only grew by 6.8 percent during this same time period, according to U.S. Census figures.⁷ College enrollment growth during this period was fueled in part by increases in the numbers of Illinois high school graduates but these are projected to peak around 2012.⁸

Illinois is becoming an increasingly diverse state. By 2020, the state's population is projected to be 64 percent white and 36 percent minority, with Hispanics/Latinos the fastest growing (and largest) minority group in the college-age range.⁹ Total enrollment in Illinois colleges and universities is also diverse, with the fastest growing segment again being Hispanic/Latino students, up from 9 percent of the total 10 years ago to 11 percent in 2006 (Figure 7). Enrollment of both African-American and Hispanic students also has increased in Illinois colleges and universities over the last 10 years.

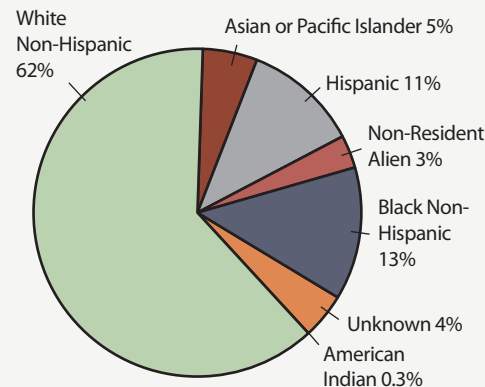
Still, Hispanic/Latino and African-American students remain under-represented across Illinois public universities and community colleges. The Minority Participation Index (MPI), developed by the State Higher Education Executive Officers indicates that both groups are under-represented in Illinois public higher education.¹⁰ Of greater concern, Illinois' MPI scores for both groups are below the national average. Given changes in the overall population of Illinois now and in the future, college participation rates of Hispanic/Latino and African-American

Figure 6
State Need-Based Aid Not Keeping Pace with Tuition and Fee Increases



Source: IBHE

Figure 7
Illinois College and University Student Population Becoming More Diverse



Source: IBHE. Note: Represents Fall 2006 headcount enrollment.

⁷ U.S. Census Bureau. (2007). *Statistical Abstract of the United States*. <http://www.census.gov>.

⁸ National Center for Education Statistics. (2006, Sept.). *Projections of Education Statistics to 2015*. <http://www.nces.ed.gov>

⁹ National Center for Public Policy and Higher Education. (2006). *Measuring Up 2006: The State Report Card on Higher Education*. <http://measuringup.highereducation.org/>.

¹⁰ State Higher Education Executive Officers. (2007, July). *Higher Education Policy Profile: Illinois*. <http://www.shceo.org>. Note: This measure compares college-age (18-24-year-old) minority populations in each state (denominator) to the 18-24-year-old minority undergraduate student enrollment (numerator) in the state. An index score of less than 1.00 indicates that the minority group is under-represented in higher education in comparison to the overall population.



students will become an even greater social, economic and educational issue.

Economic Development Contributions:
What is the economic impact of Illinois higher education on the state and how well is Illinois developing and capitalizing on that asset?

As noted in a recent publication from the Federal Reserve Bank of Chicago, “higher education has always played a large role in the economy as a producer of human capital and as a center for research and development.”¹¹ The general consensus is that the impact of college and university graduates on the long-term economic competitive prospects of Illinois will continue to grow. Through the education of graduates in a broad range of fields, higher education increases the value of human capital through the high-level knowledge, skills, and the creative and adaptive abilities graduates bring to the work force and to the economy generally.

The basic and applied research and development programs on college and university campuses also are linked to economic health. These discoveries directly and indirectly spur economic growth through commercialization of innovation in the form of new products, processes and services.

In the case of human capital development – overall educational attainment – Illinois appears to be making progress. The proportion of Illinois adults aged 25 and older with a bachelor’s degree or higher has grown steadily since 1990, rising to approximately 30 percent. Illinois has consistently been above the national average on this indicator.¹²

Still, appearances can be deceiving. Illinois is one of the highest net exporters of college students (i.e., students from Illinois going to college in other states) in the U.S., which suggests that Illinois’ relatively high level of educational attainment may be due in part to in-migration of college-educated individuals from other states to the Illinois work force. Looking forward, key human capital

questions may be: What will be the combined impact of the decline in Illinois high school graduates in 2012 and the continued trend of out-migration on college attendance choices in Illinois? Will the strength of the Illinois work force and economic prospects be weakened?

Illinois is home to four major research university campuses (University of Illinois at Urbana-Champaign, University of Illinois at Chicago, Northwestern University, and University of Chicago). All are ranked high among the top institutions nationally in terms of total research and development



Stanley O. Ikenberry served 16 years as president of the University of Illinois, one of the longest serving presidents in the school’s history. Shortly after arriving in 1979, he led the consolidation of the University’s Medical Center and Chicago Circle campuses to form the current University of Illinois at Chicago, now the largest and most comprehensive research university campus in metropolitan Chicago. After leaving the presidency, Dr. Ikenberry served as president of the American Council on Education. He returned to the University in 2001 and maintains an office in the College of Education while also holding an appointment with IGPA where he has continued to work vigorously on issues related to higher education.

¹¹ R.H. Mattoon (2007, March). “Can higher education foster economic growth? A conference summary.” *Chicago Fed Letter*, No. 236a. http://www.chicagofed.org/economic_research_and_data/.

¹² U.S. Census Bureau. (2007). *Statistical Abstract of the United States*. <http://www.census.gov>.

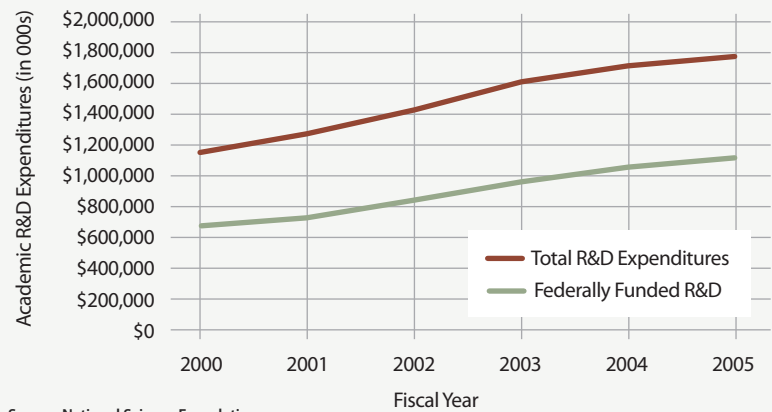
(R&D) spending as well as federally-funded R&D. Illinois is also home to major federal research facilities including Fermilab and Argonne National Laboratory.

Figure 8 shows the trend in total R&D spending at Illinois colleges and universities since FY 2000. Total R&D expenditures for the most recent year reported are \$1.77 billion, with federally-funded R&D at \$1.12 billion or just under two-thirds of the total. The federal amount is an important measure of the competitiveness of a state's colleges and universities (and their faculty) in attracting external support for research activities. The federal amount is also important to a state and its colleges and universities for the significant economic and non-economic benefits that result. Illinois ranks seventh nationally in terms of total academic R&D spending, but is near the national average on a per-capita basis.¹³

Illinois' academic R&D activities have a spillover effect on business and industry in the state. According to the National Science Foundation, Illinois is one of the top 10 states in terms of overall industrial R&D activity, and one of the top four in R&D activity conducted by computer and electronic products companies (e.g., Motorola). Illinois ranks sixth nationally in terms of the number of patents issued to state residents for discoveries and innovations, an important measure of the commercialization potential of R&D.¹⁴

Looking forward, Illinois has not fully capitalized on the economic impact of the academic research enterprise. Senate Resolution 296 in 2000 added economic development as the University of Illinois' fourth mission. Illinois VentureTECH, Research Matching Grant Program and other programs were created and capital projects were funded to support academic R&D and technology commercialization at research universities across Illinois. However, funding for these initiatives diminished as other immediate fiscal pressures grew. At the same time, other

Figure 8
Federal R&D Expenditures at Illinois Universities Continue to Grow and Are a Significant Factor in the State's Economy



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¹³ National Science Foundation. *Science and Engineering Statistics*. <http://www.nsf.gov/statistics/>. Accessed September 29, 2007.

¹⁴ National Science Foundation. (2007, September). "Expenditures for U.S. industrial r&d continue to increase in 2005; r&d performance geographically concentrated." *NSF InfoBrief*, No. 07-335. <http://www.nsf.gov/publications/>.



major states such as California, Florida, New York and Texas have continued and enhanced comprehensive statewide economic development strategies. A key question is: Which directions will Illinois economic development policies take in the years ahead and what are the likely consequences for the state and its system of higher education?

Summary and Conclusion

This overview of Illinois higher education began with the assertions that education at every level is crucial to the future of Illinois and that the state and its higher education system are at a crossroads. While the state continues to have a significant stake in funding higher education, it seems clear that K-12 education and health care have become higher budget priorities. The state's long-standing commitment to affordability is being eroded by increasing reliance on tuition to pay the operating costs at public universities and community colleges, and by the inability of need-based student aid (MAP) to keep pace.

While Illinois colleges and universities have become more diverse, Hispanic/Latino and African-American students remain under-represented on Illinois campuses, a situation that may be magnified in the coming years as the overall state population is projected to become more diverse. Combined, these forces can have a direct impact on Illinois' future economic competitiveness. Businesses and industries, especially those offering higher paying jobs, may look elsewhere for highly educated talent. Compounding the challenge, Illinois is lagging behind other major industrial states such as California, Texas and New York in R&D investment with implications for commercialization of technological and scientific innovations.

Public policy in Illinois over the decades has yielded a sizable and high quality system of higher education. That legacy has served the state's citizens, communities, business, industry, agriculture and other sectors well.

While higher education may be more important than ever to the state's future, serious issues confront today's policymakers to ensure that this legacy continues and thrives for future generations of Illinoisans.



W. Randall Kangas is assistant vice president for planning and budgeting at the University of Illinois where he oversees both operating and capital budget development. He is intimately involved in setting tuition policies, calculations of revenue generation, institutional financial aid policies and budget allocations. Dr. Kangas serves as an advisor to the senior management of the University on financial issues and he works with the provosts at each campus to develop institutional and programmatic budget needs. His office generates information on institutional characteristics, especially topics related to budgets, performance measures and peer comparisons.