

**AGENDA ITEM 4.**  
**STATE LEGISLATIVE UPDATE**

**Submitted for:** Information

**Summary:** The Illinois General Assembly has completed much of its work for the spring 2013 legislative session, including the approval of bills making appropriations for State Fiscal Year 2014, which will begin July 1, 2013.

State legislators also considered a number of bills and resolutions that, if approved, would affect Illinois students and families or the programs that the Commission administers.

This item provides a synopsis of noteworthy budgetary and legislative action taken this spring.

**Action requested:** None

## ILLINOIS STUDENT ASSISTANCE COMMISSION

### STATE LEGISLATIVE UPDATE

The General Assembly adjourned its spring session on schedule May 31<sup>st</sup>, although it did so without taking final action on several of the most significant and controversial issues on the body's agenda. Unable to agree on a pension reduction plan, same-sex marriage, or gambling expansion, legislators did reach compromises on concealed carry of firearms, hydraulic fracturing ("fracking"), and, most importantly for ISAC, the state's fiscal year 2014 budget.

The \$35.4 billion general funds budget that House and Senate Democrats approved for FY14, which begins July 1, 2013, reflects both higher-than-expected revenues and efforts to protect education after several years of cuts. Revenue estimates at the beginning of this calendar year led most observers to anticipate a cut of nearly 5% for higher education funding. Instead, higher education will receive approximately flat funding for FY14. Overall, legislators allocated nearly \$2 billion in state general funds for higher education operations and grants, with funding for most universities and community colleges slightly above FY13 levels (House Bill 208 and Senate Bill 2556). Many representatives of public institutions also anticipated that the legislature would approve a bill to gradually shift future pension costs to public universities and community colleges from the state. Although those institutions and a majority in the House supported the cost-shift measure, the Senate did not do so. Like other pension negotiations, that issue was left for a future date.

The agency's top priorities this year, as approved by the Commission, were protecting MAP funding and ensuring that some general funds support would be available to the agency to ensure uninterrupted delivery of our grant programs in the event of a major reduction in federal revenues (the potential cut to the rate ISAC receives for rehabilitating defaulted student loans). Both goals were achieved in House Bill 208, the higher education budget bill that both chambers have approved and that the Governor is expected to sign.

For FY14, MAP will be funded at \$373,198,100. This is a very small increase of about half of one percent (\$1,888,700) over the FY13 total. The budget includes language that allows ISAC to use up to 2 percent of those dollars to fund administrative costs for the program. Of course, delivering this money in the form of MAP grants would be the agency's preferred outcome, and the authority to use these dollars for operations is an authority that the agency plans to use only if needed.

Most other ISAC-administered programs, including the Minority Teachers of Illinois grant and other workforce-oriented programs, received level funding. One exception is a substantial increase (\$1,747,600, or nearly 36% over FY13) directed to the Golden Apple Scholars of Illinois Program. This is a very popular public-private partnership to provide select teachers-in-training with tuition assistance and "wraparound" services such as mentoring, summer training, and early student teaching opportunities to support the development of highly-qualified teachers for hard-to-staff schools. The Foundation that

operates the program has indicated that the increase will be used primarily to expand the number of students served by the program.

As in recent years, the General Assembly appropriated only limited funding to reimburse community colleges for the tuition and fees waived on behalf of veterans and National Guard members. In all, just \$750,000 was appropriated to the Illinois Community College Board for 11 community colleges to cover some costs associated with the Illinois Veteran Grant. No IVG reimbursement was provided for public universities. Additionally, institutions will not receive compensation in FY14 for waiving the tuition and fees of Guardsmen.

The Commission had also requested funds to enhance marketing efforts for College Illinois!® Prepaid Tuition Program (to supplement dollars from the program's trust fund), as well as matching funds for outreach services, as part of planning for the contingency that our federal funding could be dramatically reduced. Appropriators did not choose to allocate new state general funds for College Illinois! Prepaid Tuition Program marketing or for outreach purposes this year. With legislators from both parties and all geographic regions focused on preventing further cuts to elementary and secondary education, most new revenues were directed towards keeping General State Aid (the primary state funding source for public elementary and secondary schools) at the FY13 level.

Acknowledging that this year's unanticipated revenue increase was a one-time event, some legislators urged passage of bills intended to generate new revenue. However, no agreement was reached on bills that would expand gambling in Illinois or end what some consider to be corporate loopholes in the tax code.

### **Monetary Award Program**

Several bills and resolutions were introduced this spring that would have a significant impact on the Monetary Award Program (MAP).

Of these, the only approved measure was House Resolution 296 (Pritchard), which follows a recommendation of the MAP task force by directing the agency to convene a working group on best practices in student advising. The MAP task force concluded that students would likely benefit from additional advising on academic and financial matters, but the group felt that they lacked the expertise to define a mandatory, minimum standard that should apply to all students. They recommended that ISAC consult with people with greater expertise on best practices in advising for low-income and first-generation students and that the Commission consider requiring MAP-eligible institutions to provide additional support to MAP recipients. The group is asked to make recommendations to the Commission by February 3, 2014, about minimum standards of support that schools should make available to MAP recipients and minimum requirements for students to take advantage of such support. The sponsor's intent is to promote retention and degree completion among MAP recipients. The resolution was adopted by the House with unanimous support.

More controversy surrounded the efforts of two freshman senators to eliminate for-profit institutions from MAP. Neither Senate Bill 1549 (Andy Manar) nor SB 1591 (Chapin Rose) received a vote of the Senate Higher Education Committee, but both sponsors continue to express interest in either

tightening eligibility requirements for proprietary colleges and universities or making such schools ineligible for MAP altogether. The chairman of the Senate Higher Education Committee, Mike Frerichs, announced that a subcommittee or working group would look at the issue in more detail.

Another Rose bill, SB 1592, would have codified some of the recommendations that the MAP task force made for changes in program rules. As it passed the Senate, the bill would have required a one-year suspension of MAP eligibility for students who flunk out of an institution before they could receive MAP elsewhere. The bill would also have directed ISAC to consult with financial aid advisors on revisions to the MAP formula, and it would have mandated additional data reporting from the schools to ISAC in order to evaluate and demonstrate the success of MAP. The bill passed the Senate unanimously but was never called for a vote in the House Higher Education Committee, in part because of concerns from the community college system about how students in that sector might be affected by the provision regarding a one-year suspension of eligibility. An alternative of “carving out” an exception only for community college students was briefly considered to address those concerns: A student who flunked out of one institution and immediately thereafter enrolled in a community college would still be eligible for MAP, whereas a student who enrolled in any other type of institution would not be eligible for a grant. Unfortunately, although this addressed the concerns of the community college sector, it would have established separate standards for different sectors without a strong policy justification for doing so. The proposal also ran counter to the recommendations of the MAP task force, which noted that students who flunk out of one institution and enroll immediately thereafter in another school, generally a community college, tend *not* to achieve a credential.

### **Golden Apple Scholars of Illinois**

Both chambers approved a bill (SB 1791) to clarify the administrative roles of ISAC and the Golden Apple Foundation in running the aforementioned Golden Apple Scholars of Illinois program. The bill will also help to ensure appropriate oversight of this private entity’s use of state funds and robust data collection on the program’s success. Clarifications were necessary following the merger of the former Illinois Future Teacher Corps program (now defunct) and Golden Apple.

### **College Savings Plan Mandate (Audit Finding)**

The agency also sought and won approval for a bill that will eliminate a repeat audit finding. HB 2674 (Jakobsson/McGuire) will eliminate a repeat audit finding for the agency: It repeals a mandate for ISAC to operate a college savings plan similar to Bright Start. Because of that program’s success, a similar ISAC-run program would likely be confusing for families and, moreover, not an easily justifiable use of resources. The bill has no impact on College Illinois! Prepaid Tuition Program or on Bright Start.

### **Military Service Programs**

Several bills this spring made changes intended to improve college access for military veterans and members of the Illinois National Guard.

- SB 2229 (Frerichs/Conroy – passed both houses) is an initiative of the Illinois National Guard. The bill is intended to help experienced Guard members advance through the ranks and provide incentive for them to stay in the Guard. Under the bill, a Guardsman who has served for at least

ten years would be eligible for an additional two years of tuition and fee benefits through the Illinois National Guard Grant Program (ING), administered by ISAC. Under current law, ING eligibility is limited to four years of benefits. The FY14 budget does not provide reimbursement to community colleges or public universities for the tuition and fee charges waived on behalf of ING recipients.

- HB 2353 (Cloonen/Hastings – passed both houses) will require public universities to grant in-state tuition for veterans using the federal Post-9/11 GI Bill. Similarly, community colleges will be required to grant in-district tuition. The change was meant to address what was seen as a gap in federal education benefits for veterans; the Post-9/11 GI Bill pays only in-state tuition rates at public institutions, leaving them with out-of-pocket costs that in some cases exceed out-of-pocket costs borne by veterans at private institutions. The bill does *not* affect eligibility for the Illinois Veteran Grant Program administered by ISAC.
- SB 2245 (Righter/Cloonen – passed both houses) will require that the governing board of each public university and community college give the earliest possible enrollment opportunity that the institution offers to a service member or veteran who is a resident of this State. (For example, if priority enrollment is available for graduate students, it must also be available for veterans and military service members.) To qualify, the service member or veteran must be eligible to receive military educational benefits.
- SB 2163 (Rose/Brown – passed both houses) will ensure that, for any military reservist employed full-time by a public institution of higher education, leave will be granted for periods of active military service. The bill also describes a formula for compensation of employees in such circumstances.

### **Promise Zones**

HB 194 (Chapa LaVia/Clayborne) lays out a structure for privately-funded Promise Zones to be established in Rockford, Aurora, and East St. Louis.

Under the bill, each specified city could establish a “Promise Zone” governed by locally-appointed authorities. Students who live within and graduate from a high school within a Promise Zone would be promised financial aid (from unspecified private sources) sufficient to pay the tuition necessary to obtain an associates’ degree at the local community college during the 2015-16 and 2016-17 academic years. The program is intended to serve as both a college access program and an economic development program, attracting families to Promise Zone cities while encouraging current residents not to move away.

ISAC would have one seat on a review committee that would evaluate each local authority’s plan and report to the General Assembly on implementation of the plans.

The pilot program is modeled on Promise Zones in such cities as Kalamazoo, Michigan, and Peoria, Illinois. While the bill specifies that funds for Promise Zones will be from private sources, the sponsors also explained that they wanted local structures to be in place in the event that federal funding for the zones becomes available.

### **Resolutions urging federal action to prevent student loan rate increase**

The House adopted two resolutions this spring urging Congress to stop the scheduled July 1 increase in interest rates on federal student loans. The rate for subsidized Stafford loans was temporarily reduced in 2007 from a fixed rate of 6.8% to a fixed rate of 3.4%. The legislation establishing that lower rate also scheduled it to revert to 6.8% last year; an extension maintained the 3.4% rate though June 30, 2013.

Proponents of a low fixed rate argue that the federal government should not earn a profit from student loans and that excessive student debt is causing graduates to delay purchasing homes or cars, starting families, or taking jobs in lower-paying but important public sector positions.

A number of proposals have been made to address the situation at the federal level. While there are good reasons to be concerned about the impact of student debt, some of these proposals could require that funds be redirected from other higher education spending meant to help lower-income students, like Pell, Perkins, or outreach and training programs meant to help provide college access.

- HR 332 (Senger) urges Congress to act to prevent student loan interest rates from reverting this summer to their rate of 6.8%, up from the current rate of 3.4%. The measure does not specify a particular course of action.
- HR 306 (Flowers) urges Congress to pass the Student Loan Fairness Act of 2013.

### **Resolution urging college and universities to post federal College Scorecard in their school websites**

Both chambers adopted House Joint Resolution 33 (Jakobsson/Lightford), an initiative of Lieutenant Governor Sheila Simon. The resolution encourages colleges and universities to prominently post links from their websites to the new federal College Scorecard, which is intended to be a user-friendly way for prospective students to compare costs and student outcomes across institutions.