AGENDA ITEM 8.

STATE LEGISLATIVE UPDATE

Submitted for: Information

Summary: The Illinois General Assembly has begun to hold hearings to consider the Governor's proposed budget for State Fiscal Year 2013, which will begin July 1, 2012. State legislators have also introduced a number of bills and resolutions that, if approved, would affect Illinois students and families, the programs that the Commission administers, or the agency itself.

This item provides a synopsis of noteworthy budgetary and legislative action as the General Assembly approaches the halfway point of its spring session.

Action requested: None

STATE LEGISLATIVE UPDATE

On February 22nd, Governor Quinn released his budget plan for Fiscal Year 2013, which will begin July 1, 2012. Speaking to a joint session of the Illinois House and Senate, Quinn noted the challenges facing appropriators and called for legislators to stay in Springfield beyond their scheduled adjournment date of May 31st if bipartisan working groups cannot identify $2.7 billion in Medicaid cuts and agree on reforms to reduce future pension liabilities. In addition to those controversial issues and proposals to close or consolidate around 60 facilities throughout the state, the Governor's plan now faces another challenge: In March, the Senate and House adopted a revenue estimate for FY13 of about $33.7 billion, which is $200 million lower than that projected by the Governor (approximately $33.9 billion). Because of a recently enacted law that requires the General Assembly to appropriate no more than it projects will be received in revenue, this difference will mean that not all of the Governor's FY13 spending priorities will be satisfied.

One of those priorities that may be tested is the maintenance of at-least-level funding for education. While the Governor has directed most state agencies to cut their spending by an average of 9% for FY13, his proposed budget would have the state invest additional funds in early childhood education and need-based financial aid for college students. The Monetary Award Program (MAP) would receive $50 million more than the General Assembly originally appropriated for FY12.

The proposed funding increase for MAP would bring total funding for the program to nearly $437 million, which ISAC estimates would allow the state to serve about 175,000 low-income college students.

Although legislators on both sides of the aisle have voiced general support for education funding, many have also expressed concern about approving any "new" spending.

While appropriations committees in the General Assembly begin their series of budget hearings to develop their own spending proposals for FY13, legislators have also begun to consider substantive legislation.

- **MONETARY AWARD PROGRAM (MAP) GRANT:** This spring, legislators have proposed a variety of changes for MAP, from increasing the participation of for-profit colleges in MAP (**House Bill 4543** – Sosnowski, House Rules Committee) to setting aside funds for community college students and independent students (**HB 5671 –** Pritchard, Re-referred to House Rules Committee) and increasing academic standards for dependent freshmen students to receive a grant (**HB 5671**). While none of these measures have been approved by a legislative committee, several legislators have signaled their intent to continue discussions on the eligibility requirements for students and schools to participate in MAP. Among the concepts being discussed is a resolution that would create an ISAC-led working group to review and recommend changes to these eligibility criteria.

- **COLLEGE ILLINOIS! PREPAID TUITION PROGRAM:** The House has approved one change thus far to the administration of the College Illinois! program: Under **HB 3923** (Durkin, passed House 113-0-0) the Open Meetings Act would no longer authorize closed meetings to be held to consider the investment of assets or income of funds of the Illinois Prepaid Tuition Trust Fund. Representative Jim Durkin has filed several other bills related to the program, as well, and although most have not advanced beyond the House Rules Committee, the sponsor could still pursue the concepts contained in those bills by offering them as amendments to one or more other bills. The other proposals include the following:

  - **HB 4116** (Durkin - Passed House State Government Committee 18-0-0, House 2nd reading) would subject the Illinois Prepaid Tuition Trust Fund to the Illinois Public Funds Investment Act. (It is currently exempt from the Act, as are the state's pension funds and the Illinois Conservation Foundation.) The Act would limit permissible types of investments to (1) investments guaranteed by the full faith and credit of the U.S.; (2) obligations of the U.S., its agencies and instrumentalities; (3) interest-bearing savings accounts, CDs, and other direct obligations of a bank; (4) highly-rated short-term obligations of certain corporations, and (5) certain money market mutual funds. Although the intent of the bill is to reduce investment risks, the allowable investment types are associated with lower yields that would increase the difficulty of keeping up with rising tuition costs. Amendment #1, which has been tabled, would have stripped the bill of its provisions related to the Public Funds Investment Act and instead included the provisions of HBs 5598, 5600, and 5601 (below). A subsequent amendment, which would remove reference to the Public Funds Investment Act and may include other changes, is possible.

  - **HB 5598** (Durkin – House Rules Committee) amends the Illinois Governmental Ethics Act to specifically require members of the College Illinois! investment advisory panel to file annual, verified, written statements of economic interest with the Secretary of State. The Illinois Prepaid Tuition Act already mandates that each member of the panel file such statements before being installed as a member of the panel. In practice, updated statements are submitted each year as would be required under HB 5598.

  - **HB 5599** (Durkin – House Rules Committee) would require that, in investing amounts in the Illinois Prepaid Tuition Trust Fund, ISAC abide by the same requirements that investment companies and management companies are required to abide by under Sections 30 and 32 of the federal Investment Company Act of 1940, related rules of the U.S. Securities and Exchange Commission, and related federal case law, with the State Treasurer authorized to adopt rules and enforce ISAC's compliance with the Act. According to the sponsor, the intent is to require more frequent and detailed reporting on the investments in the Prepaid Tuition Fund, with those requirements based on disclosures that are required from private investment companies. Staff have submitted alternative language to the sponsor that, like HB 5599, would impose additional reporting requirements for the program. Rather than applying a framework to College Illinois! that is based on private investment companies, the alternative language is modeled after existing mandates for the state's pension systems.

- **HB 5600** (Durkin – House Rules Committee) would reduce the Commission's authority to make budget and administrative decisions for the College Illinois! Prepaid Tuition Program. The bill authorizes the Commission to enter into contracts only as specifically authorized by the Act for expenses associated with the administration of the prepaid tuition program. (Now, the Commission may enter into any contracts that are necessary to provide for the administration of the program.) The bill would delete a provision that provides that the program's charges and expenses shall be paid exclusively from the Illinois Prepaid Tuition Trust Fund, and it would expressly prohibit the trust fund from paying for any marketing, advertising, or promotion of the program. The bill would also remove a statement that "nothing … shall preclude the Commission from subscribing to general investment research services available for purchase or use by others and providing compensation for accounting, computing, and other necessary services." The statute would still require the Commission to secure the services of a nationally-recognized actuary and a centralized marketing agent. Although the bill prohibits the marketing costs from being borne by the Trust Fund, it makes no explicit provision for paying these costs from any other source.

- **HB 5601** (Durkin – House Rules Committee) would require that employees associated with the College Illinois! Prepaid Tuition Program must be paid from the state's General Revenue Fund (GRF) rather than from the Prepaid Tuition Trust Fund. Currently, the trust fund pays both program benefits and administrative costs for the College Illinois! program, and ISAC receives no appropriation from GRF for any administrative costs. This bill makes no provision for payment of CI! staff from any other source if GRF support is inadequate, an omission that staff believe should be corrected to ensure appropriate management of the fund if this concept moves forward.

- **RECOVERY OF STATE LOAN DEBT: Senate Bill 3800** (Maloney – Senate 3rd reading) would allow ISAC to more efficiently collect some of the approximately $30 million in delinquent, uncollected student loan debt that is currently owed to the state, while still providing protections for borrowers. Using administrative wage garnishment, which the agency currently uses to collect overdue *federal* student loans, ISAC would be required to give the borrower advance notice that garnishment would begin, allowing the borrower an opportunity either to enter into a payment arrangement or to contest the amount and existence of the debt before garnishment occurs. Absent this authority, the agency's alternative to garnishment would be to take each delinquent borrower to court.

- **ILLINOIS DREAM FUND: SB 2486** (Bomke - Senate Executive Subcommittee on Special Issues) would reverse all changes made by last year's Senate Bill 2185, which provided for the establishment of an Illinois DREAM Fund. Privately-funded and under the auspices of a new Illinois DREAM Fund Commission, the Fund would support a scholarship program that would be available to Illinois students who are the children of immigrants and who meet the criteria to receive in-state tuition at an Illinois public university. The bill has been sent to a Senate subcommittee and appears unlikely to receive a vote.

- **COLLEGE COMPLETION REPORT CARDS: SB 3803** (Lightford – Senate Higher Education Committee) creates the College Completion Report Card Act, which requires the Illinois P-20 Council, Board of Higher Education (IBHE), Illinois Community College Board (ICCB), and a consortium of private colleges and universities to convene a committee to advise the Illinois P-20 Council on the development of a template for a college completion report card. In developing and publishing the report card, IBHE and ICCB would collect and report annual

data on college completion metrics that are clearly linked to performance funding metrics and the goals of the Illinois Public Agenda for Higher Education. The report card must also be simple to read and "clearly indicative of minority and low-income student access, student progress, and progress towards increasing college completion." Under the introduced bill, report cards would be required by September 30, 2014, and updated annually for any institution that enrolls at least one student who receives a MAP grant. Although not responsible for data collection, ISAC would be required to provide access to the report cards through the agency's web site.

- **COLLEGE & UNIVERSITY ISSUES:** A number of advancing bills would eliminate existing tuition waiver programs, require additional reporting, or constrain institutions' use of revenues derived from students.

  - No fewer than seven separate bills would eliminate the General Assembly Scholarship. Under current law, each member of the GA may offer two four-year scholarships per year at the state's public universities. Recipients must be residents of the awarding legislator's district, but each member has his or her own criteria and processes for awarding the scholarships. The broad latitude given to legislators in awarding the scholarships has received significant scrutiny, and the Governor and others have advocated abolishing the program. **HB 3810** (Crespo – House 3rd reading), which is currently staged for a vote on the House floor, would prohibit nominations for General Assembly Scholarships after June 1, 2012. In FY11, universities reported waiving a total of about $13.5 million on behalf of about 1300 recipients.

  - **HB 5531** (Arroyo – House 2nd reading) would eliminate the practice of public universities' granting 50% tuition waivers to the children of employees who have served for at least seven years. The universities see the waivers as one way to provide more attractive employment opportunities, and, in particular, assist lower-paid staff working in university support services.

  - **HB 5785** (Evans – House 2nd reading) would require each that university report no later than June 30 of each year on any tuition increases for the upcoming academic year, along with academic program closures and other cost-saving measures undertaken during the previous fiscal year. The reports would be publicized on the IBHE website

  - **HB 5914** (Rose – House 2nd reading) prohibits employee search committees from being funded with money derived from State taxes or tuition or fees charged to students.

- **DCFS SCHOLARSHIPS: SB 2818** (Hunter – Senate 3rd reading) is an initiative of the Department of Children and Family Services (DCFS) that makes technical changes to an existing program of scholarships and fee waivers for youth who have been under DCFS care. Under the bill, DCFS could make awards to youth who have earned a high school diploma or a certificate of general education development (GED), or who have met the State criteria for high school graduation. (Current law requires that the student "completed four years in an accredited high school.") The bill also clarifies that youth who aged out of care at age 18 or older are eligible for assistance under this program.

- **COLLEGE AND CAREER READINESS:** Other changes under consideration are intended to improve college and career readiness among high school students and graduates. **SB 3244** (Frerichs – Senate 2nd reading) would require four (instead of three) years of mathematics in order to graduate from high school, beginning with the 2012-13 freshman class. **SB 3259** (Lightford – Senate 2nd reading) increases the compulsory school age from 17 to 18 years of age, effective July 1, 2012.

- **OPEN MEETINGS ACT: HB 4687** (Pihos- Passed the House 104-10-0) would amend the Open Meetings Act to mandate that any required agenda must be "sufficiently descriptive" to give the public reasonable notice of the items that will be considered or will be the subject of final action at the meeting. The public body conducting a public meeting would have to ensure that at least one copy of any notice and agenda for the meeting is continuously available for public review during the entire 48-hour period preceding the meeting. The sponsor has acknowledged concerns from municipalities about a lack of clarity regarding what will constitute "sufficiently descriptive" agenda language; she has offered to continue working to address those concerns.